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Research on the Path of Promoting Regional Financial Balance under the Background of the Digital Economy

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Abstract: The purpose of this paper is to explore the effective path to promote the balanced development of regional financial resources in the context of the digital economy. With the rapid development and wide application of digital technology, the digital economy has become a new engine to promote economic growth, but at the same time, it has also exacerbated the imbalance in the distribution of financial resources among regions. By analyzing the profound impact of the digital economy on the regional economic landscape, the study proposes strategies to optimize resource allocation, promote industrial upgrading, and broaden financing channels by using advanced technologies such as big data, cloud computing, and artificial intelligence, aiming at narrowing the gap in regional financial resources and achieving more balanced development. At the same time, the importance of policy guidance, regional cooperation, and talent cultivation is emphasized to provide theoretical support and practical paths for constructing a new pattern of balanced development of regional financial resources in the era of the digital economy.

Keywords: Digital economy; Balanced financial resources; Path research

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1. Introduction

With the advancement of new technologies such as 5G and the Internet of Things (IoT), the digital economy has become the main engine driving domestic economic development. According to the research report on the development of China's digital economy, the scale of China's digital economy reached 50.2 trillion yuan in 2022, with a nominal growth of 10.3% year-on-year, which has been significantly higher than the nominal growth rate of GDP in the same period for 11 consecutive years (**Figure 1**).

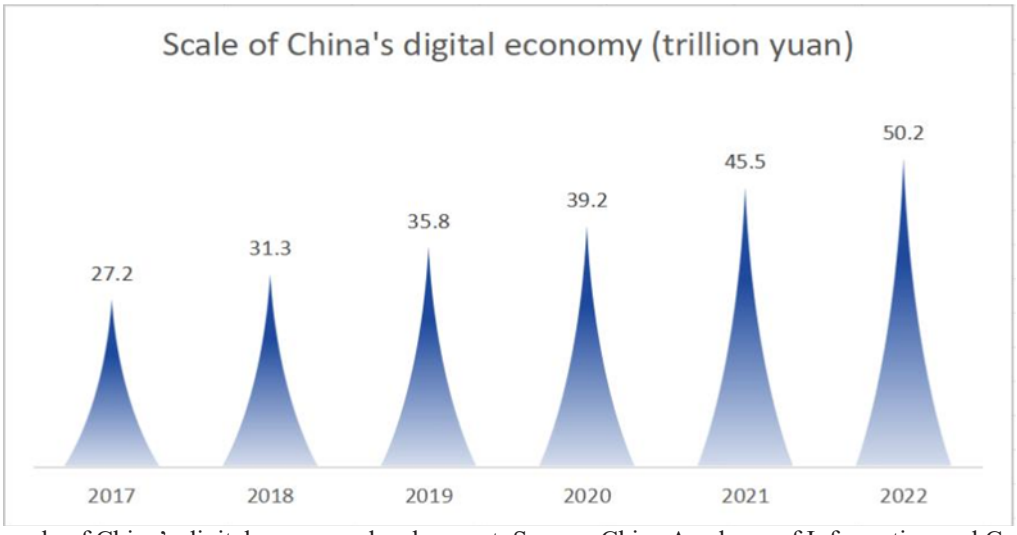

Figure 1. The scale of China's digital economy development; Source: China Academy of Information and Communications Technology

The digital economy accounts for 41.5% of GDP (**Figure 2**), a share equivalent to that of the secondary sector in the national economy.

