

The Study on the Development of Rural Digital Inclusive Finance in China

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ABSTRACT

Rural areas is the important field of inclusive financial services. Digital inclusive finance has become a new trend in the development of inclusive finance. This paper analyzes the current situation of the development of rural digital inclusive finance in China, explains the constraints of the development of rural digital inclusive finance, and puts forward suggestions for the development of rural digital inclusive finance under the rural revitalization strategy.

Keywords: Rural finance, Inclusive finance, Digital finance

1. INTRODUCTION

Since the inclusion of finance was put forward by the United Nations in 2005, the establishment of an effective and comprehensive inclusive financial system for all social groups, especially vulnerable groups, has been the focus of governments around the world. Rural areas are mainly agricultural production areas with relatively scattered population. Due to the dualistic structure of China's economy, rural is the area with relatively low level of economic and financial development, relatively concentrated poor population, which are also the key areas of inclusive financial services. At present, the combination of inclusive finance and digital technology has been endowed with new carrier and content. Digital inclusive finance has become a new trend in the development of inclusive finance. In 2016, the G20 summit for the first time put forward the concept of digital inclusive financial. It is defined as "all through digital financial services to promote inclusive financial action. It includes the use of digital technology to do not have access to financial services or lack of financial services group offers a series of formal financial services, financial services provided by its can meet their needs. And it must develop in a way that is responsible, affordable and sustainable for service providers." Digital inclusive finance is to promote financial inclusion through digital technology in order to solve the "last kilometer" problem of financial inclusion. Rural development should be strengthened and digital inclusive finance in rural areas should be vigorously developed.

2. LITERATURE REVIEW

Many scholars have studied the status, problems and paths of the development of rural digital inclusive finance in China. Jia Jin and Xiao Jian^[1] show that the innovation of the rural inclusive finance has enhanced the effect of targeted poverty alleviation, and the priority tasks is focused on small micro informal corporate finance at later period. Tang Xiaowang and Zhang Yifei^[2] point that the problems of "small, scattered and weak" of rural financial institutions in our country are prominent, the supply of exploitative and policy-oriented finance is insufficient, the products and channels are single, the support of science and technology is backward, and the means of supervision are insufficient, which are increasingly unable to meet the needs of the strategy of rural revitalization. Jiang Qingzheng et al.^[3] find that the current level of digital inclusive finance in rural China is generally low, and there is a considerable discrepancy between digital inclusive finance in the eastern and western regions. Xing Yan^[4] believes that rural digital inclusive finance can reduce transaction costs, promote the innovative development of agricultural industrial chain and supply chain, and support the growth of rural digital economy, but rural digital inclusive finance will put forward higher requirements on infrastructure, financial ecology and cognitive endowment. Fu Qiong and Guo Jiayu^[5] point that the application of fintech in rural inclusive finance also faces difficulties: the threshold effect caused by the lack of network infrastructure,

market environmental and institutional constraints; ceiling effect caused by limitations such as application scenarios, customer scope and business tolerance and multiple risk effects such as technology, data and network, as well as systemic risk and diffusion, etc. Wang Xiaoya and Huang Mai^[6] summarize the five typical models of China's rural Digital Inclusive Finance services and clarify the difficulties and problems existing in practice. Ji Xiaojuan^[7] regards that China's rural digital financial inclusion has problems such as regional differentiation, urban-rural differentiation, insufficient depth, and lagging supervision. These issues are caused by the unbalanced digital gap in the construction of digital infrastructure, the unsound ecological gap in the financial ecological environment, and the unbalanced educational gap in the development of education. Dong Zhiyong et al.^[8] point that the current development of rural digital finance in China is not sufficient, the rural digital infrastructure needs to be improved, the financial supervision ability needs to be improved, the residents's financial literacy needs to be enhanced, and the risk control cost of financial institutions is still high. Therefore, in the future, China should focus on the construction of digital infrastructure, the improvement of digital financial regulatory system, the improvement of rural residents' financial literacy and the digital transformation of financial institutions to promote the development of digital finance and to accelerate rural revitalization. Zhang Yue and Zhou Yingheng^[9] find that the level of digital financial inclusion has a significant positive correlation with the level of rural industry integration, digital financial inclusion promotes the process of rural industry integration through empirical analysis. Zhang Yue and Peng Shiguang^[10] show that the relationship between development level of digital financial inclusion and the profitability of rural banks presented a U-shaped curve. In addition, there are obvious regional differences in the critical value of digital financial inclusion's influence on the profitability of rural banks from negative to positive, and the promotion effect of digital financial inclusion on the profitability of rural banks is more likely to occur in the eastern region.

3. COMPARATIVE ANALYSIS OF JAPAN'S QE POLICY IN TWO PERIODS THE DEVELOPMENT SITUATION OF RURAL DIGITAL INCLUSIVE FINANCE IN CHINA

From the development experience of digital inclusive finance in various countries, there are three main channels to promote financial services. Firstly, it takes advantage of mobile internet to complete basic financial activities such as payment and exchange through mobile phones. Secondly, it uses digital technology to provide comprehensive financial services such as credit and wealth management, expand credit

scale and reduce financing risks. Thirdly, it speeds up the construction of basic database, improve the ability of financial services. Driven by the rural revitalization strategy, China has accelerated the development of rural digital inclusive finance, with an increasing number of business models and service varieties and obvious characteristics of diversification and innovation.

