Digital Financial Inclusion Enables Rural Revitalization

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Abstract. In today's environment, digital financial inclusion is a crucial part of rural development. Digital inclusive finance can efficiently address rural inhabitants' financial requirements while also promoting the rural economy's long-term development. Although numerous researchers have undertaken considerable study on digital financial inclusion and rural rejuvenation, there is still a lack of a clear link between relevant research findings. The goal of this paper is to conduct a complete and systematic evaluation of existing research on the promotion of rural revitalization through digital financial inclusion. This paper will focus on numerous critical topics, including rural finance and industry, rural employment and quality of life, rural rejuvenation and common prosperity, and the obstacles they face. The results show that digital financial inclusion plays a vital role in rural revitalization, but there are still many problems to be solved. This paper not only emphasizes the key role of digital financial inclusion in promoting rural revitalization, but also provides research directions for future exploration.

Keywords: Rural revitalization, Rural development, Digital inclusive finance, Digital finance.

1 Introduction

In recent years, the rapid development of information technology has led to the increased prominence of digital inclusive finance as a financial technology. Consequently, a significant conduit for linking rural communities with contemporary financial services has been transformed into a digital platform for financial inclusion. The utilisation of sophisticated technological instruments, including cloud computing and alternative data sources, enables the expansion of financial services, the reduction of operational costs, the provision of convenient payment methods and loan services to rural residents, the enhancement of the efficiency of finance-related services, and the fulfilment of the diverse financial requirements of a broader range of rural demographics. Furthermore, the deployment of technologies such as big data analytics and artificial intelligence facilitates the reduction of costs and risks associated with financial services, thereby promoting the sustainable development of the rural economy.

In recent years, the academic community has conducted extensive research into the relationship between digital financial inclusion and rural revitalisation, resulting in a

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significant corpus of knowledge on the subject. It is widely acknowledged that the defining features of digital financial inclusion are its inclusivity and innovative aspects. As evidenced by the research conducted by Wang et al., the integration of digital inclusive finance has the potential to comprehensively address the financial requirements of rural regions, thereby facilitating the synergistic development of digital and rural finance [1]. Additionally, the pioneering nature of digital finance has proved advantageous for the advancement of rural enterprises. As illustrated by Liu's research, digital inclusive finance has the potential to considerably bolster the comprehensive development and revitalization of rural industries. However, the extent of this impact may fluctuate across different regions [2]. Moreover, transformations in rural finance and industry have implications for the quality of life of farmers. Ding et al. established a U-shaped relationship between digital financial inclusion and the quality of life in rural households, whereas Su highlighted the pivotal role of digital financial inclusion in advancing shared prosperity in rural areas [3,4]. Nevertheless, it is essential to recognise that despite the theoretical potential of digital financial inclusion to facilitate significant development in rural areas, it encounters numerous practical challenges. The implementation of digital financial inclusion is impeded by a number of factors, including the inadequate network infrastructure that characterises rural areas, the limited uptake of technology by farmers, and the outdated legal and regulatory frameworks that prevail in these contexts.

It is therefore crucial to examine the potential of digital financial inclusion as a means of facilitating rural revitalisation, thereby advancing the realisation of rural revitalisation objectives. This paper aims to present a comprehensive overview of the research results and to examine the integration of digital financial inclusion and rural development from a range of theoretical perspectives. The objective is to further integrate digital inclusive finance and that of rural finance in a manner that will facilitate the advancement of rural industries and the creation of rural employment, as well as enhance the overall quality of life in rural areas. This has the potential to facilitate rural revitalisation and promote common prosperity, while also indicating the direction of future research into the ways in which digital financial inclusion can support rural revitalisation.

2 Digital Financial Inclusion Empowers Four Aspects of Rural Revitalization

Inclusive digital finance employs contemporary technologies, such as the Internet, to develop bespoke financial products for a diverse demographic, encompassing mobile payments and online loans. The primary objective is to reduce the financial burden on businesses by lowering the cost of financial services, increasing the range of financial services available and providing assistance for the growth of small and medium-sized enterprises. This will, in turn, stimulate economic growth. This is in line with the development needs of rural areas that have been left behind by rapid urbanization. With technological advances and policy support, digital financial inclusion can play an important role in promoting rural development. However, when integrating digital financial inclusion into rural revitalization strategies, Chinese governments must also take into account issues such as the digital divide and network infrastructure. Now that the rural revitalization strategy has received widespread attention and support from the society, the Chinese government must seriously consider relevant issues when it wants to promote digital financial inclusion policies.

