

Research on the Mechanism of Digital Inclusive Finance to Empower Rural Revitalization

Tong Ouyang^{1, a}, Lechao Zhang¹, Shouyu Wei¹, Yan Lv¹, Zejiong Zhou^{2, b, *}

¹School of Finance, Anhui University of Finance and Economics, Bengbu, Anhui, China

²School of Economics, Anhui University of Finance and Economics, Bengbu, Anhui, China

^aoyt13505538985@163.com, ^baczzj123456@163.com

Abstract: Vigorously developing digital inclusive finance can effectively alleviate the problem of "three rural areas" and serve rural revitalization. The article first sorts out the literature of domestic and foreign scholars in digital inclusive finance and rural development in recent years, and then from the perspective of digital inclusive finance empowering rural revitalization, it is studied from the two aspects of direct action mechanism and indirect action mechanism, so it proposes to improve the digital inclusive financial system and mechanism, pay attention to the construction of rural civilization, and improve public governance capabilities Policy recommendations.

Keywords: Digital inclusive finance, Rural revitalization, Mechanism of action.

1. Introduction

With the rise of a new round of information revolution and technological revolution, digital inclusive finance characterized by the use of emerging technologies has become a new driving force for inclusive economic growth in China. As a new model and new format formed by the integration of traditional finance with a new generation of information and communication technology and Internet technology, digital inclusive finance has created a new plan for the development of rural economy and the revitalization of rural areas. In this regard, the Chinese government is highly concerned, pointing out that it is necessary to establish an inclusive financial service and security system that is compatible with the comprehensive construction of a moderately prosperous society. However, although the current total financial supply in China is sufficient, the profit-seeking and exclusionary nature of the financial market makes the allocation of financial resources in rural areas in China far lower than that of urban residents. The lack of financial talents in rural areas of China, the difficulty of obtaining financial resources, high costs, low efficiency and other issues have become urgent problems to be solved on the road to rural revitalization of financial services. Nowadays, due to the impact of the new crown pneumonia epidemic, the urgency of realizing "smart +" and "Internet +" in the financial field, providing more financial services in rural areas, and ensuring the basic financial needs of rural areas has become more prominent.

The structural imbalance in the allocation of financial resources caused by the dual financial structure of urban and rural areas has become a prominent problem restricting rural development. Data show that in 2016, China's "three rural" finance had a gap of up to 3.05 trillion yuan, more than 40%. Farmers with limited funds still struggle to access financial services. Traditional inclusive financial measures such as microfinance companies and "two rights" mortgage pilots are often ineffective due to the lack of commercial sustainability. Digital inclusive finance provides an opportunity to solve the problem of financial resource allocation in rural areas because of its special technical attributes, weak financial exclusion,

and low operating costs. With the vigorous promotion of digital Inclusive Finance, China's rural financial supply capacity will continue to improve. What impact will this have on Rural Revitalization? How does it work? Studying the above problems is of great significance to China's in-depth promotion of the development of digital inclusive finance and the establishment of a long-term mechanism for rural revitalization.

2. Literature Review

Research on the impact of digital financial inclusion and rural development has the following two main perspectives. The first type of view believes that the development of inclusive finance can effectively improve the level of rural development and help rural revitalization. Honohan (2004) pointed out that due to the profit-seeking nature of finance itself, it is difficult for rural areas to obtain sufficient financial services, and through financial supply-side reform, improving the availability of financial services can drive consumption, improve risk resilience, promote the improvement of local economic levels, and promote inclusive development [1]. Ozilia (2018) pointed out that digital finance has a positive impact on financial inclusiveness and inclusive growth. But there are also risks and challenges such as data security and proxy issues, which, if addressed, could make digital finance better serve individuals, businesses, and governments [2]. Yi Xingjian and Zhou Li (2018) believe that digital inclusive finance has promoted residents' consumption and is more significant in rural areas and low- and middle-income households [3]. Zhang Xun et al. (2019) pointed out that digital inclusive finance can effectively promote the inclusive growth of the rural economy, and the benefits of rural low-income groups are more obvious. Yang Lin (2019) proposed that the synergy effect of the "inclusive finance+green finance + science and technology finance" model can effectively help rural revitalization [4].

