

Original Paper

Study on the Path of Digital Inclusive Finance Empowering Rural Revitalization

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Abstract

Since the concept of digital inclusive finance was proposed at the Hangzhou G20 Summit in 2016, the promotion of inclusive finance through digital financial services has sparked unprecedented changes worldwide. Digital inclusive finance plays a crucial role in rural revitalization, creating a digital ecosystem through innovative models such as customized financial products, accessible financial channels, and more precise risk control, to help with industrial upgrading, green finance construction, bridging the digital divide, rural governance, and ultimately becoming an important driving force for rural revitalization. Meanwhile, the government should also put a high premium on supporting policies and regulations, cultivating digital literacy among farmers, and building digital infrastructure to accelerate the development of digital inclusive finance and achieve rural revitalization.

Keywords

digital inclusive finance, rural revitalization, rural development

1. Introduction

In December 2020, General Secretary proposed in his speech at the Central Rural Work Conference that after the victory of poverty alleviation, we must comprehensively promote rural revitalization, which is a historic shift in the focus of “three rural” work. We must firmly safeguard the achievements of poverty alleviation and effectively link them with rural revitalization. This is an important starting point for solving China’s rural issues. In China’s vast rural and remote areas, geographically far away from developed cities and metropolitan areas, their construction and rural revitalization naturally fit together in content. Due to their unique natural and social conditions, the challenges facing rural revitalization are even more severe.

Rural revitalization is a significant task in achieving common prosperity, and digital inclusive finance serves as an important means to promote rural revitalization. The No. 1 Central Document of 2023

proposes to strengthen rural revitalization financial services, emphasizing the increase of support for agricultural and small scale enterprises with loans and discounts, and supporting various financial institutions to explore long term credit models for agricultural and rural infrastructure (Jiang, 2022). In the practice of finalizing the building of a moderately prosperous society and winning the battle against poverty, digital inclusive finance plays a vital role in bridging the last mile. In China's vast rural and remote areas, there are numerous impoverished and vulnerable groups who face financial barriers such as difficulties in financing, investments, and insurance. By leveraging digital inclusive finance, the disadvantaged groups can improve their ability to create wealth and contribute to rural revitalization. Through innovation, digital inclusive finance reduces the cost of services, expands the reach of financial services, and significantly improves the level of rural financial services, becoming a crucial driving force in supporting the implementation of the rural revitalization strategy (Yang et al., 2023).

2. Literature Review

Digital inclusive finance is the combination of digital technology and inclusive finance, serving as a supplement to traditional inclusive finance. Traditional inclusive finance has significant limitations in the post pandemic era. In 2016, China proposed the "G20 High Level Principles for Digital Inclusive Finance" at the Hangzhou G20 Summit, introducing the concept of digital inclusive finance to the international community for the first time. It defined digital inclusive finance as actions that promote inclusive finance through the use of digital financial services. Subsequently, scholars conducted extensive research on digital inclusive finance.

With the development of digital technology, the integration of digital technology and financial services can provide new solutions to the problems faced by traditional finance, such as the backwardness of rural infrastructure construction and inadequate risk management (Chu, 2023), narrowing the urban rural gap (Yu, 2023), and enabling remote rural areas to achieve "leapfrog development". Digital inclusive finance can improve financial accessibility, provide financial inclusivity for micro, small, and medium sized enterprises, impoverished populations, and marginalized communities (Ye & Gong, 2023), enhance rural entrepreneurial activities (Chu & Zhang, 2023), increase rural employment opportunities, prevent poverty relapse, and promote rural revitalization (Liang et al., 2023).

Digital inclusive finance can promote rural revitalization and development from multiple perspectives. It effectively promotes the development of the real economy, facilitates industrial upgrading (Lu, Du, & Deng, 2023), enhances the vitality of small and medium sized enterprises and rural innovation, and subsequently drives the upgrading of rural industrial structure (Wang & Li, 2023), contributing to rural revitalization. Digital inclusive finance can improve entrepreneurial activities by providing low cost funding to rural households, thereby increasing the probability of entrepreneurial activities in rural areas (Zhang, Dong, & Li, 2022). Hence, digital inclusive finance plays an essential role in promoting rural revitalization.