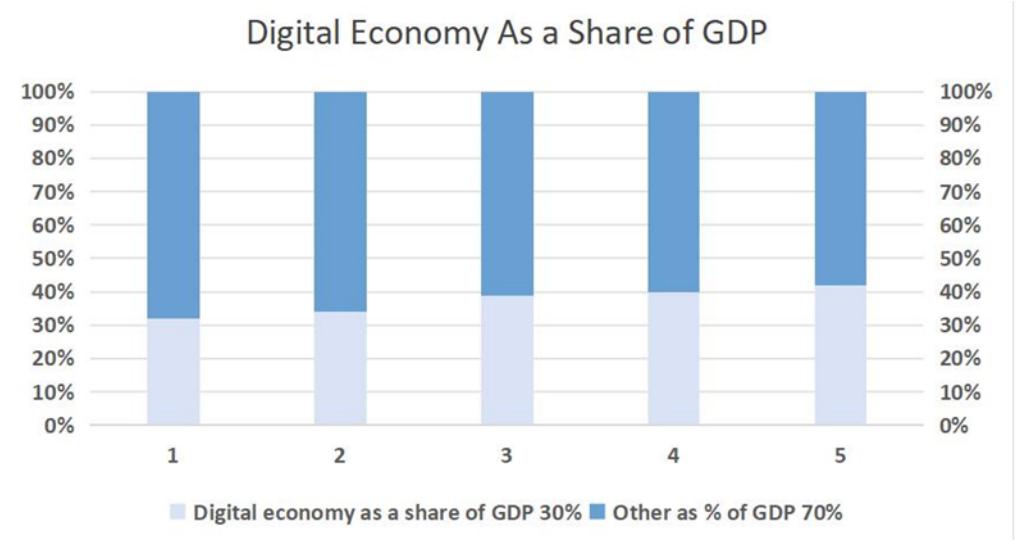

Figure 2. Digital economy as a share of GDP; Source: China Academy of Information and Communications Technology

As a new economic form, the digital economy breaks through the traditional mode and realizes the upgrading and innovation of traditional industries. But at the same time in the new model, the corresponding tax elements are difficult to define, the transaction mode is difficult to accurately screen, and the value of the transaction is difficult to reasonably estimate the amount [1]. The rapid development of the regional digital economy has not brought about year-on-year growth in tax revenue, and generally produces the situation of tax revenue and tax source deviation, exacerbating the financial disparity between regions in China, which is not conducive to the coordinated development of the region [2]. Based on this, this paper analyzes the factors affecting the balance of regional financial resources by analyzing the digital economy in the context of the

digital economy, and then puts forward corresponding countermeasures to promote the healthy development of the digital economy.

2. Influence factors of the digital economy on regional financial equilibrium

2.1. Differences in the level of economic fundamentals

The level of economic development is an important factor in determining the degree of influence of the digital economy on the balance of regional financial power. Economically developed regions tend to have better infrastructure, and higher levels of scientific and technological inputs, including the Internet, communications, cloud computing, big data, and so on, and the level of construction of these infrastructures has a direct impact on the speed and quality of the development of the digital economy. Economically developed regions have invested more in infrastructure construction, forming a more complete digital economy ecosystem and providing a strong guarantee for the development of the digital economy. The less economically developed regions are relatively lagging in infrastructure construction, limiting the space for the development of the digital economy, thus affecting the balance of regional financial strength. These conditions provide strong support for the rapid development of the digital economy. On the contrary, less economically developed regions may face challenges such as insufficient infrastructure and limited investment in science and technology in the development of the digital economy, leading to a relative lag in the development of the digital economy. This difference further exacerbates the imbalance in regional financial strength.

2.2. Differences between digital industrialization and industrial digitization

The development of the digital economy includes not only digital industrialization but also industrial digitization. Economically developed regions have achieved remarkable results in both digital industrialization and industrial digitization, forming a development pattern of deep integration between the digital economy and the real economy. In addition, scientific and technological investment and innovation capacity are also the core driving forces for the development of the digital economy. Economically developed regions often have more scientific and technological resources, stronger innovation capacity, and more perfect innovation system, which can continuously promote the research and development and application of digital technology and form new economic growth points, while regions lagging in digital industrialization and industrial digitization are difficult to give full play to the potential of the digital economy, which affects the balance of the regional financial strength.

2.3. Adaptability challenges of tax system and policies

On the one hand, the challenge comes from the elements of the tax system. Under the digital economy, the clarification and application of tax system elements such as tax subjects, tax objects, and tax rates face challenges. The wide application of digital technology has diversified the forms of economic activities, and many digital products and services have both product and service characteristics, which makes it difficult to define the object of taxation. The design of the current tax system is mainly based on the operation mode of the industrial economy, which is difficult to fully apply to the new form of the digital economy, resulting in the absence or inapplicability of the relevant provisions of the elements of the tax system. On the other hand, there is the limitation of tax jurisdiction. The digital economy has weakened the principle of personal territoriality in traditional tax administration, making the determination of tax jurisdiction more complicated. The application

of digital technology makes economic activities no longer entirely dependent on physical carriers, and the pattern of tax benefit distribution formed under the traditional economy is broken. The phenomenon of territorial tilt has intensified, and the virtualized digital links under the digital economy have partially replaced the physical fixed links, resulting in challenges to the applicability and effectiveness of tax jurisdiction.

