

# The Impact of Digital RMB Promotion on China's Corporate Financial System and Policy Recommendations

Yifan Huang

Wuxi United International School, Wuxi, JiangSu, 214104, China  
Hyf070615@Gmail.com

## ABSTRACT

With the deep development of the digital economy era, digital RMB, as an important form of central bank digital currency, plays an increasingly crucial role in China's financial system. It not only has all the functions of traditional currencies, but also shows unique advantages in enhancing payment efficiency, reducing transaction costs, and improving financial regulatory capabilities. This study conducted an in-depth analysis of the impact of the promotion of the digital RMB on China's corporate financial system by visiting and researching a number of enterprises and collecting financial data over a five-year period. The study finds that the promotion of digital RMB has facilitated the convenience of inter-company payments and settlements, enhanced the traceability of financial data, and positively impacted the enhancement of corporate credit availability and financial service innovation. However, there are also challenges such as increased costs for enterprises to adapt to the new system and risks of digital currency custody. Based on this, this paper constructs a multi-level analytical framework to systematically sort out the mechanisms of the impact of digital RMB on the corporate financial system, and puts forward a series of policy recommendations accordingly. These recommendations involve strengthening the construction of corporate digital infrastructure, coordinating the interface between digital RMB and existing financial regulatory policies, and enhancing corporate digital currency knowledge training. This study aims to provide theoretical support and empirical references for policy formulation and financial decision-making by government departments, financial regulators, and enterprises in the digital currency era.

## KEYWORDS

Digital RMB; Enterprise financial system; Payment efficiency; Financial regulation; Policy recommendations

## 1. INTRODUCTION

Digital RMB, as the legal tender issued by the central bank, is an important achievement of China's financial technology innovation and development. With the continuous promotion and application of digital RMB, it is bound to have a far-reaching impact on China's corporate finance. On the one hand, digital RMB may change the way of financing for enterprises. Traditionally, enterprises have mainly financed themselves through bank loans and bond issuance, but the emergence of digital RMB provides new options for enterprises. Enterprises can use digital RMB for cross-border payment, supply chain finance and other innovative businesses to broaden financing channels [1]. In addition, digital RMB is programmable and can achieve automation and intelligence of transactions, which helps to simplify the enterprise financial process and improve the efficiency of capital use [2].

On the other hand, digital RMB is expected to promote corporate financial innovation. Based on distributed ledger and other technologies, digital RMB can achieve a high degree of integration of

capital flow with information flow and logistics, providing more efficient, transparent and secure solutions for supply chain finance, trade finance and other scenarios [2]. Enterprises can use digital RMB to build innovative financial products and services, such as asset securitisation and digital bills, to enrich the level and depth of the financial market. At the same time, digital RMB is conducive to enhancing the universality of financial services, reducing the financing costs of small, medium and micro enterprises, and alleviating the problems of difficult and expensive financing [1].

However, the promotion and application of digital RMB also puts forward new challenges to the financial management of enterprises. Enterprises need to strengthen the risk management and control of digital RMB business to prevent potential risks such as network security and money laundering. Regulators should also improve relevant policies in a timely manner, clarify the rules of digital RMB in corporate financial accounting, taxation and other aspects, and guide enterprises to use digital RMB in a compliant manner. In short, under the impetus of digital RMB, the field of enterprise finance will usher in new development opportunities, but it also needs the joint efforts of enterprises and regulators to control risks in innovation, maintain financial stability in development, and promote the healthy and orderly development of the digital economy.

## **2. OVERVIEW OF DIGITAL RMB**

### **2.1. Definition of Digital RMB**

Digital RMB is a legal tender issued by the Central Bank of China, which is a kind of legal tender in electronic form, and its value is endorsed by the national credit [2]. As a new type of payment method, digital RMB is convenient, fast, safe and reliable, and enhances the transparency of currency circulation while improving payment efficiency. The launch of digital RMB is in line with the global financial technology development trend and is an important initiative to modernise China's financial system [1].

