



Research on the Influence Mechanism of Digital Inclusive Finance in Promoting Rural Revitalization

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Abstract. The deep integration of digital inclusive finance and rural revitalization has become a transformative strategy to address the imbalance in urban-rural development and the underdevelopment of rural areas in China. This study explores the dual roles of digital inclusive finance in alleviating financing constraints, promoting industrial upgrading, and mitigating systemic obstacles such as unbalanced regional development, regulatory deficiencies, and insufficient infrastructure. By leveraging the Internet and mobile technologies, digital inclusive finance has enhanced the accessibility of financial services, supported green and technological agriculture, and stimulated the entrepreneurial vitality of rural areas, thereby directly promoting industrial integration and income growth. Indirectly, it promotes ecological sustainability, cultural inheritance, governance efficiency improvement and the realization of poverty reduction goals by optimizing resource allocation and inclusive financial services. However, challenges still exist, including fragmented digital infrastructure, a high-risk financial environment and an imperfect regulatory framework. To maximize the effectiveness of DIF, policymakers need to prioritize investment in infrastructure, customize financial products based on local demands, and strengthen risk management mechanisms. This systematic approach not only helps bridge the urban-rural gap, but also drives sustainable and high-quality rural revitalization, coordinating economic growth with ecological and social well-being.

Keywords: Rural Revitalization, Digital Inclusive Finance, Upgrade of Industrial Structure.

1 Introduction

At present, China's rural areas are underdeveloped, and the problem of unbalanced development between urban and rural areas is becoming more and more prominent, which is mainly manifested in the large gap between the disposable income of urban and rural residents, and the significant internal development gap in rural areas, as well as the resulting 'hollowing out' of the countryside, 'aging', 'emptying and wastage' of rural settlements and other 'rural diseases' seriously hinder the development of rural areas. As a result, the development of rural areas has been seriously hindered by 'rural diseases' such as 'hollowing out', 'aging', and 'emptying out' of rural settlements. The

strategy of rural revitalisation can undoubtedly smooth the key points of rural development, strengthen the weak links of rural development, solve the outstanding problems of rural development, provide a powerful hand to effectively improve the development of rural areas, and inject new vitality into rural development [1]. The implementation of the rural revitalisation strategy involves a wide range of fields, large investment amounts, it is difficult to complete only through the self-accumulation and investment in rural areas, we must rely on external funds to solve the financing needs and gaps, the emergence of digital inclusive finance for the capital factor market has brought new opportunities, its own characteristics just make up for the shortcomings of the operation of the rural financial market, for the development of financial services in rural areas to provide a new mode of operation, followed by a new mode of operation for the countryside. The upgrading of industrial structure and industrial integration provide new opportunities to promote rural industrial chain innovation, stimulate the vitality of innovation and production in rural areas, provide a guarantee to effectively increase the income of rural residents, improve the effectiveness of rural governance, improve the cultural and spiritual outlook of the countryside, and ultimately achieve high-quality rural revitalisation.

2 Advantages and Realistic Thresholds of Digital Inclusive Finance in Facilitating Rural Revitalization

2.1 Impact of Digital Inclusive Finance on Rural Revitalization

Digital inclusive finance plays a significant role in rural revitalization. Traditional financial services are often restricted by factors such as region, time and cost. However, digital inclusive finance can extend financial services to rural areas by leveraging technologies like the Internet and mobile payment, covering a wider range of people and enhancing the accessibility and convenience of financial services. Against the backdrop of the continuous integration and interaction between digital technology and finance, more financial support can be provided for the development of rural areas. Rich financial products and diverse service scenarios can more conveniently address the financing needs of rural areas, expand financial supply, guide resource allocation, accelerate the flow of funds and technology to rural areas, activate the factor market, and provide guarantees for industrial development. The policy-oriented products provided by digital inclusive finance encourage technological innovation, making it possible to establish modern agriculture, technological agriculture and smart agriculture, accelerating the upgrading and transformation of industries. The prosperous development and accelerated integration of industries provide more job opportunities, enhance the vitality of the rural economic market, and the consequent increase in income. The guidance and support of digital inclusive finance for green products, green technologies and infrastructure construction have built an ecological barrier for the green and ecological development of rural areas. The improvement of the living environment and the increase in residents' income will also lead to a rise in the happiness index of rural areas.

