

Research on the Development Level and Differentiation of Rural Digital Inclusive Finance under the Background of Common Prosperity

-- Take Jiangxi Province as an Example

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Abstract

Under the background of common prosperity, inclusive finance is facing new opportunities and challenges, and the active promotion of digital inclusive financial services in rural areas in China is of great significance for exploring the path of coordinated improvement of the development level of rural digital inclusive finance in various cities in Jiangxi Province, so as to comprehensively promote rural revitalization and solidly promote common prosperity. Based on the digital inclusive financial development data of 100 county-level districts in Jiangxi Province from 2014 to 2020, the results show that from 2014 to 2016, the overall development level of rural digital inclusive finance in various cities in Jiangxi Province has improved greatly. The development gap of rural digital inclusive finance in different cities has narrowed, but the development imbalance between regions is obvious. The increase in the depth of use is mainly limited by the dual dimensions of coverage breadth and digitalization. Based on the above conclusions, relevant policy suggestions are put forward from the aspect of development level, such as opening up sources and reducing expenditure, coordinating development to improve the radiation effect of developed regions, and capital market construction.

Keywords

Common Prosperity; Financial Inclusion; Measure; Difference.

1. Introduction

Finance is the lifeblood of the economy and an important driving force for economic development. Finance is the bridge between innovative technology and capital, and is the assessment and transaction of risks, which directly affects the process of economic construction. As an important component of the modern financial system, rural finance plays an increasingly significant role in rural economic development. Especially today, when China's rural areas have entered a new stage of development, the development of rural finance has gradually become a key enabling means to support rural economic development and improve the operational efficiency of financial services in rural areas. However, in recent years, it has been difficult for the traditional financial service system to penetrate into the countryside, and a large number of low-income farmers and self-employed households have been excluded from the traditional financial system, and their financial needs have not been met. Rural digital inclusive finance[1] focuses on this part of the group, which uses financial technology to better provide financial services for rural residents, and has become an important growth pole that drives the improvement of rural economic development and rural residents' living standards. Therefore, rural digital inclusive finance, as an important starting point to help rural revitalization, has received more and more attention from the government. In 2021, the "No. 1 Document of the

Central Committee" "Opinions of the CPC Central Committee and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization" [2] further proposed "developing rural digital inclusive finance", which has become a brand-new topic in China's financial development. At present, digital financial inclusion in rural areas is facing multiple challenges in China, among which the prominent issue is coordinated development. On the one hand, there are large differences in the level of development among regions, and the distribution of resources is uneven. On the other hand, phenomena such as resource misallocation also exist widely among regions. How to solve these problems requires scholars to further study and analyze the current development status of digital inclusive finance in China, accurately grasp the characteristics and laws of development differences between regions, in order to further promote the better development of digital inclusive finance, and give full play to the role of digital inclusive finance in promoting rural revitalization. After several years of development, rural inclusive finance in Jiangxi Province has basically formed a rural inclusive financial system[3], but there are still problems such as unbalanced development of the development level of rural digital inclusive finance among various cities. Therefore, this paper selects various cities in Jiangxi Province as the research object, based on the Peking University Digital Inclusive Finance Index, and uses county-level data to analyze the current situation of digital inclusive finance in rural areas of Jiangxi Province, so as to provide ideas for solving and improving the development of digital inclusive finance in rural areas of Jiangxi Province.

2. Literature Review

Inclusive finance plays a strong role in promoting the development of market economy and science and technology, and experts and scholars have conducted research on inclusive finance from different perspectives. On the one hand, some scholars have carried out qualitative research on inclusive finance, including the definition of the connotation of inclusive finance[4,5], the development path [6,7], and the practical value of inclusive finance[8,9]. On the other hand, with the diversification of data and the enrichment of measurement methods, quantitative research on financial inclusion has gradually been enriched. Among them, Xie Tingqing et al. (2021)[10] used the comprehensive index construction method to construct a comprehensive evaluation index system to measure the development level of inclusive finance of commercial banks from four dimensions, and quantitatively explored and studied the financial exclusion relationship between inclusive finance and the profitability of commercial banks. Xu Lin and Zhang Yiyun (2021)[11] used panel data and spatial Dubin models from 2010 to 2020 in eight provinces and cities including Hebei to assess the impact of financial inclusion development on rural household income growth. At the same time, some experts and scholars focus on measuring the development level of inclusive finance, such as Li Jianwei (2017) [12] using the coefficient of variation method to construct the inclusive finance development index, which measures the degree of inclusive financial development in 30 provinces in China from 2009 to 2014, and tests the impact of provincial inclusive financial development on the urban-rural income distribution gap. Zhang Yaxin (2021)[13] empirically analyzed the relevant factors affecting the development level of provincial inclusive finance in China by using provincial cross-sectional data to construct an evaluation index system. Zhang Cheng et al. (2020)[14] Based on the panel data of 30 provincial-level administrative regions in China from 2006 to 2017, the impact of rural inclusive finance on agricultural industrialization was analyzed by using spatial econometric model and panel threshold model.

