

Does Digital Transformation Matter for Trade Credit Provision? Evidence from China

Linyin Cheng

Nanjing University of Aeronautics and Astronautics, China

Abstract

The supply of trade credit is a common practice around the world. Due to the information, monitoring, and liquidation advantage, firms are willing to provide financial support to customers in difficulties via trade credit. Through studying a sample of 35,958 firm-year observations of 4,074 unique non-financial Chinese A-share listed firms from 2007 to 2021, this study shows that digital transformation can promote the supply of trade credit in China. The results are robust to different measures of trade credit provision and endogeneity. The impact of digital transformation on the provision of trade credit is more pronounced among firms in regions with lower marketization, non-state-owned enterprises, and firms with better information environment. In addition, this study investigates the potential channels and find that digital transformation increases trade credit provision through improving firms' financing availability and promoting corporate risk-taking. Overall, results in this study are consistent with the financial theory of trade credit.

Keywords: accounts receivable, China, corporate decision, digital transformation, trade credit