3. The Inner Logic of Digital Inclusive Finance Boosting Rural Revitalization

3.1 Creating a Rural Ecology for Digital Inclusive Finance

Digital inclusive finance will profoundly change the infrastructure of traditional inclusive finance, making up for the limitations of traditional inclusive finance in rural revitalization. Firstly, the development of digital inclusive finance can help assess farmers' credit situations, improve the rural credit system, and enhance farmers' ability to obtain financial information, thereby cultivating their financial literacy. Secondly, digital inclusive finance can provide financial services such as education funds, rural loans, and agricultural insurance for vulnerable groups in rural areas, promoting educational advancement, stimulating rural development, and ensuring farmers' livelihoods, thereby improving rural cultural literacy. Thirdly, digital inclusive finance services can promote the development of green agriculture, support eco-farming projects, provide financing services for green agriculture and projects that can improve the rural ecological environment, effectively improve the rural environment, and achieve a liveable rural ecology (Chu, 2023). The development of digital inclusive finance not only relates to the high-quality development of the digital economy but also to the safety and stability of the country's financial system. Using digital technology to create a rural application ecology for digital inclusive finance has great practical significance for the promotion and application of digital inclusive finance in China.

3.2 Enhancing the Digital Level of Rural Industries

The application of digital inclusive finance will solve the last mile problem in rural revitalization, enhance the digital level of traditional rural industries, promote the upgrading of traditional industries in rural areas, help activate existing stocks and do a good job in increasing them, improve the level of digital economic development in rural areas, consolidate poverty alleviation results, and innovate in the application of digital inclusive finance, which is beneficial to accelerating the realization of rural revitalization strategies. Firstly, digital inclusive finance breaks through the limitations of time and space through digital technology to provide financial services for remote rural areas, increasing the availability of funds needed for high-quality agricultural industry development to help with industrial upgrading. Secondly, digital inclusive finance innovates financial service products and provides innovative financial products according to the needs of rural production and business entities to better meet their needs, solve financing problems, form a virtuous circle, and promote rural industrial upgrading. Thirdly, digital inclusive finance can establish an effective rural credit system to help form an endogenous order in rural areas, thereby improving the financial ecological environment in rural areas and promoting rural employment levels and an increase in farmers' economic income, ultimately realizing effective rural governance (He et al., 2023). Finally, digital inclusive finance effectively increases farmers' income, drives entrepreneurship and employment opportunities, attracts labor force flows back to rural areas, promotes economic growth in rural areas, accelerates the upgrading of agricultural industrial structure, and achieves a prosperous rural life.

4. Analysis of Innovative Models of Digital Inclusive Finance in Boosting Rural Revitalization

4.1 Customized Financial Products

As a new type of financial service model, digital inclusive finance can customize financial products according to the actual needs of rural agricultural development. For rural poor groups, small-scale and low-interest agricultural credit services can be customized to provide loans and solve the problem of lack of production and operating funds. For small and micro rural enterprises, special loan and financing products can be designed to solve their financial difficulties and help them grow and expand. For agricultural risk issues, digital technology can be used to accurately assess agricultural risks and provide customized agricultural products or projects insurance for farmers, solving their problems and providing high-quality financial products and services for small, scattered, weak, and low-income groups.

4.2 Accessible Service Channels

Traditional financial service channels are difficult to cover remote rural areas due to high construction costs. Digital inclusive finance can effectively solve the problem of the last mile of rural financial services. By using digital technology and Internet technology, digital inclusive finance can establish rural financial networks and promote mobile financial service platforms to enable farmers and small and micro enterprises in remote rural areas to better access financial services, overcoming the limitations of traditional financial services. In addition, digital inclusive finance can also promote the participation of financial institutions in the production, processing, circulation, and sales of agricultural products through cooperation with farmers, rural small and micro enterprises, rural credit cooperatives, etc., opening up financing channels, optimizing the financial supply chain of agricultural products, and improving the competitiveness of agricultural products.

4.3 More Precise Risk Control

On the one hand, digital inclusive finance can use big data to collect farmer information, establish more accurate farmer credit files, improve farmer credit systems, conduct comprehensive risk assessments of farmers, help financial institutions accurately assess farmers' risk levels, share risk information, establish risk monitoring mechanisms, reduce financial institutions' nonperforming asset rates, and provide accurate financial services. On the other hand, digital inclusive finance can use UAV, remote sensing digital technology, to provide farmers with accurate planting, irrigation, pesticide application, harvesting and other scientific suggestions, helping farmers more accurately identify management risks, save production costs, increase labor output, and thereby increase farmers' income.

5. The Path Selection of Digital Inclusive Finance to Promote Rural Revitalization

The key focus of digital inclusive finance in promoting rural revitalization lies in four aspects: enhancing industrial quality, constructing green finance, narrowing the digital divide, and improving rural governance. By empowering rural areas through digital means, digital inclusive finance provides valuable insights for the development of rural revitalization.

