

# National Audit, Digital Inclusive Finance, And High-Quality Economic Development

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**Abstract:** As a cornerstone of governance, national audit injects new momentum into high-quality economic development by promoting the development of digital inclusive finance. Based on data from 30 provinces in China from 2012 to 2021, this paper examines the impact of national audit on high-quality economic development. The study finds that the functioning of national audit can significantly enhance high-quality economic development, and digital inclusive finance plays a partial mediating role in this enhancement. Further analysis from the perspective of regional heterogeneity reveals that the promotional effects of national audit and digital inclusive finance on high-quality economic development are more pronounced in the eastern region. National audit, digital inclusive finance, and high-quality economic development.

**Keywords:** National audit; Digital inclusive finance; High-quality economic development.

## 1. Introduction

High quality development is the only way to Chinese path to modernization. The high-quality development centered on promoting the development mechanism of the digital economy is the strategic cornerstone for promoting coordinated regional economic development. The report of the 20th National Congress of the Communist Party of China pointed out that "high-quality development is the primary task for comprehensively building a socialist modernized country". Currently, China's high-quality economic development continues to inject new driving forces, accelerating the integration of technological innovation and industrial innovation. Emerging growth drivers such as high-end manufacturing and digital economy continue to increase. Digital inclusive finance has a multidimensional impact on high-quality economic development through technological empowerment, cost reduction, and optimized resource allocation, providing a new engine for high-quality economic development. However, in the actual operation process, factors such as inadequate implementation of inclusive finance policies and liquidity risks of financial institutions are the main constraints on the development of inclusive finance. Therefore, national auditing should play its supervisory role, review the standardization of operations and the authenticity of accounting information in the operation of digital inclusive finance, ensure the effectiveness of digital inclusive finance policy implementation, accurately identify and prevent potential liquidity risks, and effectively improve the efficiency of public fund utilization. Studying how national auditing can leverage digital inclusive finance to influence high-quality economic development not only helps to construct a theoretical framework for promoting high-quality economic development, but also provides decision-making references for national auditing services to promote the development of the digital economy.

Based on this, this article takes provincial data from 2012 to 2021 as research samples, focusing on the mechanism of the role of national audit in promoting high-quality economic development, and exploring how national audit affects high-quality economic development through digital inclusive finance. The empirical results indicate that national auditing

can significantly improve the level of high-quality economic development by leveraging its "immune system" function, and digital inclusive finance plays a partial intermediary role. After conducting robustness tests by changing the measurement of the dependent variable, Sobel test and Bootstrap test, and national audit variable lag, the above conclusions still hold. At the same time, this article divides 30 provinces into eastern and central western regions for heterogeneity analysis, and the test results still support the null hypothesis.

The possible contributions of this paper are as follows: first, through empirical testing of the intermediary mechanism of national audit affecting high-quality economic development through digital inclusive finance, deepening the research on the function of national audit under the national governance framework, and providing empirical evidence for relevant practices; second, enriching the relevant research literature on high-quality development of regional economy, and providing theoretical explanation and practical basis for improving the high-quality development level of regional economy in the process of Chinese path to modernization.

## 2. Literature Review

Regarding the role of national audit in promoting high-quality economic development, existing literature research mainly focuses on two aspects: on the one hand, it deeply analyzes the mechanism by which national audit promotes high-quality economic development; On the other hand, it studied the current practical challenges faced. Firstly, regarding the mechanism of action. Xu Yu [1] explored the inherent logic between national plans and high-quality economic development, and pointed out that national plans promote high-quality economic development by reducing local government debt risks and improving the efficiency of fiscal fund allocation; From a provincial perspective, Feng Lili [2] grouped different provinces into groups with higher and lower levels of economic development. She pointed out that as an economic supervision agency, the national audit should actively explore inter provincial coordination audits, strengthen inter regional exchanges, and form a supervisory force. Based on the dual dimensions of direct and spillover effects, Zhang Ying [3] pointed out that resource and

environmental auditing provides value-added services for high-quality economic development and promotes the realization of the strategy of high-quality economic development. Secondly, regarding the practical challenges. Han Feng and others [4] pointed out that in the research of national audit on high-quality economic development, the phenomenon of "repeated audits and repeated violations" still exists. By abandoning the single dimensional measurement of indicators for high-quality economic development, and constructing an urban economic governance indicator system from the aspects of economic development momentum, economic development structure, and economic development achievements, we are committed to promoting the realization of the goal of high-quality economic development through national audit.

