

Research for the Development of Digital Inclusive Finance in Rural Areas of Sichuan Province

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ABSTRACT

In document No .1 of the Central Committee, the application of digital inclusive finance in rural areas has become a bright spot. This paper analyzes the development of digital inclusive finance in some rural areas of Sichuan Province. The study found that, in terms of service breadth, rural areas differ from urban areas regarding the availability of digital payments. However, thanks to the popularity of smartphones and Internet infrastructure, barriers to obtaining digital inclusive financial services are removed in rural areas. In terms of service depth, rural people are constrained by the inherent concept and the limitations of rural financial institutions. They do not have full access to some deep-level digital inclusive financial services, such as digital credit and digital insurance. In terms of service efficiency, digital inclusive finance does reduce the cost of rural people to obtain the above financial services, but the service efficiency between regions is quite different. In theory, this paper provides methodological guidance for analyzing the development of digital inclusive finance in a certain area. The above three indexes can comprehensively reflect the development of digital inclusive finance in a certain area. In practice, this paper provides useful policy suggestions for rural governments to speed up local digital inclusive finance development.

Keywords: *Digital Inclusive Finance; Rural Areas of Sichuan Province.*

1. INTRODUCTION

In recent years, China's digital inclusive finance has developed rapidly and is at the world's leading level. For example, the network merchant bank, launched by Ant, is the first commercial bank in China to build a core system with cloud computing technology. As a bank with no offline network, in the past five years, more than 30 million small and micro operators have realized contactless loans through online banks, with no more than 40,000 yuan per household, of which 70% have never received bank operating loans. However, there are still many problems in the development of digital inclusive finance in China. According to the "Research report of China County Digital Inclusive Financial Development Index 2020" issued by the Chinese Academy of Social Sciences, there are obvious interregional imbalances in developing digital inclusive finance in China. The development of county digital inclusive finance in the eastern developed regions is generally stronger than that in the central and western regions. At the same time, compared with urban areas,

China's rural areas digital inclusive financial development space is huge.

The concept of inclusive finance originated in Indonesia, Bangladesh and Brazil, and Mexico in Asia in the 1970s. Early inclusive finance was microfinance-based "microfinance" for low-income groups "[1]. In 2005, the United Nations formally introduced inclusive finance in a broader sense and provided financial services to all members of society effectively and comprehensively at an affordable cost [2].

Foreign scholars have studied inclusive finance earlier. Anand and Chinkara found in their study of global financial data that every 1% growth of inclusive financial index will increase the human development index by 0.142% [3]. Demircuc-Kunt found that the development of inclusive finance increased employment opportunities by promoting micro- and micro-enterprise financing, thereby raising the income level of the rural poor [4]. Along with the development and popularization of Internet technology, inclusive finance and Internet technology integration products — digital inclusive finance came into being. Compared with the financial services provided by traditional commercial banks,

digital inclusive finance is more conducive to the equal access of low-income people, farmers, and low social status people to financial services [5]. The G20 Summit, held in 2016, released the Advanced Principles for G20 Digital Inclusive Finance, which the Global Partners of Inclusive Finance designated. This notes that digital inclusive finance covers a wide range of traditional financial products and services and deals are made through digital or electronic technology. With its characteristics of low cost, fast speed, and wide coverage, digital inclusive finance break through the bottleneck that traditional inclusive finance cannot really reach the target population [6].

In China's rural areas, digital inclusive finance opened the last kilometer of rural financial services. With Alibaba, JingDong, and other Internet enterprises entering the rural financial field, rural residents' access to financial services is greatly reduced [7]. The research shows that online banking, mobile banking, and other businesses launched by large state-owned banks, national joint-stock banks, rural credit cooperatives, village banks. Other financial institutions play an important role in improving the transparency of rural loans and alleviating the difficulties of rural loans. In addition, the Agricultural Bank, rural credit cooperatives through the establishment of rural financial convenience service terminal, to meet the needs of farmers for payment, settlement, and other basic financial services [8].