The existing literature has laid a solid theoretical foundation for this paper, but there are still some limitations in the research perspective and spatial scale. In terms of research perspective, most experts and scholars currently only conduct research on inclusive finance, but entering a

new stage of development, with the development of the digital economy, digital inclusive finance has gradually become a new driving force for rural industrial development and common prosperity with the characteristics of interconnection and sharing, and has become an important starting point for promoting economic development at this stage. At the same time, in terms of spatial scale, most of the existing research focuses on provinces, urban agglomerations, etc., and few studies carry out research on inclusive finance for the most basic unit of economic development, the county economy. In the digital inclusive financial index of the Digital Finance Research Center of Peking University, the digital inclusive financial index of Jiangxi Province increased from 29.31 to 93.76 from 2014 to 2020, and the overall development of digital inclusive finance in various cities and regions in Jiangxi Province has increased in a stepwise manner, among which the overall development of digital inclusive finance in Jiangxi Province has maintained a trend of leading Nanchang City and leading the development of Jiujiang City and Jingdezhen City. By studying the differences in the development level of digital inclusive finance at the county level in Jiangxi Province, we can further strengthen the construction of county digital inclusive financial infrastructure, improve the top-level design and regulatory policies of digital inclusive finance, improve the policy support of county-level governments for the development of digital inclusive finance, establish and improve the county digital inclusive financial system, and improve the digital inclusive financial literacy of the county population. Therefore, based on the development background of digital economy and common prosperity strategy, this paper takes Jiangxi Province as an example to study the development level of digital inclusive finance in 11 cities in the province, and puts forward policy suggestions based on the research conclusions step by step, so as to provide decision-making reference for the development of digital inclusive finance and the coordinated development of cities in Jiangxi Province.

3. Measurement and Analysis of the Development Level of Rural Digital Inclusive Finance

3.1. Data Sources and Descriptions

The index data used in this article comes from the "Peking University Digital Financial Inclusion Index", which is limited in space, and this article will no longer discuss the construction principles, index selection and compilation methods of the index, etc., please refer to Guo Feng et al. (2019) [15]. The index includes the development of digital inclusive finance in 100 county-level districts in Jiangxi Province from 2014 to 2020, and takes into account the multi-dimensional nature of digital inclusive financial services, and selects three detailed first-level dimensional indicators of the digital inclusive financial development index: breadth, depth and digitalization of digital financial inclusion. Led by the Digital Finance Research Center of Peking University and compiled in cooperation with Ant Financial Services Group, the index is an authoritative data system with both theoretical, practical and policy value.

3.2. Analysis of Measurement Results and Description of Facts

According to Table 1, from 2014 to 2020, the overall level of rural inclusive financial development in Jiangxi Province was relatively high, with an average annual index increase of 90.1%, showing a steady growth trend.

Among them, the development level grew the fastest from 2014 to 2017, especially in 2015, which increased by 42.9%. This leap is closely related to Jiangxi Province's implementation of the "Government Work Report" issued in 2015, and vigorously develops inclusive finance, so that inclusive finance in rural areas of the province will achieve "quantity" and "quality" improvement from 2015 to 2017. At the same time, the gap in the level of rural inclusive financial development among cities in Jiangxi Province has narrowed, from 23.44 in 2014 to

13.63 in 2020, a decrease of 41.9%. The emergence of digital rural inclusive finance has provided new opportunities for the development of inclusive finance in relatively backward cities, which has promoted the contraction of the difference in the development level of digital inclusive finance in rural areas. Although the gap has narrowed to a certain extent, there are still large gaps between cities. Deep into the city, Nanchang has been in a leading position in the development of rural inclusive finance, exceeding the average by 12 percentage points, playing a leading role in the development of Jiangxi Province. Ji'an ranked last, accounting for only 85% of Nanchang, which was greatly affected by factors such as geographical location and infrastructure.

