

## FAMILY ENTREPRENEURSHIP AND REGIONAL DIGITAL FINANCE ACCESS: EVIDENCE FROM HOUSEHOLD ENTREPRENEURSHIP IN CHINA

### AUTHORS

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### EXECUTIVE SUMMARY

Using data from the China Household Finance Survey (CHFS) conducted in 2015, 2017, and 2019, in conjunction with the regional digital financial inclusion index developed by Peking University, we investigate the influence of regional digital finance accessibility on Chinese household entrepreneurship. The findings reveal that households in regions with better digital finance access exhibit a greater inclination towards household entrepreneurship. Among the – sub-indicators, the breadth of coverage and the use of credit exert the most significant influence. Furthermore, by employing casual mediation analysis in instrumental variable settings, we find that the physical bank outlet networks act as a negative transmission mechanism in the relationship between regional digital finance access and household entrepreneurship. This negative mediation effect amplifies with the proliferation of bank outlets. Heterogeneity analysis shows that the positive impact of regional digital finance access is particularly significant among households without commercial insurance and financial literacy. We recommend that governments advocate broader commercial insurance access and promote financial literacy in communities.



### KEYWORDS

- Household entrepreneurship
- Digital finance access
- Bank outlet networks
- Commercial insurance
- Financial literacy

### RESEARCH RELEVANCE

- Conventional wisdom treats digital finance as an extension of, and a complement to, traditional banking infrastructure, with the two presumed to reinforce one another in widening the perimeter of economic opportunity. Our new paper in *Applied Economics*, drawing on three waves of the China Household Finance Survey matched to Peking University's Digital Financial Inclusion Index, surfaces a more counter-intuitive structure.
- Through causal mediation analysis in an instrumental-variable framework, we find that the density of physical bank branches operates not as a complement but as a negative mediator between regional digital finance access and household entrepreneurship, a crowding-out effect that amplifies as branch networks thicken. Digital finance, in other words, does not extend the traditional banking system; in significant measure, it substitutes it.
- The second finding sharpens the first. The entrepreneurial dividend of digital finance flow most powerfully, to households without commercial insurance or financial literacy, precisely those populations whom formal financial institutions have historically underserved. Digital finance is best understood not as infrastructure augmentation, but as a compensatory opportunity channel for those to whom the traditional system was never fully open.
- The policy implication follows directly: expanding digital access alone is insufficient. Only when paired with broader insurance access and community-based financial literacy does inclusion translate into entrepreneurial dynamism.

### BIBLIOGRAPHIC INFORMATION

Li, Z., Jin, S., & Wu, J. (2025). Family entrepreneurship and regional digital finance access: evidence from household entrepreneurship in China.

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*"Where traditional bank networks thin out, digital finance steps in — and it is precisely in these underserved regions, among households without insurance or financial literacy, that entrepreneurial potential is most powerfully released."*