5.1 Empowering Industrial Upgrading through Digital Inclusive Finance

To achieve industrial upgrading and the integration of primary, secondary, and tertiary industries, it is essential to establish an interconnected industrial chain. However, the support provided by traditional rural finance for industrial development is limited. Therefore, it is crucial to deepen the supply-side reform of rural finance and promote innovative financial services to meet the financial needs of industrial upgrading. Digital inclusive finance plays a vital role in this innovative process.

5.2 Facilitating Green Finance through Digital Inclusive Finance

The path for digital inclusive finance to contribute to the development of a green finance ecosystem primarily involves optimizing the financial service environment for ecological agriculture. Firstly, digital inclusive finance allocates financial resources reasonably and effectively, providing financing for green agricultural projects and environmentally friendly ecological agricultural projects. Secondly, digital inclusive finance can actively guide financial institutions to support green ecological agricultural projects through government authorization, thereby improving the loan approval rate for these projects and facilitating rural revitalization.

5.3 Narrowing the Digital Divide through Digital Inclusive Finance

The digital divide not only exists between urban and rural areas, but also among enterprises and organizations with different paces of development. Remote rural areas can rely on the capabilities of digital inclusive finance and technological services to enhance collaboration among different financial institutions within the digital inclusive finance ecosystem. By promoting cooperation and complementing each other's strengths and resources, the development imbalance among institutions can be addressed, thereby providing better financial services for rural revitalization and narrowing the digital divide.

5.4 Enhancing Rural Governance through Digital Inclusive Finance

Rural governance is a complex and comprehensive system involving politics, culture, economy, education, customs, lifestyle, psychology, and emotions. Digital inclusive finance based on digital technology continuously expands the coverage of credit systems in rural areas. It establishes a diverse and comprehensive information database, including personal basic information, borrowing information, credit card information, social data, and ecommerce data. This database facilitates the sharing of credit data resources and transforms them into social capital, effectively strengthening the "soft environment" of governance and transforming it into "hard strength" for financing. In this process, digital inclusive finance fully harnesses its role in promoting rural governance and driving the construction of a credit system. It promotes the development of digital inclusive finance in rural areas, thereby improving the effectiveness of governance and achieving rural revitalization.

6. Policy Suggestions for the Inclusive Financial Services in Rural Revitalization

6.1 Formulating Relevant Policies

The development of inclusive financial services relies on the support of national policies. Relevant departments should formulate corresponding policies based on the needs of financial institutions in

serving rural households and small and micro enterprises. These policies should promote the development of inclusive financial services and contribute to rural revitalization. Various measures can be taken, such as providing tax incentives, establishing special funds, and optimizing tax policies. These measures will encourage financial institutions to expand their business in remote rural areas, reduce the application costs of digital financial technologies in rural areas, support financial institutions operating in remote rural areas, enhance the level of financial services in rural areas, and contribute to rural revitalization.

6.2 Improving Laws and Regulations

The development of inclusive financial services requires the improvement of relevant laws and regulations. First, it is necessary to regulate financial institutions. Relevant departments should assess the qualifications, operational capabilities, and risk resistance abilities of financial institutions, and establish reasonable admission standards and regulatory requirements. Second, it is important to review and evaluate digital inclusive financial products and establish corresponding product standards to avoid the risks associated with these products. Finally, it is recommended to establish a consumer rights protection system and strengthen social supervision of financial institutions and products.

6.3 Enhancing Financial Literacy of Farmers

The promotion and development of inclusive financial services in remote rural areas ultimately depends on the digital literacy of farmers. Farmers in remote rural areas generally have a lower level of education, limited understanding of the Internet, and a lack of knowledge in digital and financial technologies. Therefore, government departments should organize knowledge lectures and promotional activities, provide professional consulting services, and enhance farmers' awareness of digital and financial technologies. Financial institutions should also actively participate in these efforts to stimulate farmers' interest in digital inclusive financial services, improve their financial literacy, strengthen their credit awareness, and raise their awareness of financial risk prevention.

6.4 Improving the Construction of Digital Infrastructure

The infrastructure construction in remote rural areas, especially digital infrastructure, lags behind. The implementation of inclusive financial services requires a solid digital infrastructure foundation. The government should increase investment and promote the construction of fiber-optic broadband and complete 5G network coverage in remote rural areas. This will accelerate the speed and quality of digital infrastructure construction and enhance the level of digital infrastructure.

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