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Study on Accelerating the Construction of Digital Inclusive Financial Service System in Rural Area

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Abstract

With the improvement of the overall economy of rural areas and the acceleration of the well-off society and poverty alleviation process, digital inclusive finance advances the development of rural area considerably. However, it still suffers from some problems such as lack of high-tech talents, low popularity, and shortage of effective supply and demand. This study explores relevant data and the corresponding solutions. This study also aims at accelerating the construction and improvement of digital inclusive financial service system in rural area and promoting the construction of well-off society and poverty alleviation process.

Keywords: Digital Finance; Rural Finance; Inclusive Finance; Poverty Alleviation

1 INTRODUCTION

In recent years, digital inclusive finance has been increasingly implemented in rural areas, and has a profound impact on the improvement and development of rural financial service system. The concept of financial inclusion was put forward in 2005. With the rapid development of modern science and technology, professionals tried to combine technology and financial inclusion, and “digital inclusive finance” came into existence.

2 RESEARCH STATUS OF DIGITAL INCLUSIVE FINANCE

"Digital Inclusive Finance" has been proposed for a short time. Some scholars have conducted research on the practice of digital finance and inclusive finance in rural areas. Wang Hongli explored how to make 5G better serve the current financial system and promote the digital transformation of the financial industry(2020)[1].Yin Kai pointed that new rural financial institutions are beneficial to rural revitalization and he explored how to achieve sustainable development(2017)[2].Wang Anwen and his partners studied the characteristics of the needs for financial product and services of farmers based on the examples of 6 communities in Jiangdu district, Yangzhou city(2019)[3]. Duan Shengying proposed that current dilemma of rural digital inclusive finance such as low popularity, fragmented transactions and great security risks. She then put forward feasible ways to improve availability and innovation and build an information sharing platform (2018)[4]. Liu Jinyi and Liu Chunyang use panel data from 31 provinces in Mainland China from 2011 to 2015 for empirical tests, which studied the effects of digital inclusive finance on poverty alleviation and discussed the targeting mechanism for targeted poverty alleviation(2020)[5].

At present, there are still bottlenecks in the development of rural digital inclusive finance. How to speed up the construction of digital inclusive financial service system in rural areas and how to make it better serve rural construction, are still worth exploring.

3 THE DEVELOPMENT OF DIGITAL FINANCE

Digital finance is a new form of financial services by combing the technology and traditional financial services. With the rapid development of Internet and information technology, scientific technology has entered the financial industry such as mega data, artificial intelligence, cloud computing, online identity certification, blockchain, etc. Traditional financial service from is subverted. science and technology are primary productive force. It determines the future of finance. How the financial industry promotes digital transformation is as follows (taking the banking industry as an example):

3.1 Increase Capital Investment

In 2019, four major banks, including CBC, ABC, ICBC and BC, disclosed their investment in fintech in annual reports for the first time. In this year, each bank started to increase capital investment on digital finance. Taking the six largest state-owned banks as an example, including four banks mentioned above, PSBC and CMB, these six banks invested more than 70 billion yuan totally in fintech in 2019. Among them, CBC had the largest investment amount of 17.633 billion yuan.

3.2 Launch New Digital Financial Service

Major banks have launched and continuously improved digital services. CEB has launched “Smart Brain”, intelligent voice interaction and Everbright supermarket based on “5G+AICED” technology. ICBC has built ABCDI innovation platform and cloud computing platform. CMB has introduced innovative services such as lightning loans, face-drawing withdrawals, and flash payment.

3.3 Introduction of Fin-tech Talents

Banks are paying increasing attention to introducing professional and technological skills of talents to increase the proportion of STEM talents. As of the end of 2019, ICBC has 16,500 fintech personnel.

The development of digital finance has become a general trend. In particular, most offline financial services have been impacted by 2019 novel coronavirus. The public has completed the services through the online platforms and they have a deeper feeling about the value of fintech. The demand for fintech has also increased significantly.