As a new form of business, digital inclusive finance has the affordability and sustainability of inclusive finance and the availability of Internet finance. Some scholars summarize the above three characteristics as the criteria for defining digital inclusive finance [9]. Because of the above characteristics of digital inclusive finance, many scholars regard digital inclusive finance as a "panacea" for rural poverty "[10]. Through data collection and data analysis, this paper discusses the present situation and practical effect of digital inclusive finance in rural areas of China by using the method of a questionnaire survey. Thus solving the regional differences of digital inclusive finance in rural areas of China, helping to explore the potential development momentum of digital inclusive finance in rural areas, and providing suggestions for continuously improving the living standards of rural people.

2. DATA AND METHOD

This paper mainly uses the questionnaire method to collect and analyze the data. A questionnaire survey is an empirical survey method, which is distinguished from the experimental survey method and normative analysis method from the perspective of methodology. Through random sampling and statistical analysis, the questionnaire collected a large amount of data from social practice. Therefore, the questionnaire method is more suitable for large-scale, quantitative research [11].

The reasons why this paper uses a questionnaire as the main investigation method are as follows. From the point of view of period, digital inclusive finance has been carried out for several years all over the country. It has accumulated a large amount of data to be excavated. From the perspective of regional span, the development of digital inclusive finance between regions is different and cannot be generalized. Therefore, this paper uses a questionnaire survey as the main research method.

The sample time of this questionnaire is January 15 to March 31, 2020. Selected the rural population of some representative areas of Sichuan Province (Guang'an, Panzhihua, Mianyang), randomly distributed questionnaires from the Internet, recovered 654 valid questionnaires, women accounted for 51.19%, men accounted for 48.81%. Young people aged 18 to 40 accounted for 73.53% is the main research crowd. Rural residents accounted for 63.65% of the total, Migrant workers accounted for 23.4% of the total. This paper interprets the questionnaire data from three aspects: service breadth, service depth, and service efficiency. It analyzes people's access to and use of digital inclusive finance in rural areas of Sichuan Province [12].

3. RESULT AND DISCUSSION

Referring to the digital inclusive financial index jointly released by Peking University Digital Financial Research Center and Ant Group, Sichuan's 2018 inclusive financial index was 293.4, ranking 16th in the country and belonging to the middle and lower level. In Sichuan Province, Chengdu Digital inclusive Financial Index and three first-class indexes are ranked first in the province, and the gap with other cities is obvious. In the poor areas represented by Aba Tibetan and Qiang Autonomous Prefecture and Liangshan Yi Autonomous Prefecture, all indexes are the lowest level in the country. The development of digital inclusive finance in Sichuan Province exists the phenomenon of regional imbalance, and the development of digital inclusive finance in rural areas has great space worthy of our study.

3.1. Service breadth

Mobile phone binding bank card payment is one of the important ways to realize digital inclusive finance. The number of third-party payment accounts and the number of bank cards bound by third-party payment accounts is analyzed and evaluated in the questionnaire. The proportion of people with only one third-party payment account is 12.35%, and the proportion of people with two third-party payment accounts is 55.4%. The largest 22.3% of the research population has three or more third-party payment accounts, as shown in figure 1.

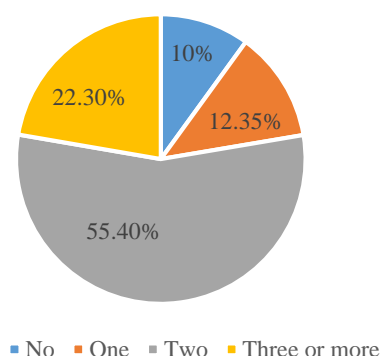


Fig. 1. Number of third-party payment accounts

About 10% of the respondents do not have a third-party payment account, of which 77.45% are rural residents. A small number of people do not have third-party payment accounts. Rural residents account for the majority. In the aspect of bank card binding, only 2.86% of the people did not bind the bank card, 34.29% of the people only bound one bank card, 47.14% people owned and bound two bank cards, 15.71% of the people bound more than three bank cards, as shown in figure 2.