Table 1. The level of rural inclusive financial development in various cities in Jiangxi Province

	2014	2015	2016	2017	2018	2019	2020	Average annual index	ranking
overall	49.31	70.22	92.29	107.07	108.04	114.24	116.58	93.76	-
Nanchang	67.59	91.75	99.33	116.78	118.17	124.49	126.09	105.44	1
Jingdezhen	50.30	71.99	93.34	109.82	111.56	117.65	119.76	95.97	2
Pingxiang	45.43	68.84	92.18	104.34	103.48	109.91	112.46	91.10	9
Jiujiang	51.17	72.04	92.44	107.67	109.48	115.19	117.12	94.70	3
Xinyu	44.15	63.24	90.19	106.14	106.93	113.00	115.45	91.16	8
Yingtian	46.30	64.67	93.59	107.57	109.44	115.42	117.90	93.56	4
Ganzhou	48.49	70.18	91.60	107.22	108.29	114.48	116.43	93.53	5
Ji'an	44.67	63.92	89.87	103.61	104.27	110.70	113.14	90.01	11
Yichun	50.58	71.46	92.26	104.83	104.95	111.54	114.53	92.80	6
Fuzhou	45.66	66.18	89.79	104.39	104.88	111.25	114.36	90.79	10
Shangrao	48.10	68.11	90.65	105.41	106.95	113.02	115.13	92.25	7

4. The Level of Development of Digital Inclusive Finance in Rural Areas is Different

4.1. The Current Situation of Differences between Various Local-Level Cities in Jiangxi Province

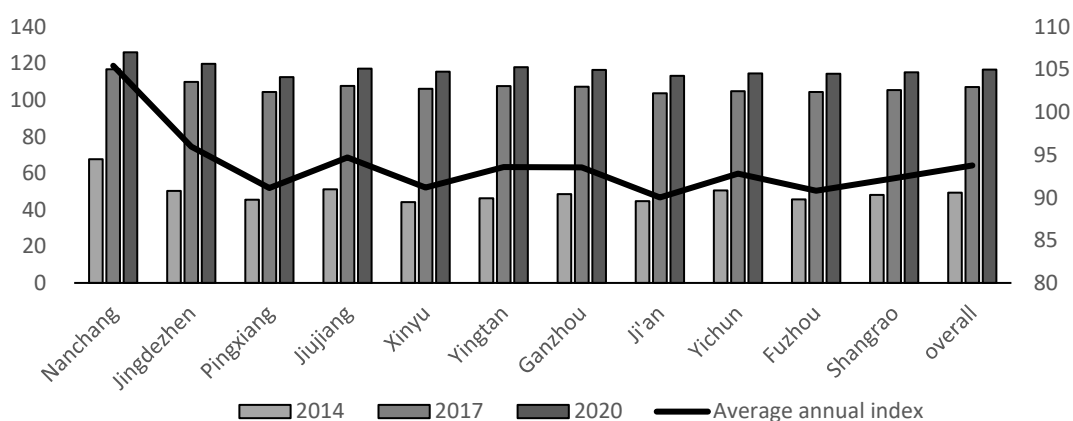


Figure 1. The evolution of the level of rural inclusive financial development in various cities in Jiangxi Province

According to the evolution trend of the development level of rural inclusive finance in various cities in Jiangxi Province, the data of 11 prefecture-level cities in Jiangxi Province in 2014, 2017 and 2020 are selected for the figure. Overall, from 2014 to 2020, the development level of rural inclusive finance in 11 prefecture-level cities showed an upward trend year by year, and due to

the weak development foundation of the original development foundation, the development level of rural digital inclusive finance increased sharply in the three years from 2014 to 2017, and the upward trend slowed down from 2017 to 2020. Specifically, Nanchang has the highest level of rural inclusive financial development among the 11 prefecture-level cities, followed by Jingdezhen City and Jiujiang City, and Pingxiang City, Xinyu City and Ji'an City.

The reason for the above difference is likely to be that Nanchang, as the provincial capital, ranks first in Jiangxi Province in terms of GDP, and the Nanchang municipal government relies on the local natural environment, location advantages, cultural heritage and industrial level to build a new type of urban leisure agricultural business entity such as pastoral complexes, which greatly drives the local rural labor force to increase production and income, and indirectly drives the construction and development of rural inclusive financial infrastructure. As a famous tourist development attraction, Jingdezhen City's rural development is similar to Nanchang City, and the huge passenger flow has high requirements for inclusive financial infrastructure construction to a certain extent. Pingxiang City, Xinyu City and Ji'an City are located on the edge of Jiangxi Province, with relatively remote geographical location, less radiation from Nanchang, lack of investment, and weak urbanization, which to some extent lags behind the development level of inclusive finance.

4.2. Differences in the Level of Dimensional Development

Figure 2 shows the radar map of the structural difference of rural inclusive financial development in each city, and this paper uses the structural feature analysis method to examine the dimensional development level difference from the whole sample level. It can be seen that the overall level of rural inclusive financial development in Nanchang is far ahead, among which the advantages in coverage are obvious, the number of electronic accounts reflected in the account coverage rate is highly quantified, and the supply and demand of digital financial services are large; The development level of rural inclusive finance in Jingdezhen is generally high, among which the problem of digitalization degree is relatively prominent, and the low-cost and low-threshold advantages of inclusive finance are not obvious, and the value of digital inclusive finance cannot be better reflected; The development of rural inclusive finance in Jiujiang plays an important role in the province, and the current barriers are in-depth, which means that the total use and activity indicators of digital inclusive finance are low.