2.1 Rural Finance and Rural Industry

To achieve industrial prosperity, ecological livability, civilized rural aesthetics, efficient governance and quality life are the ultimate goals of implementing the rural revitalization strategy. Simply put, it is to build a prosperous rural community composed of strong rural industry, picturesque rural scenery and orderly rural management. In order to achieve these goals, it is necessary to promote the development of rural industry through transformation and upgrading. To a large extent, the growth of enterprises and the prosperity of industries need financial support, such as market information and loan services. Therefore, in order to develop rural industries and realize rural revitalization, the government must first focus on developing rural finance. This requires providing rural residents with convenient payment methods, loan services and other financial products, and digital financial inclusion can effectively meet these diverse financial needs in rural communities. While comprehensively addressing these financial needs, the rural economy is also affected by digital financial inclusion, thus improving and developing. This has the potential to facilitate the promotion of sustainable and healthy economic growth in rural areas [1]. In addition, the integrated development of digital financial inclusion and rural industries is an important part of strengthening the economic resilience of rural areas. The research shows that adjusting urban industrial structure can improve the elasticity of urban economy. In order to enhance the resilience of the rural economy, it would be prudent to consider optimising the rural industrial structure [5]. Moreover, the prevalence of diversified agricultural systems bolsters the economic resilience of disparate regions, thereby contributing to overall economic stability.

The rural economy is inextricably linked to agriculture, and as such, the rural revitalisation strategy seeks to leverage the distinctive characteristics of local agricultural products to foster the growth of associated industrial chains. It is imperative that digital inclusive finance be integrated into these industrial chains in order to facilitate their large-scale development. The expansion of multifunctional agriculture can be achieved by leveraging human capital through digital financial inclusion, which will contribute significantly to agricultural product supply, economic development, and social security functions [6]. This, in turn, propels the industrial chain towards a future characterised by science, technology and digitalisation. It has been demonstrated that digital inclusive finance has the potential to facilitate the large-scale development of rural industries, improve the efficiency of agricultural resource allocation, modernise the agricultural industrial structure, and enhance overall productivity in the agricultural sector [7].

Nevertheless, the impact of digital inclusive finance on the integration and development of rural industries is contingent upon regional circumstances. In comparison to the Western region, the Eastern region presents a more favourable context for the investigation of the impact of digital inclusive finance in the context of rural development. Moreover, this approach offers greater potential for economic growth in the South Coast and North West regions than in other areas. It is not possible to achieve the multi-functional transformation and upgrading of agriculture without the extensive coverage of digital inclusive finance. However, it also exerts a distinctive inhibitory effect on the functions of the ecological environment. Furthermore, an excessive reliance on digital financial inclusion may also impede the expansion of agricultural versatility to some extent [6,8]. Consequently, when implementing digital financial inclusion policies, local governments should exercise discretion in their application, taking into account the specific circumstances of each case, and avoid excessive reliance on them.

The advent of digital financial inclusion holds the potential for stimulating rural economic growth and industrial development. This is achieved by reducing the costs associated with financing and addressing information asymmetries, thereby reinvigorating the rural economy. This encompasses the restructuring of rural financial services with the objective of enhancing accessibility, convenience and efficiency. Furthermore, the enhancement of agricultural productivity, coupled with an expansion of the rural industrial infrastructure, has the potential to facilitate the advancement and enhancement of rural industries, thereby reinforcing the intrinsic resilience of the rural economy.

2.2 Rural Employment and Rural Quality of Life

The introduction of digital inclusive finance can contribute to the diversification and upgrading of rural industries, as well as provide financial support to rural entrepreneurs. This has fostered a climate of optimism regarding rural entrepreneurship, facilitating the realisation of numerous entrepreneurial projects that were previously constrained by a dearth of financial resources. At the same time, through the use of digital inclusive finance, the provision of financial support has facilitated the accelerated growth of indigenous small and micro enterprises and family workshops in rural areas. The revitalisation of traditional industries and the emergence of new ones have resulted in the creation of a more diverse range of high-quality employment opportunities for individuals residing in rural areas. This constitutes a significant contribution to the maintenance of the overall level of rural employment and represents a crucial measure for achieving rural revitalisation. A reasonable conclusion that can be drawn from the findings of this research is that digital inclusive finance can have a favourable impact on the promotion of rural employment. It is important to note, however, that this favourable impetus is regional in nature [9]. In addition, the advent of digital financial inclusion provides a platform for rural workers to adapt to constantly changing market demands and increased competition for employment opportunities. This is accomplished through the delivery of financial literacy and skills training programs. This not only enhances the overall quality of the rural labour force, but also improves the financial literacy of rural residents. Expanding digital financial inclusion has the effect of both facilitating the creation of employment opportunities at macro level and providing technical assistance and training for rural employment at micro level.