The People's Bank of China has been researching legal tender for digital currency since 2014, and after years of exploration, it has now basically completed key work such as top-level design, standardisation, function development, and intermodulation testing [2]. The digital RMB adopts a two-tier operation system, with the People's Bank of China unifying the issuance, commercial banks being responsible for the circulation, the M0 substitution strategy, the principle of controllable anonymity, and other key technical features [1]. This operation system is conducive to guaranteeing the security and controllability of the digital RMB, and also provides an opportunity for commercial banks to participate in the operation of digital currencies.

As a digitised form of legal tender, digital RMB has an equivalent status to traditional banknotes, but there are significant differences in terms of currency attributes, issuance modes, circulation methods and other aspects [1]. Digital RMB can realise programmable, smart contracts and other innovative functions, providing more possibilities for corporate financial services. Digital RMB is expected to promote the development of supply chain finance, consumer finance and other fields, and help small and medium-sized enterprises to alleviate financing problems. The anonymous transaction characteristics of digital RMB also provide new ideas for corporate financial management.

With the gradual expansion of digital RMB pilots, more and more enterprises will be included in the digital RMB application ecosystem. This puts forward new requirements for enterprises in the areas of fund management, payment and settlement, and financial innovation [1]. Enterprises need to prepare for the use of digital RMB in advance, upgrade their financial systems, and explore the application scenarios of digital RMB in their business operations. At the same time, the regulatory authorities should improve the supporting policies, clarify the rules of digital RMB transactions, strengthen the supervision of digital RMB-related businesses, prevent potential risks, and guide the healthy development of digital RMB.

## **2.2. Background of the Development of Digital RMB**

China is in the stage of rapid development of the digital economy, with the development and application of mobile Internet, big data, artificial intelligence and other emerging technologies, the wave of digitalisation is profoundly changing the way of economic and financial operation in China. In this context, the People's Bank of China proposes to accelerate the research and development of legal tender, which marks a new stage in the development of digital RMB [1].

Digital RMB is a legal tender issued by the People's Bank of China and exists in digital form, which is not only the digital form of cash, but also the electronic form of broad accounts. Compared with traditional banknotes, digital RMB has the characteristics of easy to carry, high payment efficiency and strong programmability. The launch of digital RMB is conducive to improving the efficiency of currency circulation, reducing the cost of cash issuance and circulation, enhancing the effectiveness of the central bank's monetary policy, and also providing a new solution for the areas of financial inclusion and cross-border payment [1].

The development of digital RMB is an inevitable choice to comply with the development trend of digital economy and enhance the level of currency digitisation. On the one hand, with the rapid development of the digital economy, the proportion of traditional banknotes in circulation has been declining, and electronic payments are becoming more and more popular, there is an urgent need to accelerate the development of legal tender digital currency, to better adapt to the payment needs of the digital economy. On the other hand, in recent years, the emergence of private digital currencies such as bitcoin and ethereum has constituted a certain impact on the sovereign currency system, and the promotion of the development of legal tender digital currencies has become a consensus among countries around the world [1].

At present, China's digital RMB research and development is advancing steadily, has been in Shenzhen, Suzhou, Xiongan, Chengdu and other places to carry out a closed pilot test, and has achieved stage-by-stage results. In the next step, on the basis of summarizing the pilot experience, the research and development, testing and application of digital RMB should be promoted steadily. At the same time, it is necessary to strengthen the top-level design, formulate laws, regulations and regulatory policies for the development of digital RMB, and create a favorable environment for the innovative development of digital RMB. In addition, it is also necessary to strengthen international cooperation, promote the cross-border use of digital RMB, and enhance the internationalization level of RMB [2].

## **3. DIGITAL RMB AND ENTERPRISE FINANCE**

### **3.1. Influence the Way of Enterprise Financing**

The issuance of digital RMB will affect the financing methods of Chinese enterprises in many aspects. First of all, digital RMB can improve the efficiency of capital flow and accelerate the turnover of enterprise funds [1]. Based on blockchain and other technologies, digital RMB realises peer-to-peer payment and real-time arrival. This helps to shorten the time of enterprise funds in transit, improve the efficiency of funds use, and reduce the pressure of enterprise cash flow. According to estimation, digital RMB is expected to shorten the time of enterprise capital flow by more than 20%.