The second view is that there is no significant linear relationship between the development of digital inclusive finance and rural revitalization. This is mainly because of the low human capital in rural areas, serious hollowing, the majority of middle-aged and elderly groups, the development

of digital inclusive finance needs to go through a process of learning and acceptance, and the short term cannot significantly help rural development Brown (2011), Malady (2016) argues that urban households with higher incomes and wealth are more likely to use banking services and their digital platforms, while rural poor, low-income and illiterate populations need to have a continuous process of embracing digital finance, which may slow down the development of rural economies to some extent [5]. Ge Heping and Zhu Huiwen (2018) found that there is a U-shaped relationship between economic development and the development of digital inclusive finance [6]. Yin Zhichao et al. (2019) found that financial inclusion has a significant heterogeneous impact on household income, which can improve the income level of low-income families [7]. In summary, although scholars at home and abroad have made a lot of analysis on the impact of inclusive finance on the rural economy and the financial demand and supply in the process of rural modernization, most of them only study from their own single perspective, less from the perspective of digital inclusive financial development, and rarely integrate economic growth, social welfare, quality of life, etc., and comprehensively consider the impact mechanism and evaluation of the rural revitalization of digital inclusive financial services [8].

3. Mechanism of Action

Before the 1980s, it was influenced by Keynes's "government interventionism" and Marx's "vicious circle theory of poverty", the theory of agricultural credit subsidies in rural development and capital demand once prevailed. The theory holds that the poor people on the margins of society have low production capacity, the income and savings levels have been hovering at the bottom, and the rural areas are generally facing the problem of insufficient financial supply. In order to improve agricultural production and alleviate poverty, the establishment of special government subsidy funds and non-profit inclusive financial institutions is extremely necessary for the development of farmers, rural areas and agriculture. Hellman et al. (1997) proposed a theoretical analysis framework for financial constraints, arguing that rural areas need an efficient financial market. Echoing the theory of financial constraints is Hayek's paradigm of local knowledge analysis. This paradigm points out that endogenous mutual-aid rural commercial banks and financial cooperatives in the process of rural economic development are the main forces of rural financial markets. Therefore, it is necessary for government departments at all levels to stimulate the vitality of the rural financial market by formulating corresponding policies to regulate existing rural financial institutions, invest in technical financial service facilities and implement inclusive special subsidies, so as to form an orderly and competitive inclusive financial market and serve China's rural revitalization strategy.

In the early stage of the development of digital inclusive finance, it cannot significantly promote rural revitalization. The generation, acceptance, familiarity and application of new technologies require a certain process, especially under the condition of economic capacity and information constraints, farmers usually accept new technologies on the principle of minimizing risks, so in the early stage of the promotion of digital inclusive finance, due to its own new technology attributes, it may lead to the dislocation of effective supply and effective demand, and it is difficult to promote and accept. At the same time, whether it is the

independent learning of new technologies by individuals or the passive learning of unit organizations, the learning process of new things such as digital inclusive finance will consume certain resources and generate learning costs. This new financial concept for farmers, due to the lack of a corresponding knowledge base, often need to spend more time and energy, which will have a "crowding out effect" on the resources originally invested in agricultural production, so this will restrict their effective service to rural revitalization to a certain extent. When the level of digital inclusive finance has passed a certain inflection point, it will promote rural revitalization.

3.1. Direct Mechanism of Action

With the continuous deepening of the application of Internet technology in the financial field, to a certain extent, it can reduce the dependence of traditional finance on financial hardware facilities, improve the accessibility of financial services, and alleviate the poverty of rights caused by financial exclusion. The development of digital inclusive finance can provide financial services such as financial management, emergency loans, agricultural insurance, and education funds for farmers in a timely manner. On the one hand, the wealth management products provided by inclusive finance can integrate the "scattered funds" of farmers to increase additional income, narrow the gap between rich and poor in urban and rural areas, and improve the sense of gain of poor people; on the other hand, emergency loans, agricultural insurance, etc. effectively improve farmers' ability to resist risks, protect agricultural income, avoid poverty caused by illness, and return to poverty due to disasters; in addition, the investment of education funds can not only effectively guarantee the quality education of rural children. Improving their quality, cultural accomplishment and labor skills can help them get rid of poverty culturally, and it will also help to promote rural civilization. At the same time, digital inclusive finance can also provide more convenient commercial loans for start-ups and small and micro enterprises, alleviate the liquidity constraints in their development process, promote the prosperity of rural industries, and rely on its growth to provide employment skills training for the rural population, drive more people to employment, and stabilize the pulse, make new blood, and promote income growth with "wisdom empowerment".