2.4. Difference between tax transfer and fiscal decentralization

The impact of the digital economy on tax revenues is also one of the important factors leading to the imbalance of regional fiscal power. The development of the digital economy has aggravated the "siphon effect" of tax revenue, that is, tax revenue is concentrated in economically developed regions. At the same time, the different degree of fiscal decentralization also affects the balance of financial power among regions. In regions with a higher degree of fiscal decentralization, local governments have more financial and administrative rights, and can formulate more flexible policies and measures to support the development of the digital economy according to their circumstances; while in regions with a lower degree of fiscal decentralization, local governments have relatively less policy space, making it difficult for them to effectively respond to the challenges and opportunities brought about by the digital economy.

3. Study on the path to promote regional financial equalization

3.1. Strengthening the construction of digital economy infrastructure

There is a spatial spillover effect of digital economy infrastructure construction and digital industry development on entrepreneurial activity [3]. In today's booming digital economy, the importance of digital economic infrastructure is self-evident. It is not only the cornerstone of the digital economy but also the key to promoting the balanced development of regional financial resources. To narrow the widening inter-regional digital economy development gap, it is necessary to place the strengthening of digital economy infrastructure construction at the core of the strategy.

For western regions of China, their digital economy infrastructure is relatively weak due to historical reasons and geographic constraints. This has seriously constrained the development of the digital economy in these regions. Therefore, the government and all sectors of society should increase their investment in the construction of digital economy infrastructure in western China, and make network coverage and quality a top priority. Through the construction of high-speed, stable, and secure digital networks, the digitization level of Western China will be enhanced, laying a solid foundation for the development of its digital economy. While strengthening infrastructure construction, infrastructure cooperation between eastern China and western China should also be encouraged. Eastern China started earlier in the field of digital economy and has rich experience and advanced technology. Western China, on the other hand, has abundant resources and potential, and cooperation between the two sides can realize complementary advantages and jointly promote the synergistic development of the digital economy. Through cooperation in building data centers, transmission networks, and other infrastructures, the sharing and flow of data resources will be facilitated, and the digitalization level of the entire region will be enhanced.

In addition, strengthening the construction of digital economy infrastructure also needs to focus on innovation leadership and green development. In the construction process, new technologies and materials should be actively adopted to improve the level of intelligence and sustainability of infrastructure. For example,

technologies such as the Internet of Things and big data should be used to realize intelligent management of infrastructure and improve operational efficiency and service quality; green building materials and energy-saving technologies should be adopted to reduce the energy consumption and environmental impact of infrastructure.

3.2. Optimizing the layout of digital industries

In the context of the digital economy, the impact of the digital industrial layout on the balance of regional financial strength should not be ignored. Due to the differences in resource conditions, industrial foundation, and technological level of different regions, optimizing the digital industrial layout cannot be done in a one-size-fits-all manner, so industrial policies should be formulated according to the actual situation of each region and according to local conditions. The digital economy in each region of the country has always been significant for the decentralization of industrial layout [4]. For western China, optimizing the digital industrial layout means giving full play to its unique resource advantages. Western China has vast land, abundant resources, and relatively low labor costs, all of which provide favorable conditions for the development of digital industries. Therefore, several competitive digital industry bases can be created by introducing and cultivating digital industries such as big data, cloud computing, and the Internet of Things. At the same time, eastern China and western China are encouraged to carry out industrial chain cooperation, combining the technological advantages of eastern China and the resource advantages of western China to realize the optimization and reorganization of the industrial chain.

In the process of optimizing the layout of digital industries, it is also necessary to focus on the guiding role of the government. The government should strengthen the planning and guidance for the development of the digital industry, formulate relevant policies and measures, and provide a favorable development environment for enterprises. At the same time, the government should also increase investment in the digital industry, support enterprises to increase R&D investment and enhance the ability of independent innovation.

Optimizing the layout of digital industries can promote the synergistic development of eastern China and western China. Eastern China has a leading advantage in the development of the digital industry, and can support the development of western China through technology output, capital investment, and so on; western China can utilize its own resource advantages and policy support to provide high-quality products and services for eastern China, to achieve mutual benefit and win-win situation.