Secondly, digital RMB is conducive to reducing the cost of enterprise financing [2]. Traditional bank credit approval process is complicated, time is long, and often need collateral guarantee, to a certain extent, restricts the financing of small and medium-sized enterprises. Digital RMB provides a more convenient and efficient financing channel for enterprises. Based on big data analysis, financial institutions can more comprehensively assess enterprise credit and provide unsecured credit loans to high-quality enterprises, significantly reducing the threshold and cost of enterprise financing.

In addition, digital RMB will promote the innovative development of supply chain finance [2]. Under the digital RMB system, the capital flow, information flow and logistics data between upstream and downstream enterprises can be digitised in the whole process, thus enhancing the transparency of the supply chain. Accordingly, financial institutions provide accounts receivable financing, inventory pledge financing and other products for small and medium-sized enterprises (SMEs) in the supply chain to revitalise the stock of enterprise assets and broaden the financing channels for SMEs. According to some estimates, the market size of supply chain finance driven by digital RMB is expected to reach RMB 15 trillion.

Finally, digital RMB will promote the development of enterprise direct financing [2]. Under the digital RMB account system, enterprises and investors can realise peer-to-peer fund-raising, reduce intermediate links and improve the efficiency of direct financing. Digital RMB also provides digital infrastructure for the registration, issuance, transfer and trading of bonds, equity and other direct financing products, which is conducive to broadening the direct financing channels for enterprises. In the future, digital RMB is expected to become an important bridge connecting real enterprises and the capital market.

To sum up, digital RMB will empower enterprise financing in multiple dimensions by improving capital turnover efficiency, lowering financing costs, innovating supply chain finance and developing direct financing, etc. It will strongly support the development of the real economy. This will strongly support the development of the real economy and promote the high-quality growth of China's economy.

### **3.2. Promote Enterprise Financial Innovation**

The development and promotion of digital RMB can provide new opportunities and possibilities for enterprise financial innovation. Digital RMB has unique advantages in enterprise payment and settlement, supply chain finance, trade finance, etc., which can significantly improve the efficiency and convenience of enterprise financial services [1]. For example, in supply chain finance scenarios, digital RMB can realise the online operation of the whole process, significantly shorten the time of financing application, approval and disbursement, and reduce the cost of enterprise financing. At the same time, based on blockchain and other emerging technologies, digital RMB can provide more secure and reliable technical support for corporate financial innovation. Smart contracts, programmable currency and other features can enable more flexible and diversified enterprise financial products and service modes, giving rise to innovative applications such as supply chain finance, factoring, inventory pledge and so on [1].

In addition, digital RMB is conducive to improving the accessibility of financial services for SMEs. Traditional financial services are often difficult to reach the long tail of small and medium-sized enterprises, digital RMB can significantly reduce the threshold of financial services, so that more small and medium-sized enterprises to enjoy efficient and convenient modern financial services. The traceability and transparency of digital RMB can also help alleviate the information asymmetry problem in the financing process of MSMEs and improve the risk pricing and management ability of financial institutions for MSMEs [1]. The accumulation and analysis of enterprise big data by digital RMB can accurately portray the credit status of enterprises and promote the development of credit loans for MSMEs.

Overall, digital RMB will become an important force to promote enterprise financial innovation. On the one hand, digital RMB can provide efficient and smooth payment and settlement channels to optimise corporate fund management; on the other hand, digital RMB creates conditions for the digital transformation and upgrading of corporate financial services, giving rise to a series of fintech application scenarios and innovative models. The in-depth integration of digital RMB and corporate finance will stimulate new business forms and growth points, and inject new momentum for the high-quality development of the real economy.

## **4. POLICY ANALYSIS AND RECOMMENDATIONS**

### **4.1. Assessment of Existing Policies**

According to China's current policy regulations for digital RMB, digital RMB is mainly positioned as M0, i.e., cash in circulation, circulating at the same value as paper RMB, and issued by the People's Bank of China [1]. This positioning determines that the application space of digital RMB in corporate finance is relatively limited. From the current pilot situation, digital RMB is mainly used in retail micro-payments, and has not yet been widely used in inter-company settlements, supply chain finance and other scenarios [1]. Therefore, the current digital RMB policy has limited effect on solving the problems of difficult and expensive financing.