4 INCLUSIVE FINANCE

Inclusive Finance aims at providing financial services to vulnerable groups such as small and micro enterprises, farmers, and low-income people in cities and towns. Its focus is underdeveloped areas.[6] Inclusive finance can also motivate small and micro enterprises, farmers, and other entities to start entrepreneurship through affordable loans, and enhance the local economic development.

In recent years, China has continuously increased the support of inclusive finance to stimulate economic growth in underdeveloped areas. In 2013, "Developing Inclusive Finance" was formally determined as a national development strategy. According to the "China Inclusive Financial Development Report" released in 2018, compared with the end of 2013, China's banking branches covered as much as 95.99% of towns and villages until the end of 2017. It also shows that the loan balance of small and micro enterprises in the banking industry increased by 73.1% and the number of them receiving loan services increased by 21.7%. In 2017, large and medium-sized commercial banks canceled and reduced fees for customers in the inclusive finance projects, reducing customer transaction costs. Furthermore, the Central Ministry of Finance issues special funds for inclusive finance every year to promote regional inclusive financial development. It assigned 10 billion yuan in 2018, 29.85% over 2017[7]. In addition, in 2019, in order to improve capital efficiency and standardize the use of special funds, the Ministry of Finance of China revised and issued the "Administrative Measures for Special Funds for Inclusive Financial Development" announced in 2015.

5 THE SIGNIFICANCE OF RURAL DIGITAL INCLUSIVE FINANCIAL PRACTICE

The 2020 No. 1 Central Document has pointed out that 2020 is a crucial year for achieving a well-off society and poverty alleviation. During this process, the issues relating to agriculture, rural area and farmers are critical and

difficult tasks.

Implementing digital inclusive finance in rural areas is conducive to meeting farmers 'financial needs and providing loans at their affordable costs. They can obtain sufficient funds to carry out production, which can increase their income and quality of life[8].In underdeveloped areas, inclusive finance can help vulnerable groups to promote production and employment. From current "blood transfusion" to "hematopoietic" poverty alleviation, it can improve people's endogenous ability of poverty reduction in poverty-stricken areas.

As far as financial institutions are concerned, the increasing income of vulnerable groups can help promote the financial return reduce the rate of bad debts, thereby forming a virtuous cycle and enhancing the confidence of both financial institutions and lenders.

The development of digital inclusive finance advances the efficiency of financial transactions and reduces transaction costs. With the technical support of mega data, digital inclusive finance can effectively integrate the information of lenders, establish and complete credit files of lenders. It can also raise loan application efficiency, and reduce borrowing risks.

Meanwhile, lenders can enjoy financial services through online platforms, such as bank mobile apps, etc. They can query relevant financial information timely, learn about deposits and loans and other financial services, which help them improve financial professionalism.

Finally, digital inclusive finance integrates fiscal funds and special funds for agricultural support to provide financial support to vulnerable groups, reducing related transaction costs.

6 APPLICATION OF RURAL DIGITAL INCLUSIVE FINANCE

Rural digital inclusive finance has become a hot topic today. Accelerating the construction of rural digital inclusive finance can help maximize the advantages of Internet information technology and inclusive finance, promote the transformation and upgrading of traditional rural financial institutions. What's more, it can increase the availability of funds for farmers and entrepreneurs, thereby stimulating regional economic growth and striding towards a well-off society. In this context, the local area has the ability to attract outstanding talents to return to their hometowns for entrepreneurship and employment, and use them to better improve the financial service system.

For poverty-stricken areas, this move is conducive to accelerating poverty alleviation, which has the inherent motivation to create wealth and improve the overall development level of the region.

CONCLUSION

For the research of rural digital inclusive finance, it is necessary to base on the actual digital inclusive financial case in the rural area and the development status of the local financial system. Based on analysis of its status, advantages and dilemma, effective measures can be put forward to promote digital inclusive finance play its role in the rural areas.

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