Regarding the role of digital inclusive finance in achieving high-quality economic development, empirical analysis shows that Zhou Chao and Huang Le [5] found from the perspectives of factor markets and product markets that digital inclusive finance promotes high-quality regional economic development by optimizing the development of factors, products, and financial markets. Zhang Gaoming [6] pointed out from the perspective of entrepreneurship and innovation that the improvement of technological innovation and entrepreneurial activity is the channel through which digital inclusive finance promotes high-quality economic development. From a theoretical analysis perspective, existing literature mainly focuses on the research of the role path of digital inclusive finance in promoting high-quality economic development. Chen Shuwen [7] proposed that digital inclusive finance plays a significant role in promoting high-quality economic development by enhancing the accessibility and inclusiveness of financial services. Zhang Ling and others [8] pointed out that digital inclusive finance can promote high-quality economic development in China through indirect transmission mechanisms such as optimizing financial resource allocation, improving technological innovation level, stimulating consumption growth, and driving poverty reduction and income increase.

In summary, existing research on the relationship between national auditing and high-quality economic development mostly focuses on theoretical exploration and mechanism analysis, while empirical research based on systematic data is relatively scarce. This article attempts to incorporate digital inclusive finance into the analytical framework and empirically test the mediating effect of national audit on the process of high-quality economic development. It is a beneficial attempt to study the role of national audit and provide empirical evidence and political reference for promoting high-quality economic development through national audit.

### **3. Theoretical Analysis and Research Hypotheses**

#### **3.1. National Audit and High Quality Economic Development**

High quality economic development is an inevitable requirement for building a modern economic system and implementing the new development concept [9]. As a fundamental institutional arrangement of the national governance system, national auditing arises from the public entrusted economic responsibility relationship and is the key to maintaining a good national governance structure [10]. As

an organizational body specialized in economic supervision [4], national auditing has played a very important role in promoting the healthy and stable development of China's economy. Maintaining macroeconomic order, warning of systemic risks, and optimizing resource allocation are the main goals of national auditing. We will work simultaneously from three dimensions: stabilizing the environment, preventing shocks, and improving efficiency, to jointly promote the continuous improvement of the economy in terms of quality. National auditing plays an indispensable role at both macro and micro levels through its three major functions of prevention, disclosure, and defense.

From a macro perspective, first of all, national auditing plays a supervisory role and "reveals functions to maintain macroeconomic order." Through independent supervision, the national plan ensures that various macroeconomic policies do not exceed established goals in the implementation process, preventing policy implementation distortion. At the same time, national auditing investigates and deals with fraudulent information in macroeconomic activities, maintains the authenticity and credibility of macroeconomic market data, and provides reliable basis for accurate decision-making. National auditing uses the supervisory power granted by the Constitution and laws to discover illegal and irregular behaviors that deviate from high-quality economic development, reveal deep-seated institutional obstacles and defects that hinder high-quality economic development, and promote the implementation of policies for high-quality economic development. Secondly, national auditing plays a "prevention and disclosure" role in early warning of macroeconomic risks. Through continuous monitoring and supervision of key areas such as finance and local government debt, national auditing identifies the paths and gathering points of risk cross contagion. At the same time, national auditing reveals these potential macro risk hazards, providing accurate risk signals for decision-makers, from passive response to active prevention, and resolving risks before they occur. National auditing can identify deficiencies in the current market economy structure and deficiencies in the financial market itself based on macroeconomic fluctuations [11]. Finally, national auditing plays a role in resisting "supervision" and optimizing resource allocation. Through performance evaluation, national auditing reveals structural contradictions and promotes resources to be invested more in industries and fields that are in line with the direction of high-quality development, such as technological innovation and green development. This process is essentially a process of promoting economic structural optimization and laying a foundation for high-quality economic development. As one of the driving mechanisms for resource allocation, national auditing can supervise the implementation and use of various fiscal funds in accordance with the law, maintain financial laws and regulations, prevent the abuse of power for personal gain, corruption and fund misappropriation, and ensure the preservation and appreciation of state-owned assets. High quality economic development [12].

From a micro perspective, national auditing standardizes the behavior of market entities through specific audit projects, thereby building a standardized and transparent market entity, which is the micro foundation for high-quality economic development. Taking resource and environmental auditing as an example, resource and environmental auditing targets key leaders and closely links environmental protection with individual performance, prompting them to invest more

energy in sustainable social development and further accelerating high-quality green and healthy economic development [13]. In addition, policy tracking and implementation audits play three major functions of supervision, correction, and accountability to audit major national economic policies, timely discover unreasonable aspects of policy implementation by administrative agencies at all levels, evaluate the effectiveness of policy implementation, and ensure the smooth implementation of economic policies [14].