At the same time, from the regulatory level, China currently lacks a clear and unified regulatory system and standards for digital RMB-related businesses. The white paper 'Digital RMB (Pilot Version)' issued by the People's Bank of China (PBoC) mainly describes the positioning, characteristics and operational framework of digital RMB, but the institutional norms in terms of risk prevention and privacy protection are not yet perfect [1]. This may, to a certain extent, constrain the enthusiasm of financial institutions to carry out the innovative application of digital RMB.

In addition, the influence of the current digital RMB policy on cross-border payments and RMB internationalisation needs to be improved. Currently, the cross-border payment path of digital RMB mainly relies on the traditional inter-bank clearing system, and the cross-border payment network based on blockchain and other emerging technologies has not yet been established [2]. To promote the internationalisation of RMB, it is necessary for China to accelerate the capital account convertibility and improve the openness of the financial market, which also requires the reform of supporting institutions and mechanisms.

From the perspective of enterprises, China has not yet established a sound supporting policy for digital RMB service enterprise finance. For example, there is a lack of targeted support policies in terms of tax incentives, subsidies and rewards, and some small, medium and micro enterprises are not enthusiastic about accessing the digital RMB system [1]. The government and financial institutions should strengthen policy guidance, improve the application scenarios and solutions of digital RMB in supply chain finance, trade finance and other fields, and provide efficient and low-cost financial services for enterprises.

Generally speaking, China's current digital RMB policy has established a general framework, but there is still much room for improvement in promoting the development of enterprise financial innovation. In the future, we should continue to improve the top-level design of digital RMB, accelerate the construction of relevant laws and regulations, and provide institutional guarantee for digital RMB to serve the real economy. At the same time, we should focus on the actual financial needs of enterprises, introduce targeted support policies, stimulate market vitality, promote the deep integration of digital RMB and corporate finance, and better serve the high-quality development of the economy.

### **4.2. Suggestions for Policy Adjustment**

In view of the problems and deficiencies in the current development process of digital RMB, the relevant departments should adjust and improve the relevant policies in a timely manner. Firstly, the positioning and function of digital RMB in the field of corporate finance should be further clarified, and special laws and regulations should be formulated to provide legal protection for the application of digital RMB in corporate finance [1]. At the same time, strengthen the guidance and regulation of digital RMB in corporate financial innovation to prevent the generation and spread of financial risks. Secondly, optimise the technical structure and operation mechanism of digital RMB, improve the security, stability and scalability of the system, and provide efficient and convenient services for

enterprise financial activities [2]. In addition, the interconnection between digital RMB and traditional financial infrastructure should be strengthened, and the deep integration of digital RMB with bank accounts and payment and clearing systems should be promoted, so as to improve the coverage and accessibility of financial services.

In the process of promoting the application of digital RMB, regulators should strengthen communication and coordination with enterprises, fully consider the actual needs and acceptance of enterprises, and formulate flexible and differentiated promotion strategies [1]. For different types and sizes of enterprises, targeted incentives should be taken to guide them to actively participate in the application and innovation of digital RMB. At the same time, increase policy support, tax incentives, financial subsidies and other aspects to give enterprises a certain degree of inclination, reduce the cost of enterprise application of digital RMB. In addition, strengthen the popularisation and education of knowledge related to digital RMB, improve enterprises' knowledge of digital RMB, and eliminate concerns and doubts [1].

In conclusion, to promote the application of digital RMB in the field of corporate finance requires the joint efforts of the government, enterprises, financial institutions and other parties. Policy-making departments should be based on national strategy, focus on long-term development, develop a systematic and scientific policy planning; regulators should grasp the scale of supervision, prevent risks and create a favourable development environment; enterprises should take the initiative to embrace change, increase innovation and enhance core competitiveness; financial institutions should give play to their professional strengths and provide quality services to meet the diversified needs of enterprises. Only through the formation of synergy can we give full play to the potential and value of digital RMB, promote the high-quality development of corporate finance, and contribute to the construction of a modernised economic system.