It is evident that the integration of digital finance has a significant influence on the quality of life in rural communities. It has been demonstrated that the promotion of digital financial inclusion has resulted in a notable enhancement in the living standards of rural residents [3]. For example, the use of digital technologies has led to greater convenience and efficiency of access to financial services for people in rural areas. As a consequence of the extensive and profound penetration of digital financial inclusion, the utilisation of digital instruments such as mobile banking and mobile payment has increased considerably. The majority of rural residents are able to access convenient financial services regardless of temporal or geographical constraints. Such benefits have the added advantage of improving the efficiency of day-to-day activities, while at the same time alleviating the additional financial burden that is associated with accessing services within the financial sector. In addition, the growth of e-commerce in rural areas has been catalysed by the convenience offered by digital technology, enabled through the introduction of digital financial inclusion. E-commerce platforms provide rural residents with a greater range of consumption choices and facilitate the sale and promotion of local specialty products, thereby stimulating the rural economy and increasing residents' incomes. Furthermore, digital inclusive finance has enabled the creation of bespoke financial solutions for rural residents' educational, medical, elderly care and other needs. This enables them to effectively navigate the challenges and risks inherent to their lives.

The promotion of digital financial inclusion is a key factor in the growth of rural employment. This illustrates that digital financial inclusion not only provides additional financial resources and development opportunities for rural areas, but also enhances the employability and market competitiveness of the rural labour force through scientific and technological innovation, education and training. This has provided a robust foundation for the sustained and robust development of the rural economy. Moreover, the advent of digital financial inclusion has led to a notable improvement in the quality of life for rural communities, largely due to the introduction of more convenient, reliable, and secure financial services. It is also stimulating the growth of rural e-commerce and providing financial solutions tailored to the specific circumstances of people living in rural areas, thereby improving their overall quality of life.

2.3 Rural Revitalization and Common Prosperity

China is currently implementing a strategy of rural revitalisation, and the role of digital inclusive finance in this process is becoming increasingly evident. The deployment of advanced technologies, including big data, has enabled the spread across digital financial inclusion, effectively breaking down the constraints that have historically hindered access to traditional financial services. Furthermore, such a strategy not only ensures the accurate allocation of financial resources but also provides the rural economy with sustained and stable financial support.

More specifically, digital inclusive finance, as an emerging business model resulting from the fusion of Internet technology with traditional finance, complements conventional rural finance by amplifying financial input into rural areas. As a result, it effectively supports initiatives for revitalizing rural areas [10]. For instance, digital inclusive finance leverages financial technology to construct a digital ecosystem through innovative mechanisms including customized financial products, unimpeded channels for finances, and more accurate risk management [11]. These initiatives provide convenient, flexible algorithms with low costs for financing entities in the rural economy such as small-scale enterprises and farmers' cooperatives. Subsequently aiding industrial upgrades alongside green-financing construction while bridging any existing digital divides within these regions serves to contribute significantly to enabling diversification in its developmental processes, ultimately becoming a pivotal propeller behind rural revitalization efforts.

By simultaneously leveraging innovative models, digital inclusive finance drives prosperity and development across various sectors in rural industries. This enhances overall improvements in infrastructural developments, consequently elevating social undertakings and ultimately leading to heightened standards of living. This injects an enthralling force propelling prowess behind stimulating transitions encompassing all urban-rural dynamics that manifest themselves during this period characterized most profoundly by emphasis towards facilitation-oriented factors concerning common aggregated welfare pursuits essential characteristic balanced collective progressive growth.

Rural revitalization is a key factor in achieving shared prosperity, and the key driver for achieving shared prosperity is digital financial inclusion. Research indicates that inclusive finance through digital channels initially promotes the development of rural Internet finance due to its wide coverage, extensive use, and technological advancement. This will further advance rural industries by alleviating financial constraints, supporting innovation and entrepreneurship among rural residents, and facilitating industrial transformation and upgrading. Ultimately, enhancing the market competitiveness of rural areas can increase the income generated from property for farmers, thereby contributing to the promotion of common prosperity [4, 12, 13].