3.3. Improvement of tax preferential policies

In the context of the digital economy, tax incentives, as an important means of regulating the balance of regional financial resources, are of great significance for promoting the economic development of western China, and accelerating the improvement of the regulation of income tax collection and management of the enterprise's digital economy business has become one of the key tasks of the relevant state departments [5]. There is a need to improve the tax incentives from the following aspects.

3.3.1. Formulate more favorable tax policies for western China

Since the foundation of the digital economy in western China is relatively weak, the government should give more tax support to reduce the tax burden of enterprises and attract more enterprises to invest and develop their business. This includes granting a certain degree of preferential policies such as income tax exemptions

and value-added tax rebates to enterprises established in western China. In addition, the operating costs of enterprises can be further reduced by exempting or reducing some administrative fees and government funds.

3.3.2. Strengthen tax collection and management

To ensure the fairness and effectiveness of tax policies, the government needs to strengthen the supervision and management of tax collection and administration. On the one hand, the government needs to increase the investigation and handling of tax evasion and crack down on all kinds of tax violations to ensure that the tax revenue is collected as much as possible. On the other hand, it is necessary to optimize the tax collection and management process, improve the efficiency of tax collection and management, and reduce the compliance cost of taxpayers. In addition, tax informatization should be strengthened to realize information sharing and collaborative management and improve the modernization level of tax collection and management.

3.3.3. Promote inter-regional tax cooperation

Under the background of the digital economy, inter-regional economic ties are getting closer and closer, and tax cooperation is particularly important. By strengthening inter-regional tax cooperation, the synergistic effect of tax policies can be realized, and regional fiscal balance can be promoted. This includes the establishment of an interregional tax information-sharing mechanism, the strengthening of tax policy coordination and docking, and the joint fight against cross-regional tax violations.

3.3.4. Focus on the synergy between tax policies and other policies

Although tax incentives are important, they cannot work in isolation. The government needs to combine it with other policies to form a policy synergy and jointly promote regional financial equalization. For example, tax incentives can be combined with industrial and financial policies to increase support for key industries, enterprises, and projects in western China and promote industrial restructuring and optimization. At the same time, social capital can also be guided to invest in western China through tax policies to promote interregional capital flows and synergistic industrial development.

3.4. Enhance talent support

Human capital promotes the development of a digital economy [6]. As the core force to promote economic and social development, talent is not only the source of scientific and technological innovation but also a key factor in promoting the balance of regional financial resources. Therefore, it is of great significance to increase the support for talent in western China and improve the quality and innovation ability of talents, to narrow the gap of regional financial strength and promote the coordinated development of the digital economy.

3.4.1. Improve the talent training mechanism and introduce high-end talents

First of all, the government should increase investment in education, improve the quality of education, and cultivate more high-quality talents with digital skills and innovative spirit. At the same time, enterprises are encouraged to cooperate with universities to cultivate high-end talent in line with market demand and to provide continuous talent support for the development of the digital economy in western China.

3.4.2. Formulate more favorable policies for the introduction of talents

Attract more talents to join the construction of the digital economy in western China by providing generous

remuneration, a favorable working environment, and a broad space for career development. At the same time, establish a talent mobility mechanism to encourage talent exchanges and cooperation between eastern China and western China to achieve optimal allocation and sharing of talent resources.

3.4.3. Enhance the quality and innovation ability of talents

The government and enterprises should work together to provide more practice opportunities for talents so that they can grow continuously in practice. At the same time, talents are encouraged to actively participate in scientific research projects to enhance their innovation ability and contribute wisdom and strength to the development of the digital economy.

4. Summary

This paper centers on the path of promoting regional financial equilibrium in the context of the digital economy, and although it has achieved certain results, there are still many shortcomings. At the theoretical level, this paper has not yet fully revealed the complex connection and interaction mechanism between the digital economy and the regional economy. The development of the digital economy has not only changed the production, exchange, and consumption modes of the traditional economy but also profoundly affected the spatial layout, industrial structure, and growth dynamics of the regional economy. Therefore, future research needs to further explore the in-depth integration of digital technology and regional economy, and reveal its role in regional financial equilibrium mechanism and influence path. In addition, this paper also found some issues that deserve further attention in the research process. For example, how to balance the development of the digital economy and the transformation and upgrading of traditional industries in the process of promoting regional financial equilibrium? How to ensure the fairness and effectiveness of tax policies and avoid vicious tax competition? These issues are of great significance in promoting regional financial capacity equalization and are also important directions for future research.

Disclosure statement

The author declares no conflict of interest.

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