2.2 Realistic Thresholds for Digital Inclusive Finance in Rural Revitalization

Imbalanced and Inadequate Development of Rural Digital Inclusive Finance . In rural areas, there are many types of industries, but they are small in scale and have little interaction and connection among industries. Many industries, such as family factories and small handicraft workshops, are limited by their business scale and operation mode, lacking the corresponding qualifications and collateral. Due to adverse selection, financial institutions may not provide or provide less financing support. Meanwhile, in some regions, the degree of digitalization is not high and the construction of financial infrastructure is still not perfect, resulting in a mismatch between the target policies and the service targets, and the financing needs of business entities have not been effectively met.

Imperfect Financial Regulation and High Risks in Rural Areas. The financial market in rural areas started late and developed slowly. It has not formed an effective market operation mechanism. Most of the work relies on government policies for macro-control. The financial and legal qualities of market entities, namely agricultural business entities, are not high. At the same time, the risk control capabilities of Internet financial platforms are weak, and the professional levels of practitioners vary greatly. Moreover, there are potential security risks such as technical loopholes in fund supervision. There is overlap and vacuum in supervision, which poses a significant threat to the safety of farmers' property and the security of information and data.

Weak Financial Infrastructure in Rural Areas. There exists a certain "digital divide" problem in rural areas. With the continuous development of urbanization, many rural areas have become hollowed out and aging. For a long time, the financial literacy of farmers has not been high, the collection of rural credit information is not standardized, and the credit records of some farmers are incomplete. To a large extent, this has restricted the development of digital inclusive finance business and restricted the flow of financial resources to rural areas. The basic network resources and mobile network development in rural areas are insufficient, and the informatization capacity and level need to be improved. It is relatively difficult for financial institutions to promote digital inclusive finance in rural areas.

3 Direct Impact Mechanisms

3.1 Alleviating Financing Constraints and Mitigating Financial Exclusion

First of all, digital inclusive finance, as a policy-based financial tool, can effectively alleviate the financing constraints on rural business entities, weaken financial exclusion, and provide high-quality financial services for the development of rural industries. With the continuous development of rural industries, the agricultural form has also

changed. The formation of new business forms inevitably requires an increase in the capital demand for agricultural operation. However, the actual situation is that agricultural investment capital demands are large, the return cycle is long, and the risk coefficient is high. The operation entities cannot obtain corresponding capital matching and support. Due to its profit-driven nature and adverse selection, the financial industry is also destined to have more requirements, higher thresholds and smaller scales for the parts that support agricultural operations and agricultural innovation. The emergence and development of digital inclusive finance will greatly alleviate the financial constraints on rural business entities. It can not only help rural entrepreneurial groups reduce the financial exclusion they suffer, but also significantly enhance the enthusiasm of farmers for starting businesses [2]

3.2 Meeting Multi-Tiered Financing Needs and Optimizing Industrial Structures

Secondly, as a digital financial tool, digital inclusive finance can effectively meet the multi-level financing needs of rural industrial integration, expand the boundaries of rural industrial development, and promote the optimization of rural industrial structure. In the Internet environment, industrial integration has become the inevitable path for the revitalization of rural industries. As a digital financial tool, digital inclusive finance has accelerated the transformation of agricultural development methods by extending the industrial chain, expanding the industrial scope and releasing diversified functions, thereby achieving goals such as business model innovation, increased farmers' income and integration of resource elements. Solve the problems existing in the process of business format upgrading, such as small industrial scale, isolation and encouragement among various industries, and backward industrial technology. Digital inclusive finance provides new possibilities for the integration of rural industries by improving the development models of agriculture and rural finance [3].

3.3 Encouraging Technological Innovation and Stimulating Market Vitality

Finally, digital inclusive finance can encourage agricultural technological innovation, stimulate market vitality, and create a favorable environment for the development of rural industries [4]. At present, although local governments have introduced many policies, due to the late start and slow development of agricultural science and technology, it is difficult for policies alone to be effective. At this time, digital financial services play a key role. They can not only provide financial support for agricultural technology research and development and improve the financing environment for rural enterprises; It can also enable farmers to truly feel the convenience through digital tools such as mobile banking, thus making them more willing to try new technologies. This dual effect not only accelerates the promotion of technology but also makes agricultural investment more controllable, forming a virtuous cycle of scientific and technological innovation. By using financial tools to develop risk-aversion financial products for

farmers, the business and entrepreneurship risks of farmers have been effectively prevented [5].