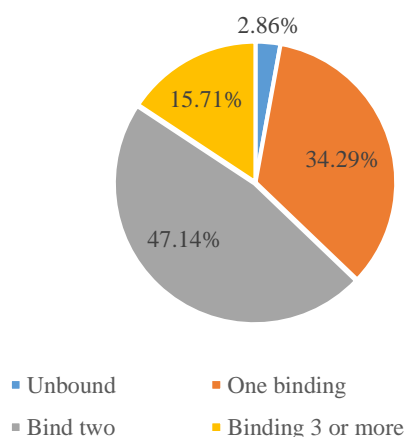


Fig. 2. Bank Card Binding

However, the degree of support for mobile payments in rural areas is still different from urban areas. According to a field visit to merchants in rural and urban areas of Sichuan Province, more than 83.26% of businesses in rural areas support mobile payment acceptance. Although there is still a gap between 94.53% of mobile payment acceptance coverage in urban areas, Mobile payment can cover more than 80% of businesses in rural areas, indicating that digital inclusive finance services are considerable. In an interview with merchants who do not support mobile payment, businesses said they were unwilling to accept mobile payment because of concerns about the security of mobile payment funds and because their target customers were mostly the elderly left behind in rural areas. Strong willingness to use cash

settlement, no need to accept mobile payment. The above reasons also explain why mobile payments in rural areas increase every season when migrant workers return home.

Overall, by the end of June 2020, Sichuan Province's mobile end-month independent equipment remained at 85.408 million. The province's Internet population was 67.66 million, the province's household registration population was 93.74 million, the Internet penetration rate reached 72%. With the popularity of smartphones and the full coverage of information networks, the breadth of digital inclusive financial services in rural areas has naturally risen.

3.2. Service depth

Having a third-party payment account, binding bank cards, and installing relevant bank app. We can analyze the depth of people's use of digital inclusive finance through the specific use of financial services such as digital payment, loan, Internet investment and financial management, insurance purchase, etc. According to the questionnaire, 43.53% of the respondents preferred digital payments because of their speed and security. In a population accustomed to digital payments, only 32.45% of the rural population. In credit operations, particularly microfinance, the survey showed that 89.41% of the population had never had a loan relationship via the Internet. Most people with lending relationships borrow through Internet channels because of temporary emergency or consumer needs. For reasons that do not lend via the Internet, 24.51% of the survey population said they were affected by irregular lending companies. Internet lending is not assured; 52.89% of respondents said they lacked knowledge of Internet lending, not willing to try it easily. In addition, 74.12% and 78.82% of the survey population have not used the Internet to invest in financial management and purchase insurance. According to the analysis, for various reasons, the people in rural areas of Sichuan have insufficient confidence in digital credit, so the participation rate of digital credit business is not high. At the same time, the development of digital financial management and digital insurance services in rural areas of Sichuan is also lagging.

As the country's first comprehensive rural financial services reform pilot city, Chengdu created an effective realization of capital supply and demand docking Chengdu," Agricultural loan "platform. Since its launch in 2017, the platform's online review of nearly 1400, 2.6-billion-yuan loan discount applications. The discount interest is nearly 30 million yuan. More than 45000 registered users, in 84 financial institutions, cumulative release of more than 700 financial products. Two local corporate banks and platform implementation system direct connection. Total loans issued through the platform 17000, 25.3 billion yuan. The pass rate is 71%. The

platform also provides users with property rights transactions, guarantees, evaluation, e-commerce, financial management, insurance and other financial supporting services. By the end of 2020, the balance of

local and foreign currency loans in Sichuan Province is 7.10 trillion yuan, Up 13.7% year on year. The balance of inclusive small and microloans increased 27.5% year on year, higher than the loan growth rate of 13.8% points.

Table 1. Use of digital inclusive financial services by survey populations

Description Type	Yes		No	
	Number of persons	Percentage share	Number of persons	Percentage share
Installation of online banking APP	494	70.59%	206	29.41%
Have you ever had credit over the Internet	74	10.59%	626	89.41%
Whether to buy insurance via the Internet	148	21.18%	552	78.82%
Whether or not to invest money on the Internet	181	25.88%	519	74.12%

Data source Yang Xin

3.3. Service efficiency

In the Beijing University Digital Inclusive Financial Index, it is mentioned that when choosing a financial service, people mainly consider the convenience and cost of obtaining the financial service. The mobile payment amount, the number of mobile payments, and the average loan interest rate were measured and compared in the survey. According to the questionnaire survey results, 83.53% of the survey people have a single mobile payment amount of less than 500 yuan, and 43.53% of the number of mobile payment pens more than 3 times a day. The above data show that Internet finance provides low threshold and high convenience financial services for the research population. Of those who borrowed on the Internet, 55.56% have received small loans at less than 5%. For the rural residents with poor credit ability, the loan interest rate below 5% is extremely favorable, so the loan cost of most farmers has been greatly reduced.