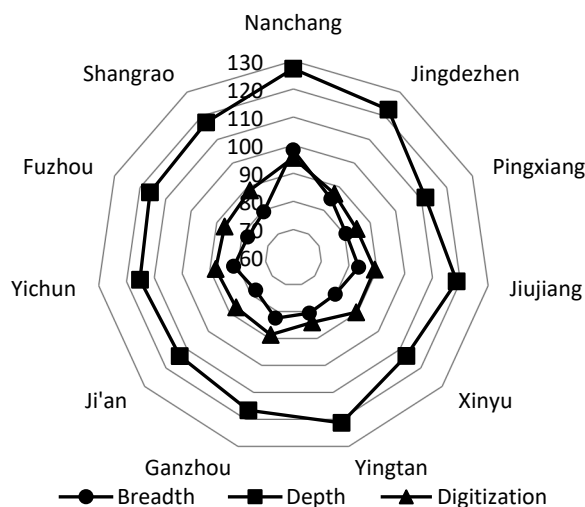


Figure 2. Structural characteristics of the level of rural inclusive financial development in various cities in Jiangxi Province

From the perspective of the development of rural inclusive finance, according to the three dimensions of the difference in the development of rural inclusive finance, the eleven urban and rural areas can be divided into three categories: the first category is the rural areas with prominent problems of "breadth of coverage - depth of use", including the rural areas of Xinyu City and Ji'an City, the coverage of tied card payment is insufficient, the total amount of financial services actually used is small, and the user activity is not enough; The second category is the rural areas with prominent "coverage breadth-digitalization" problems, including rural areas of Yingtan City and Fuzhou City, where the insufficient credit coverage rate of financial services and the lack of credit development are the reasons; The third category is rural areas with prominent "digitalization-depth of use" problems, including rural areas of Pingxiang City and Yichun City, where the loss of labor-oriented population in rural areas[16] hinders the development of digital inclusive finance, resulting in the active and low-cost advantages of financial services no longer appearing.

5. Conclusion and Revelations

This paper uses the Peking University Digital Financial Inclusion Index and ANOVA to investigate the development level of rural digital inclusive finance in Jiangxi Province, and focuses on the development differences between different regions. The main research conclusions are as follows: (1) From 2014 to 2016, rural digital inclusive finance in various cities in Jiangxi Province experienced a stage of rapid development. In recent years, the momentum of development has weakened, but it is still growing year by year. (2) During the index sample period, the gap in the development level of rural digital inclusive finance between different cities in Jiangxi Province has shrunk, but there is still a gap of 15 percentage points between Nanchang City with the highest index and Ji'an City with the lowest index, which to a certain extent reflects the unbalanced development of rural digital inclusive finance in Jiangxi Province. (3) From the score differences of the three first-level indicators, it can be found that the current development of rural digital inclusive finance in various cities in Jiangxi Province is mainly constrained by the dual dimensions of coverage breadth and digitalization. Moreover, through analysis, it is also found that the development problems of rural digital inclusive finance in eleven cities can be mainly divided into three types, namely rural areas with prominent problems of "breadth of coverage - depth of use", rural areas with prominent problems of "breadth of coverage - digitalization", and rural areas with prominent problems of "digitalization degree - depth of use". Based on this, this paper draws the following enlightenment based on the research conclusions: First, in terms of development level, according to the previous conclusions, the development momentum of digital inclusive finance in Jiangxi Province has weakened in recent years. In order to maintain a high development speed, it is necessary to always adhere to the "open source and throttling" policy. Under the background of the COVID-19, short-distance tourism has quietly emerged, so that city-centered "3-hour" rural tours can be created according to local characteristic industries and natural resources, so as to stimulate the construction of inclusive financial infrastructure with a large passenger flow and achieve the purpose of "open source". "Saving expenditure" requires more precise policies, and for the development of digital inclusive finance, financial products should be developed according to local conditions and local industrial characteristics. For example, key deposits and loans for rural tourism researched and developed in areas with tourism industries, land consolidation loans for research and development in agricultural industrial areas, etc. Secondly, in terms of coordinated development, for the unbalanced development of digital inclusive finance among various cities in Jiangxi Province, on the one hand, it is necessary to give play to the radiation role of cities and towns, which requires deepening the development of regional central cities and improving the construction of financial infrastructure in central cities and towns in central areas, so as to achieve a point-by-point area. On the other hand, it is

necessary to increase the capital inflow between towns and villages in various regions, which requires the participation of a larger number of small and medium-sized financial institutions, so as to guide the reasonable and orderly inflow of private capital into the inclusive financial market and accelerate the orderly development of rural digital inclusive finance.

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