Traditional financial institutions, e-commerce platforms and third-party Internet financial platforms are the main providers of rural digital inclusive finance. Traditional financial institutions (including commercial banks, insurance companies, guarantee companies, etc.) use internet, cloud computing, big data and other technologies to provide inclusive financial services to rural areas through online banking, mobile banking and other carriers. Most commercial banks have set up specialized institutions and platforms to provide inclusive financial services, such as China Construction Bank "Yunong Tong", Agricultural Bank of China "Huinong E-Tong", Postal Savings Bank "E-Jiedai", etc. Fintech companies, which were born out of the financial business sector of e-commerce platforms, are another big driving force of rural inclusive finance. Since 2014, TaoBao, JingDong and other important domestic e-commerce platforms have begun to enter the rural market. With the help of powerful data processing ability, rural online shopping market develops rapidly. At the same time, it provides important digital infrastructure support for rural digital inclusive finance. A large number of commercial banks have cooperated with large e-commerce platforms to build inclusive financial system in rural areas. In addition, third-party Internet financial platforms extend financial services from cities to rural areas with the help of mobile communication technology, and popularize the service concept of digital inclusive finance. P2P and other online credit companies carry out rural digital inclusive finance business, provide loans to farmers, small and micro agricultural enterprises, and carry out business innovation, which has a great impact on financial services and economic development in rural areas.

Now rural inclusive financial business includes both payments, credit, savings and other traditional financial business of digital, also includes new financial business, such as finance, p2p based on Internet platform. In addition, there have been based on agriculture industry chain mode of financial services, namely by the agricultural core companies or financial institutions to build digital service platform to provide financing services for small farmers and small and micro enterprises upstream of the supply chain. The agricultural supply chain based on the technology of digital financial services specific operation mode is not the same.

4. PROBLEMS EXISTING IN THE DEVELOPMENT OF DIGITAL INCLUSIVE FINANCE IN CHINA'S RURAL

4.1 There are significant differences in the development of rural digital inclusive finance between regions and between urban and rural areas.

The development of digital inclusive finance depends on local informatization level, financial market development level, economic development level and other basic conditions. As China's economy still has the characteristics of dual structure, the development gap between urban and rural areas and between regions is still obvious, which also leads to the development of digital inclusive finance in China's rural areas with significant gap. The digital financial inclusion index of developed provinces and cities such as Shanghai, Beijing and Zhejiang is much higher than that of western provinces such as Qinghai, Gansu and Xinjiang. The development level of e-commerce and finance in rural areas of eastern China is obviously higher than that in rural areas of central and western China, especially remote rural areas. Rural areas in different provinces have obvious gaps in online credit investigation, payment and small loans.

4.2 The contradiction between supply and demand of rural digital inclusive finance is still prominent.

On the one hand, the digital financial services provided by financial institutions have high homogeneity and intensified competition, but the service use efficiency is low. The lack of financial personnel in rural areas, the professional quality is not high, resulting in the financial institutions cost income ratio is not high. On the other hand, the demand for inclusive finance in rural areas is limited by the financial literacy and informatization popularity of local residents. There are a large number of left-behind population in rural areas in China, and their per capita use of computers and smart phones is not high, and they know little about investment, financial management and other financial products, with an obvious sense of distrust, resulting in the lack of demand for digital inclusive finance. The contradiction between effective supply and demand is also reflected in the lack of credit investigation system in rural areas, which makes it difficult for farmers' credit status to meet the examination conditions of financial institutions, thus failing to meet the financial needs of rural enterprises and farmers.

4.3 The risks of rural digital inclusive finance are gradually emerging, and the financial supervision and consumer rights protection mechanism are not perfect.

Digital inclusive finance has brought convenience to farmers in the process of development, but financial security problems have also begun to appear. Financial fraud, telecom fraud, network fraud and other financial risks have also begun to penetrate into rural areas, and some scams with financial innovation emerge in an endless stream. Without proper supervision, policy guidance and protection mechanism, farmers are easily deceived and suffer property losses. The frequent occurrence of financial risk events tends to cause resistance among farmers, which increases the difficulty of promoting digital inclusive finance in rural areas.

5. CONCLUSIONS

With the promotion of inclusive finance in rural China, the coverage of rural financial services continues to expand, and the financial services enjoyed by farmers have been significantly improved. However, China's rural inclusive finance has many deficiencies. There is still a huge space for development.

(1) The strategic positioning and development path of China's rural digital inclusive finance need to be further clarified. It is necessary to promote the development of digital economy in rural areas. E-commerce enterprises should be encouraged to further expand service outlets in rural areas. We should improve service quality and integrate and optimize production, logistics, sales, finance and other links, continue to explore agricultural supply chain financial service model and digital upgrade, promote the integration of digitalization and all aspects of rural social life, and expand the service scope of rural digital inclusive finance.

(2) In the context of urban-rural integration, the pace of digital infrastructure construction in rural areas should be accelerated. We will continue to support optical fiber construction and Internet coverage in remote rural areas, ensure network signal quality, and launch 5G network construction as soon as possible. Also, we should use government preferential policies to promote "digital access to the countryside", improve the breadth and depth of the use of terminal equipment for rural residents, and ensure that all rural residents can enjoy low-cost, high-quality digital information services.

(3) We should strengthen the risk supervision of rural digital inclusive finance and protect the legitimate rights and interests of farmers. In view of the diversified business models of rural digital inclusive finance, a multi-form and multi-level regulatory system should be

established. On-site and off-site financial regulatory means should be adopted to distinguish the sources of risks, formulate targeted regulatory strategies, and strengthen the early warning and monitoring of rural digital inclusive finance risks. We should pay attention to the property losses caused by online financial fraud and illegal fund-raising activities, establish a platform for appeal, and protect the legitimate rights and interests of farmers in digital inclusive finance.

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