In summary, national auditing plays a role in macro level supervision, disclosure, and prevention, effectively maintaining macro order, warning macro risks, optimizing resource allocation, and micro level behavior regulation and policy transmission, providing protection for the implementation of various policy measures for high-quality economic development, and injecting sustained momentum into high-quality economic development. Based on this, hypothesis 1 is proposed:

H1: National auditing can significantly promote high-quality economic development

### 3.2. National Audit, Digital Inclusive Finance, and High Quality Economic Development

Digital inclusive finance is increasingly becoming an important force in promoting the supply side structural reform of finance and empowering the high-quality development of the real economy through finance [15]. Digital inclusive finance has dual characteristics of inclusiveness and digitalization, driving high-quality economic development through multiple paths [16].

Firstly, digital inclusive finance relies on digital technologies such as big data and cloud computing to change the traditional financial service model. It can accurately depict user profiles, provide diversified and personalized financial products and services for different market entities, significantly reduce information asymmetry and operating costs of financial services, thereby improving the efficiency of fund financing and laying a solid foundation for economic development [17].

Secondly, digital inclusive finance effectively alleviates the financing constraints of small and medium-sized enterprises and individual businesses, directing funds more towards production areas with real demand and development potential, avoiding resource misallocation, and significantly improving the capital utilization efficiency and total factor productivity of the entire economic system, thereby efficiently enhancing resource allocation efficiency and safeguarding high-quality economic development [18].

Finally, digital inclusive finance has accelerated the digital transformation of traditional industries and the vigorous development of modern service industries by lowering financing thresholds, supporting technological innovation and consumption upgrading, thereby promoting the optimization and upgrading of industrial structure towards advanced and modern directions, and consolidating the industrial foundation for high-quality economic development [19].

In summary, national auditing can promote the development of digital inclusive finance through financial auditing and tracking the implementation of digital inclusive policies. At the same time, digital inclusive finance can drive technological innovation, alleviate financing constraints, lower financing thresholds, and upgrade industrial structures

to promote high-quality economic development. Based on this, hypothesis 2 is proposed:

H2: National audit promotes high-quality economic development by enhancing the level of digital inclusive finance development

## 4. Research Design

### 4.1. Design of Main Variables

#### 4.1.1. Explained variable

The dependent variable of this article is high-quality economic development (EQ). This article uses the economic high-quality development index model of Ren Yanyan and Yan Shengyan [20], and constructs secondary indicators from five aspects: economic development, technological innovation, social security, people's livelihood sharing, and green ecology. Finally, the comprehensive economic high-quality development index represents the overall level of economic high-quality development.

#### 4.1.2. Explanatory variables

The explanatory variable of this article is the National Audit Institute (AUDIT) [3]. This article draws on the research of Xu Yu et al. and constructs a comprehensive indicator system to measure the national audit index from three dimensions: prevention function, resistance function, and prevention function. The principal component analysis method is used to calculate a single indicator of national audit.

#### 4.1.3. Mediating variables

The mediating variable in this article is Digital Inclusive Finance (DFI). According to the Digital Inclusive Finance Index released by Peking University.

#### 4.1.4. Control variables

This article draws on the research of Feng Lili, Li Puling, and others in selecting control variables. Specifically, it includes: city size (Size), financial development level (FDL), inflation rate (INF), population growth rate (PGR), etc. In addition, this article controls for fixed year effects.

### 4.2. Empirical Model

The impact model of national audit on high-quality economic development is as follows:(1)

$$EQ_{it}=\beta_o+cAUDIT_{i,t}+\gamma Controls_{i,t}+\varepsilon_{i,t} \quad (1)$$

Model (1) tested the direct effect, where: i represents the province; T represents the year: EQ represents high-quality economic development; AUDIT stands for National Audit Index; Controls represents control variables;  $\beta$  represents a constant term; Represents a random perturbation term.