In the above, the statistical data of the questionnaire are analyzed and evaluated from the three dimensions of service breadth, service depth, and service efficiency. We find that with the popularity of smartphones and information networks in rural areas, many rural people can complete basic digital inclusive financial services such as mobile payment, capital remittance, etc. However, for microcredit, which rural people urgently need, the data show that digital inclusive finance has not fundamentally reversed rural people's loan difficulties. Due to the distrust of rural people in digital credit and the lack of related financial service platforms, inclusive Finance in rural areas of Sichuan Province has not fully touched digital credit in depth. Nor has it provided sufficient digital insurance and digital financial services for rural people. In terms of service efficiency, some people who carry out digital credit through the Internet have effectively solved the problems of poor credit ability

and expensive financing interest rate and greatly reduced the financing cost. However, there are regional differences in this index. In underdeveloped villages, the digital lending rate through the Internet is significantly higher than that in other rural areas or even higher than the operating loan rate provided by commercial banks. The premise of digital inclusive finance to provide low-cost financial services is the availability of infrastructure and the popularization of digital financial technology.

4. CONCLUSION

This paper analyzes and evaluates the questionnaire data from three angles of service breadth, service depth, and service efficiency. It analyzes the development of digital inclusive finance in rural areas of Sichuan from a shallow point of view. That fully reflects the prevalence of rural people's access to shallow digital inclusive financial services, the utilization rate of deeper digital inclusive financial services, and the cost of obtaining the above digital inclusive financial services. Although the questionnaire data are aimed at some rural areas of Sichuan Province, analyzing the problems and the conclusions and policy suggestions can be applied nationwide.

The government should further increase the promotion and publicity of mobile payment and improve farmers' cognition of mobile payment. At the same time, improve the mobile payment compensation system to enhance the confidence of merchants and consumers in mobile payment security. Merchants are encouraged to accept and use multi-channel mobile payment, including WeChat Pay, Alipay, Cloud Flash payment, and so on, to cultivate the dependence of rural people on mobile payment. Expand the application scene of mobile payment in rural areas, in addition to the most common commissary. Supermarket, in the farmers' market, rural e-commerce, agricultural procurement, and other scenes

closely related to the production and life of rural people to achieve full coverage of mobile payment.

The government should cooperate with financial institutions in rural areas, absorb and learn from the construction experience of Chengdu's "Agricultural Credit Link" platform. It should launch open network service platforms such as online banking and mobile banking, and provide rural people with small credit loans, student loans, housing loans, agricultural loans, and personal comprehensive consumer loans.

The government should rely on the credit advantages and information channels of financial institutions, construct an information platform connecting the supply and demand of funds, establish farmers' credit files and connect with financial institutions. This will help financial institutions extract appropriate credit targets and provide low interest rates of microfinance through big data analysis and user profiling. In addition, the government should actively explore the mortgage guarantee system for agricultural equipment and agricultural machinery, solve the problem of poor credit ability of rural people, and remove the obstacles for rural people to obtain loans.

In theory, this paper divides the development of digital inclusive finance into three indexes: service breadth, service depth, and service efficiency, and analyzes and evaluates the development of digital inclusive finance in rural areas from three different levels. It provides a methodological reference for the quantitative analysis of digital inclusive finance. At the same time, through the analysis of the development of digital inclusive finance in rural areas of Sichuan Province, this paper summarizes its achievements and shortcomings. It provides policy suggestions for the Sichuan Provincial Government to further improve the effectiveness of digital inclusive finance in rural poverty alleviation. It is a useful suggestion for the 14th Five-Year Plan and the follow-up safeguard measures.

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