

Advantages and Pathways for the Development of Digital Finance in Shenzhen



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Shenzhen, as a pilot demonstration zone for socialism with Chinese characteristics, should explore its distinct resources in the digital economy and technological innovation. It should energize digital finance, enhance the social environment for its growth, create a collaborative framework, and reinforce security measures. This approach aims to ensure that digital finance benefits the people and contributes to development. Given that digital finance is a significant focus in the latest international competition and a crucial aspect of China's current financial development, Shenzhen must capitalize on the present opportunities to spearhead future financial advancements.

The Central Financial Work Conference emphasized that "Efforts should be made in five major areas: technology finance, green finance, inclusive finance, pension finance, and digital finance." This marks the first time digital finance is specifically highlighted alongside these sectors. Digital finance involves leveraging emerging information technologies like the internet and mobile communication to achieve the digitization, networking, and automation of financial services. The objective of digital finance is to improve the effectiveness of financial services and enhance the user experience, making convenient and efficient financial services accessible to a broader audience. Shenzhen, as a pilot demonstration zone for socialism with Chinese characteristics, is witnessing favorable growth in its financial sector, encompassing digital finance. In 2022, the added value of Shenzhen's financial industry amounted to 5137.98 billion yuan, securing the third position among major domestic cities. With a year-on-year growth of 8.2%, it outpaced first-tier cities in growth rate. The financial industry's contribution to GDP stood at 15.9%. Shenzhen is home to about 2,000 financial technology (fintech) companies, and roughly 200 of them boast a registered capital surpassing 100 million yuan. Yet, it's essential to acknowledge that within Shenzhen's swiftly evolving digital finance landscape, there are indications of undesirable and non-compliant practices. This underscores the necessity to increase development initiatives and elevate regulatory standards. Shenzhen should thoroughly explore its unique resources in the digital economy and technological innovation, unleashing the vitality of digital finance, optimizing the social environment for digital finance, establishing a collaborative framework for digital finance, fortifying the security barriers of digital finance, and ultimately benefiting the people and contributing to development.

ADVANCING INFORMATIZATION, CONSOLIDATING THE OPERATIONAL FOUNDATION OF SHENZHEN'S DIGITAL FINANCE

Shenzhen's financial institutions need to intensify their research and development in information technology, elevating the capacity and standards of digital services. This includes the creation of digital financial service products like mobile payments, online loans, and intelligent investment advisory to meet evolving consumer needs. There is a requirement to enhance strategic planning and expedite the establishment of an extensive digital information infrastructure. This infrastructure, anchored in fundamental components like 5G networks, a nationwide unified data center system, and the national industrial internet, should possess qualities such as high-speed ubiquity, seamless integration of land and space, convergence of cloud and network, intelligent adaptability, green low-carbon attributes, and secure controllability. The goal is to establish intelligent comprehensive digital information infrastructure that serves as the vital information "artery" for economic and social development.

The pivotal step in advancing digital finance through informatization is the implementation of the digital yuan. Shenzhen's digital yuan has already formed an extensive ecosystem of innovation and engaged in partnerships with local companies like Huawei, VIVO, OPPO, Tencent, amplifying the influential demonstration effect of Shenzhen's tech enterprises across the country. Concurrently, there is a need for Shenzhen to expedite the development of new infrastructure. It is crucial to advance industrialization and widespread implementation, foster prominent software enterprises with global impact, concentrate on making breakthroughs in crucial software domains, propel the expansion and resilience of the software industry, and improve the innovation and supply capabilities of vital software technologies.

ADVANCING DIGITIZATION TO OPTIMIZE SHENZHEN'S DIGITAL FINANCIAL SOCIAL ENVIRONMENT

Shenzhen aims to advance digitization and optimize its digital financial and social environment by focusing on three key areas:

The first involves creating a specialized networked financial services ecosystem, primarily catering to groups like the elderly. Given Shenzhen's current aging population exceeding a million residents, bridging the digital gap is imperative for the city's elderly care services. Shenzhen aims to investigate tailored strategies encompassing "demand + technology + industry + application," fostering a comprehensive collaborative model to improve service efficiency and user experience.

The second approach centers on catering to small and medium-sized enterprises (SMEs) through the development of innovative networked application scenarios. Suggestions include Shenzhen's municipal government utilizing the digital yuan and capitalizing on the city's innovative strengths to improve merchants' comprehension of digital currency and financial services. The objective is to create a seamless experience for consumers using the digital yuan, adhering to principles of openness, inclusivity, and continuous technological advancement. The ultimate aim is to establish an intelligent, varied, and personalized ecosystem for comprehensive digital finance through the extensive adoption of the digital yuan.