To discuss the mediating effect, referring to the research of Baron and Wen Zhonglin, this article designs a mediating effect model to conduct path analysis. Based on model (1), models (2) and (3) are constructed:

$$DFI_{it}=\beta_o+aAUDIT_{i,t}+\gamma Controls_{i,t}+\varepsilon_{i,t} \quad (2)$$

$$EQ_{it}=\beta_o+c'AUDIT_{i,t}+bDFI_{i,t}+\gamma Controls_{i,t}+\varepsilon_{i,t} \quad (3)$$

## 5. Empirical analysis

### 5.1. Benchmark Regression Results

To verify hypothesis H1, regression analysis was conducted using model (1). Under the control of relevant control variables and years, column (1) shows a significant positive correlation between national auditing and high-

quality economic development at the 1% level. This indicates a significant positive correlation between national auditing and high-quality economic development, with national auditing significantly improving the level of high-quality economic development. Therefore, hypothesis H1 has been preliminarily validated.

## 5.2. Intermediary Effect Test

To verify hypothesis H2, regression was performed using models (2) and (3), as shown in Table 4. Using model (2), under the control of relevant control variables and years, (2) national audit and digital inclusive finance are significantly positive at the 1% level, indicating that national audit can help improve the development level of digital inclusive finance. Using model (3), under the control of relevant control variables and years, column (3) shows that national audit is significantly positive at the 1% level, and digital inclusive finance is significantly positive at the 1% level, indicating that national audit promotes high-quality economic development by improving the level of digital inclusive finance development. Therefore, hypothesis H2 has been preliminarily validated.

**Table 1.** Baseline Regression and Mediation Analysis Results

	(1) EQ	(2) DFI	(3) EQ
AUDIT	0.022*** (8.950)	10.556*** (10.737)	0.004** (2.533)
DFI			0.002*** (24.575)
Size	-0.013 (-1.500)	-4.320 (-0.943)	-0.006 (-1.272)
FDL	0.040*** (5.448)	5.510 (1.499)	0.031*** (7.623)
INF	2.117*** (5.448)	489.036 (1.321)	1.284*** (3.719)
PGR	-1.804* (-1.921)	-766.517 (-1.648)	-0.498 (-0.757)
year	control	control	control
-cons	-9.694*** (-2.852)	-202.61 (-1.182)	-6.247*** (-3.922)
N	300	300	300
R-Square	0.476	0.931	0.845
Adj. R-Square	0.450	0.928	0.837

## 5.3. Robustness test

### 5.3.1. Change the Measurement Method of The Dependent Variable

To further verify the robustness of the conclusion, the entropy weight TOPSIS method was used to recalculate the comprehensive indicator of high-quality economy, while keeping all other variables unchanged. The national audit index and digital inclusive finance are both significantly positive at the 1% level. This is consistent with the previous research findings and further supports the above hypothesis.

### 5.3.2. Sobel Test and Bootstrap Test

To test whether digital inclusive finance serves as an intermediary variable for national auditing to promote high-quality economic development, Sobel test and Bootstrap test were conducted separately. In the Sobel test, the proportion of mediation effect is 31.38%, with a p-value less than 0.001. The results indicate that national auditing can promote high-quality economic development by improving the level of digital inclusive finance development, supporting the above conclusion. In the Bootstrap test, both indirect and direct

effects are significantly positive at the 1% level. The coefficients for indirect and direct effects have the same sign, and the confidence interval does not include 0, supporting the above hypothesis.

### 5.3.3. Lag Analysis

In order to address endogeneity issues and test whether the promoting effect of national audit on high-quality economic development is stable, the variables of national audit lagged by one and two periods were sequentially substituted into the regression. The results showed that lagged national audit still has a positive effect on high-quality economic development.

**Table 2.** Lagged Effects Analysis

	lagged by one period		Lag second phase	
	EQ	DFI	EQ	DFI
AUDIT	0.024*** (9.262)	0.004*** (2.822)	0.025*** (9.194)	0.005*** (3.057)
EQ		0.002*** (23.637)		0.002*** (21.927)
Controls	Yes	Yes	Yes	Yes
Year	controls	controls	controls	controls
-Cons	- 9.552*** (-2.727)	-5.777*** (-3.412)	- 12.731*** (-3.471)	-6.748*** (-3.723)
N	270	270	240	240
R-Square	0.473	0.842	0.478	0.835
Adj. R-Square	0.446	0.833	0.451	0.825

## 6. Conclusion

This article selects 300 observations from 30 provinces in China from 2012 to 2021 as research samples to empirically test the mechanism of the role of national auditing in promoting high-quality economic development and the mediating effect mechanism of digital inclusive finance. Research has found that national auditing promotes high-quality economic development by enhancing the level of development of digital inclusive finance.

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