4 Indirect Impact Mechanisms

4.1 Ecological Improvement Effect

Many rural areas in China still lack access to digital finance, modern infrastructure, and e-commerce. The adage "build roads first to prosper" underscores the foundational role of infrastructure in rural development. Digital inclusive finance provides financial support for infrastructure construction, enabling remote villages to connect with external markets, export local products, and import external technologies. This improves rural living and economic environments. Aligning with the "lucid waters and lush mountains" philosophy, digital inclusive finance supports green products and technologies, enhancing agricultural efficiency, reducing pollution, and amplifying ecological benefits. It also facilitates the adoption of rural social and medical insurance through mobile platforms, narrowing urban-rural disparities in social security and expanding the ecological livability framework [6].

4.2 Civilizing and Educational Effect

Education and cultural preservation are vital for rural transformation. Digital inclusive finance fosters industrial diversification and integration, enabling rural areas—as cultural incubators—to protect and revitalize historical traditions. By linking cultural industries with other sectors through digital tools, it promotes cultural prosperity. Concurrently, increased income from industrial revitalization boosts investments in education, elevating overall community literacy and fostering a virtuous cycle: "high-quality cultural industries→enhanced resident literacy→improved education→sustained cultural and ethical progress."

4.3 Governance Enhancement Effect

Digital inclusive finance generates resident profiles based on credit records, financial literacy, and income data, reducing moral hazards and financial losses from defaults. By standardizing financial behavior and improving legal awareness, it strengthens rural financial order and compliance. Additionally, streamlined data collection under inclusive finance optimizes administrative processes, enhances public service efficiency, and improves grassroots governance [7].

4.4 Income Growth and Poverty Reduction Effect

As the ultimate goal of rural revitalization, prosperity is achieved by providing inclusive financial services to low-income groups, rural residents, and small businesses[8].

Digital inclusive finance enables equitable economic participation, narrows urban-rural income gaps, and creates jobs through industrial growth, boosting rural wage levels.

5 Conclusions

5.1 Summary

The impact of digital inclusive finance on rural revitalization manifests in multiple dimensions and levels, being both comprehensive and informative. Digital inclusive finance not only directly stimulates industrial development in rural areas but also indirectly facilitates improvements in ecological protection, cultural preservation, governance enhancement, and income growth through its industrial revitalization effects.

Firstly, it alleviates financing difficulties for rural residents by providing essential capital support and diversified financial products/services, effectively addressing the financial constraints in industrial development[9]. Secondly, through industrial chain extension and market scope expansion, it releases diversified industrial functions that promote cross-sector integration in rural economies. Thirdly, by encouraging technological innovation and improving agricultural operational efficiency, it facilitates modernized market transactions and achieves industrial structural transformation and upgrading.

Concurrently, digital inclusive finance embraces green development principles by offering credit support for eco-friendly products, exerting significant guidance towards rural ecological sustainability. As industries prosper, residents' income levels rise, workforce quality improves, and equitable access to social security and healthcare services expands. This comprehensive progress ensures steady rural development and substantially elevates governance capabilities.

5.2 Key Recommendations

First, increase government investment to strengthen infrastructure development, improve the construction of digital platforms, and elevate digital capabilities. Promote digital inclusive finance while enhancing residents' financial literacy and legal awareness, thereby expanding both the coverage and depth of inclusive financial services to benefit target groups more comprehensively[10].

Second, optimize the rural financial market framework by scaling up and upgrading inclusive financial services in rural areas. Develop tailored financial products and services adapted to local conditions, narrow regional development gaps between eastern and western areas, and improve the Digital Inclusive Finance Index.

Third, establish robust risk prevention and monitoring mechanisms with an effective early warning system to mitigate market risks. This ensures the achievements of digital rural construction genuinely benefit farmers, ultimately advancing rural revitalization to higher developmental stages.

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