The third approach involves the comprehensive advancement of Shenzhen's digital financial network. To overcome misconceptions, the recommendation is to expand digital financial network services into sectors such as healthcare,

education, public utility payments, digital governance, and smart agriculture, leveraging existing scenarios like shopping, dining, and transportation. The objective is to attain complete coverage of digital financial networks across various scenarios, minimize the duration for funds to reach merchants, and introduce innovative approaches to fund supervision.

ADVANCING SMART SOLUTIONS TO FACILITATE SHENZHEN'S DIGITAL FINANCIAL DEVELOPMENT

In recent years, Shenzhen has actively promoted the development of smart cities and intelligent industries, implementing measures like the "Opinions on Accelerating Smart City and Digital Government Construction" and the "Special Development Plan for Financial Technology in Shenzhen (2023-2025)." These initiatives have created a favorable policy environment for the development of digital finance in Shenzhen.

In the upcoming phase, Shenzhen ought to concentrate on the cutting-edge strategies and pivotal domains associated with digital finance, grounded in significant technological advancements and developmental necessities. The city should bolster its competitiveness in crucial industry segments and work towards building a well-rounded intelligent industry system. This system should cover essential sectors like integrated circuits, emerging displays, communication devices, and intelligent hardware. Furthermore, it is crucial for intelligent contracts in digital finance to effectively address challenges such as merchant fund misappropriation and absconding, especially in prepaid payment scenarios. Utilizing the smart capabilities of digital finance can drive a common understanding in Shenzhen's industrial, equity, and securities investments regarding digital transformation. This, in effect, can encourage increased capital support for enterprises undergoing digital transformation and promote innovation in the field of digital finance.

ENHANCING REGULATION FOR A SECURE DIGITAL FINANCIAL ENVIRONMENT

In recent times, Shenzhen has witnessed the flourishing development of emerging sectors in digital finance, encompassing digital currency, payments, credit, securities, and insurance. Despite this growth, challenges remain, including inadequate legal regulations, complexities in digital asset pricing, and concerns about data security. To propel the progress of digital finance, it is crucial to enhance regulatory measures and establish robust safeguards for the security of digital financial systems.

Firstly, there is a requirement to accelerate the enhancement of the foundational structure of laws and regulations in the realm of digital finance. Continuous efforts are necessary to enhance and strengthen the capabilities for evaluating and pricing digital assets and data elements. Achieving balance in the collaborative development partnership between financial institutions and platform enterprises in specific areas of digital finance is crucial.

Secondly, advancing digital risk management is crucial. Financial institutions are urged to strengthen their digital risk management capabilities, enhancing monitoring and proficiency in managing aspects such as market risks and credit risks, and other factors, ensuring the safety and stability of digital finance.

The third priority involves strengthening the market access system, fair competition review system, and regulatory framework for fair competition in digital finance. Creating a comprehensive, multi-level, and three-dimensional regulatory structure is vital for achieving proactive, ongoing, and retrospective supervision across the entire spectrum and various

domains. This approach aims to address regulatory gaps, ultimately enhancing regulatory effectiveness.

The fourth aspect involves enhancing the governance system for digital finance. This includes refining legal regulations and policy systems, improving and advancing regulatory technologies and methods, and integrating supervision and governance throughout the entire process of innovation, production, operation, and investment. It is crucial to define the responsibilities and obligations of platform enterprises, which serve as the main entities for digital financial services, and establish industry self-regulation mechanisms.

The fifth aspect involves enhancing the national security system, emphasizing the reinforcement of early warning systems, preventive measures, and capabilities to address security risks in digital finance. The objective is to ensure security and manageability in core technologies, crucial industries, key facilities, strategic resources, major technologies, leading enterprises, and similar areas. It is also essential to enhance theoretical research on the development of digital finance.

In a comprehensive assessment, the substantial progress of digital finance in Shenzhen is a strategic decision to capitalize on emerging opportunities in the latest wave of technological revolution and industrial transformation. This initiative is beneficial for propelling Shenzhen towards establishing a new development paradigm, advancing the establishment of a modern economic system, and fostering the creation of new economic advantages for Shenzhen in economic competition.

The development of digital finance can support Shenzhen's market participants in restructuring organizational models, achieving cross-sectoral development, overcoming temporal and spatial limitations, extending industrial value chains, and facilitating economic interactions both within and beyond the special economic zone. Digital finance is a crucial aspect in the ongoing international competition and a central theme in China's current financial development. Shenzhen should seize the current era's opportunities and secure a strategic position in the future development of finance.



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