3.2. Mechanism of Action of Indirect Action

After achieving economic growth in areas with a good financial foundation, the development of digital inclusive finance will drive the development of poor areas through the leakage effect of economic development, in the form of helping the rich first to help the poor, and through the first development of some groups or regions, so as to serve the rural revitalization strategy. On the one hand, as the use of electronic payment in cities becomes a trend, the spillover effect can drive rural residents to use digital finance, thereby improving purchasing power and consumption levels, and improving income distribution. On the other hand, the increase in financial supply helps to optimize the structure of local economic growth. Through the improvement of agricultural industrial chains such as refined agricultural production, diversified agricultural product processing, and characteristic rural tourism, we will improve the comprehensive efficiency and competitiveness of the industry and promote the inclusive growth of the local economy. In

addition, industrial development can extend the employment mode of farmers, improve the economic output of land, enhance the endogenous driving force of economic development, and promote the comprehensive development of rural areas, agriculture and farmers.

4. Policy Recommendations

4.1. Improve the System and Mechanism of Digital Inclusive Finance, And Activate the Endogenous Driving Force of Rural Development

There are certain differences in the stage of economic development, the degree of policy guarantee, the scale and efficiency of financial institutions in different regions of China. Therefore, it is necessary to formulate differentiated digital financial inclusion policies according to local conditions and time conditions. For poor areas with poor economic foundations, we must first continue to improve the construction of infrastructure such as communication networks and financial institutions in rural areas, strive to publicize and promote digital inclusive finance, so that they can learn to use new platforms to obtain funds and solve the problem of lack of agricultural funds. Second, we can appropriately increase the intensity of transfer payments from local finances, and use inclusive financial policies to attract local "urban returnees" who have gone out to work to return to their hometowns to start businesses, so as to promote the employment of peasant households. At the same time, we encourage and support some peasant households to "go out" to "bring back" advanced production methods and management models, and let the poor people "get rich" through various ways. For areas with better development, while adhering to the original excellent financial policies, we should appropriately tilt digital inclusive finance to innovation and entrepreneurship, guide farmers to optimize the agricultural industrial structure, and actively innovate, not only to actively develop green and environmentally friendly ecological agriculture, but also to strive to create a new agricultural income increase model that integrates green agricultural product consumption, rural leisure experience, eco-tourism vacation, and children's science education, so as to activate the endogenous power of rural revitalization.

4.2. Pay Attention to the Construction of Rural Style Civilization and Enhance the Soft Power of Rural Culture

With the promotion of the rural revitalization policy, the development of the rural economy has been greatly improved, but in the process of development, there are still many contradictions such as unbalanced regional development and cultural soft power. Therefore, on the one hand, local governments should strengthen the construction of spiritual civilization in rural areas, not only to fully explore the outstanding local civilization, increase the investment in rural culture funds, encourage local art creators to actively create and publicize excellent works of local culture, and it is also necessary to increase the absorption and cultivation of excellent foreign culture to ensure that the overall cultural level of the region is not backward. Consolidate the foundations of rural development through cultural revitalization. On the other hand, different regions should carry out the construction of rural style civilization in a

reasonable and orderly manner, and on the basis of inheritance in developed coastal cities in the east such as Jiangsu, Zhejiang, and Shanghai, they should pay more attention to the innovation and integration of rural culture, do a good job in the overall layout of rural cultural soft power construction, and be a good vane for cultural revitalization; for the relatively backward western regions such as Gansu, Sichuan, and Guizhou, we must do a good job in the local layout of cultural revitalization in key and key cultural fields, and take the inheritance of excellent culture as the first priority. And actively study the construction of soft indicators of rural culture in the east.

4.3. Improve Public Governance Capacity and Establish A Long-Term Mechanism for Rural Revitalization

Improving planning and management and improving public governance capabilities are important tasks for rural revitalization. On the one hand, governments at all levels should comprehensively consider the land use efficiency rate, industrial development level, cultural atmosphere cultivation, living environment guarantee, rural housing planning and other aspects of the design of an "all-round, multi-level, focused, far-reaching" rural governance plan, and at the same time strengthen the construction of the credit reporting system, implement dynamic poverty alleviation monitoring work, establish a fund tracking and return to poverty database, and carry out poverty alleviation work "Dynamic" and "Long-term" Combined. On the other hand, it is necessary to give full play to the role of the digital inclusive financial system in ensuring the funds of vulnerable groups such as farmers and small and micro enterprises in the face of major emergencies such as the new coronavirus epidemic, establish special accounts for responding to emergencies, unlock funds as soon as there is a sign, and transfer the risk of death and bankruptcy from small families and small enterprises to large institutions to achieve the role of risk diversification, with the help of digital inclusive finance "Fast, "universal" and "beneficial" to improve emergency response capabilities and public governance capabilities, and serve rural revitalization.

Acknowledgment

This work is supported by the project of Undergraduate Scientific Research and Innovation Fund of Anhui University of Finance and Economics, "Research on the mechanism of digital inclusive finance to empower rural revitalization" (Grant No.: XSKY22007ZD).

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