

A Study on the Influence of Financial Technology on the Risk-taking Willingness of Joint-stock Commercial Banks

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Abstract

In the rapidly evolving digital economy, financial technology (fintech) innovation plays a crucial role in facilitating the digital transformation of the banking sector, while effective bank risk management serves as a key safeguard against financial risks. This study employs text analysis to establish a financial technology index for banks and introduces a novel comprehensive risk-bearing index for joint-stock commercial banks using data from my country's joint-stock commercial banks spanning from 2010 to 2023. By employing a two-way fixed-effect model, the study empirically examines the impact of fintech development on risk-taking behavior among joint-stock commercial banks. The findings reveal that the advancement of financial technology within banks incentivizes them to proactively undertake more risks and enhances their risk appetite. Mechanism analysis indicates that fintech primarily influences banks' risk appetite by enhancing their risk identification capabilities, thereby facilitating credit asset infusion and adjusting credit structure channels. Moreover, the research demonstrates that the effect of fintech development on bank risk-taking behavior varies, with a more pronounced impact on risk appetite observed in larger banks. These research outcomes not only offer theoretical underpinning for joint-stock commercial banks to leverage technological innovations for advancing digital transformation but also furnish insights for fostering the harmonized progress of financial innovation and risk mitigation.

Keywords

Fintech, Digital Transformation, Bank Risk-taking Willingness, Technological Innovation