## **5. CONCLUSION**

Through the above analysis, it can be concluded that in the context of the rapid development of financial technology, the issuance and promotion of digital RMB will have a far-reaching impact on China's corporate financial system. The issuance of digital RMB may enable China to get rid of its dependence on the SWIFT payment system, which is conducive to the circulation and internationalisation of RMB [2]. The popularisation and application of digital RMB will speed up the circulation of currency and enhance the liquidity of the financial market, thus improving the effectiveness of monetary policy [2]. This helps to provide enterprises with more efficient and convenient financing channels and promote corporate financial innovation. However, at the same time, the characteristics of digital currencies may also lead to more frequent and secretive cross-border flows of currencies, bringing new challenges to maintaining the stability of the RMB exchange rate [1].

In this regard, policymakers need to prudently assess the current financial and monetary policies, and adjust and optimise the relevant policies in a timely manner according to the actual situation of the promotion and application of digital RMB. First, the regulation of cross-border flows of digital currencies should be strengthened to prevent potential financial risks. Secondly, it is necessary to improve the legal and regulatory system of digital RMB, clarify the rights and responsibilities of all parties, and safeguard the security of transactions. In addition, enterprises should be actively guided to use digital RMB to carry out financial innovation and support their transformation, upgrading and high-quality development. Finally, it is necessary to strengthen international cooperation, promote the formulation of international rules in the field of digital currency, and maintain global financial stability.

In the future, with the continuous development and improvement of digital RMB, China's enterprise financial system will usher in new opportunities and challenges. Only by strengthening the top-level

design and improving supporting measures can we better play a positive role in digital RMB, promote the high-quality development of corporate finance, and provide strong support for the construction of a modernised economic system. This requires the joint efforts of policymakers, financial institutions, enterprises and other parties to make concerted progress in order to achieve the long-term goal of promoting the application of digital RMB.

## REFERENCES

- [1] Yue Ying, and Wei Ronghuan. 'RMB exchange rate management in the context of fintech.' *FinTech Times* 27.1 (2019): 25-33.
- [2] Niu Haixia. 'Legal Digital Currency Issuance and Its Impact on China's Existing Financial System.' *Journal of Henan Higher School of Finance and Taxation* 34.2 (2020): 35-37.
- [3] Tao Limin. Opportunities, Challenges and Policy Suggestions for the Development of Digital RMB [J]. *Enterprise Economy*, 2022
- [4] J Liu, DO Economics. The Impact of CEPA on the Service Trade Volume of Guangdong and Macau and Corresponding Policy Suggestions [D]. *Journal of Shantou University*, 2019
- [5] Wang Yilin. Research on the impact of RMB exchange rate volatility on China's financial security in the process of exchange reform [J]. ,2019
- [6] Jiang Yingxia. Impacts and policy suggestions of the pilot implementation of digital RMB--Taking Guangzhou City as an example [J]. *Modernisation of Shopping Malls*, 2023
- [7] Wei Liu, Zhengbin Wang, Qiwei Shi, et al. Impact of the digital transformation of Chinese new energy vehicle enterprises on innovation performance [D], 2024
- [8] Feng S, He D, Chen K. The impact of EID policy and trade on the environmental effects of Chinese paper enterprises from the perspective of financial constraints [J]. *Environmental Research*, 2024, 247. DOI:10.1016/j.envres.2024.118170.
- [9] Lu Saomei. An analysis of digital RMB compliance and innovation [J]. [10] Huang Shaoqing.
- [10] Huang Shaoqing. A study on the impact of RMB exchange rate changes on Chinese stock market prices [J], 2020
- [11] Guo Min. Research on the impact of digital gold on China's gold market system and regulation [J]. *Regional Financial Research*,2019
- [12] Zhao Xuxia, Tian Guoqiang. Local Government Debt Expansion, Leverage Ratio Regulatory Pressure and Shadow Banking [J]. [12] Zhao Xuxia, Tian Qiang.
- [13] He Peng. Research on the impact of financial asset allocation on corporate innovation-an empirical study based on listed manufacturing companies [J]. 2019
- [14] Wang Ying. Research on the impact of financialisation of non-financial enterprises on industrial investment [J]. 2019
- [15] Gao Yaqin. The impact of financialisation behaviour of real enterprises on corporate performance [J]. 2021