Inclusive digital finance is clearly beneficial for rural industries by supporting their advancement, improving rural infrastructure and social initiatives, as well as enhancing financial literacy and risk management skills among rural residents. Furthermore, it cultivates their enthusiasm and creativity to participate in economic activities, establishing a solid foundation for sustainable development in rural revitalization. Digital financial inclusion also plays a crucial role in achieving common prosperity by increasing the accessibility and availability of financial services, driving industrial development and economic growth. It provides more equitable and convenient opportunities for vulnerable groups and residents in remote areas while helping to narrow income disparities. In doing so, it promotes social equity and justice, contributing to progress towards shared prosperity for all.

2.4 Challenges

Despite the significant achievements of rural revitalization through inclusive digital finance, studies have revealed that the overall efficiency remains low in China. This is evidenced by a low penetration rate, limited application scope, small credit scale, and various regulatory blind spots. Therefore, there remains significant growth potential for rural revitalization through digital inclusive finance [4].

In addition, three other factors have a negative impact on the effectiveness of digital financial inclusion as a driver of rural development. The inefficiencies of financial intermediation, the inadequate matching of product supply and demand, and the difficulties in scaling up development initiatives collectively hinder the potential impact of digital inclusive finance in rural areas. The current range of digital inclusive financial products on the market has a number of shortcomings. Such limitations include restricted product types, limited service content, and inadequate flexibility. This renders it challenging to provide accurate financial services that cater to the diverse and personalised needs of rural areas, which are shaped by their unique economic structures and industrial characteristics. Consequently, those engaged in agricultural activities and small micro-enterprises frequently encounter difficulties in obtaining financial services that are genuinely aligned with their needs.

Moreover, the absence of an adequate network infrastructure in rural areas, the limited digital literacy among farmers and the existence of obsolete legislation and regulations constitute additional significant impediments to the extensive deployment and utilisation of digital inclusive finance in rural regions. Despite remarkable progress in China's rural infrastructure construction over recent years, its digital infrastructure still lags behind with issues such as incomplete network coverage; unstable signals; lacking payment terminals making it difficult for farmers to conveniently enjoy benefits brought by digital financial inclusion.

Finally, due to limited financial literacy among rural residents and their ability to apply information technology, they may encounter difficulties or risks when using digital inclusive financial services. The resulting "digital divide" along with concerns related to security present challenges that cannot be overlooked.

In conclusion, the Empowering Rural Revitalization initiative is confronted with a series of obstacles in its endeavor to achieve digital financial inclusion. It is of the utmost importance that the relevant authorities implement strategies to address and resolve the aforementioned challenges in order to optimise the beneficial role of digital financial inclusion in the promotion of rural revitalisation. Such strategies may include the provision of policy guidance, technological advancement and workforce development initiatives.

3 Conclusion

Offering insights from a variety of theoretical perspectives, the inclusion of digital financial services is a central aspect of the rural revitalisation process. Nevertheless, several obstacles remain to be overcome. These include the presence of a relatively weak digital financial inclusion system, difficulties in risk assessment and management, and a low level of integration between digital financial inclusion and rural industries. It is therefore essential that these challenges are addressed in order to ensure the effective promotion of digital financial inclusion and, in turn, the empowerment of rural development.

In light of the current state of rural development in China, this paper puts forth a series of policy recommendations, including the enhancement of farmers' financial literacy and digital capabilities, the acceleration of the construction of rural digital infrastructure, and the reinforcement of rural digital financial supervision. The objective of these measures is to facilitate the advancement of digital inclusive finance in rural regions, attain robust economic expansion in these areas, and propel the comprehensive revitalisation of rural communities.

As the most active form of finance currently available, digital inclusive finance utilises its various characteristics to provide convenient financial services for rural residents. Furthermore, it helps to ease credit constraints for rural enterprises while promoting transformation and upgrading within agricultural industries. Ultimately, this results in higher employment rates and an improved quality of life in agricultural communities.

Moreover, it is essential to recognise that the ongoing endeavours to promote digital financial inclusion with a view to rural regeneration are encountering obstacles and that there are significant challenges that require attention. It is therefore incumbent upon the Chinese government to address these issues through the implementation of appropriate policies. This will ensure the continued empowerment of rural revitalisation through the process of digital financial inclusion, which will in turn facilitate the completion of this process.

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