

Research on the Impact of Digital Inclusive Finance and Rural Household Human Capital Investment on Urban-rural Income Gap

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Abstract

The high-quality development of an economy and society is reflected in the sustained growth of the economic aggregate and in the fruits of development being shared by the majority of residents. Therefore, a reasonable income distribution pattern is an important guarantee for sustainable economic development. However, the excessively high urban-rural income gap has become a characteristic fact in China's economy and society. In order to curb the continuous expansion of the urban-rural income gap, our country has clearly pointed out the path of "socialist rural revitalization with Chinese characteristics". Against this background, it is important to explore the yet-to-be-clarified impact of the human capital investment of Chinese farmers on the urban-rural income gap. At the same time, the emergence of digital inclusive finance provides a new perspective for finance to help converge the urban-rural income gap. Digital inclusive finance mainly targets disadvantaged groups excluded by traditional finance. Rural residents with low incomes are naturally among its targets. Converging the income gap between urban and rural areas should also be one of the responsibilities of digital inclusive finance. This article first reviews the theories and literature related to digital inclusive finance and the urban-rural income gap. By summarizing the reasons for the formation of the urban-rural income gap and the conditions for its convergence, it analyzes the important role of finance in it and the limitations of traditional financial development, and further deduced the impact of the development of digital inclusive finance on the urban-rural income gap. It is also recognized through public data that educational human capital and migrant human capital have greatly narrowed the urban-rural income gap in the eastern region, verifying that human capital investment has an incremental role in economic development levels and policy guidance.

Keywords

Digital Inclusive Finance; Rural Household Human Capital Investment; Urban-rural Income Gap.

1. Introduction

China has adopted a policy of getting rich first and driving wealth later, which has caused China's urban-rural income gap to experience a process of first widening and then narrowing. In 2009, the urban-rural income gap reached 3.5:1. In recent years, with the implementation of the "rural revitalization" strategy, the urban-rural income gap has gradually narrowed. In 2020, the per capita disposable income in urban areas was 43,855 yuan and the per capita

disposable income in rural areas was 17,131 yuan. The income gap between China's urban and rural areas has narrowed to 2.56:1. Even though the income gap between my country's urban and rural areas is gradually narrowing, China is still a country with a large urban-rural income gap in the world, and its gap far exceeds the international average level.

Standing at the intersection of the "Two Centenary Goals", in order to build a prosperous, democratic, civilized and harmonious modern socialist country, we must narrow the income gap between urban and rural areas. Increasing the human capital investment of farmers will promote the increase of farmers' income and reduce the income of urban and rural areas. The dynamics and sources of disparity. As the main non-material capital, human capital is invested in the labor market with the ultimate goal of obtaining economic returns. However, there is still a certain gap in income between urban and rural areas in China. The important reasons for this phenomenon are the scale of human capital investment and the investment - income conversion path in rural areas of China. are far inferior to urban areas. Digital financial inclusion aims to provide affordable financial services to disadvantaged groups. Low agricultural income makes it difficult for farmers to pay the high interest rates of rural financial credit, while the uncertainty of agricultural production increases the risk of credit issuance, and rural areas are generally relatively remote, making it difficult for financial institutions to penetrate, such as insurance, investment, credit card payments, etc. Financial services cannot be popularized in rural areas, and rural residents have naturally become the main target of financial exclusion. Therefore, they are also a key target of digital inclusive financial services. Digital inclusive finance uses digital technology to control risks, reduce costs, and promote financial services to rural residents. This can enable rural residents to ease financing constraints, obtain initial capital, and then enter non-agricultural employment and entrepreneurship to increase their own income.

2. Analysis of the Mechanism by Which Digital Inclusive Finance Affects the Urban-rural Income Gap

On the basis of clearly defining the connotation of digital inclusive finance, we conduct an analysis of the impact mechanism of digital inclusive finance on the urban-rural income gap. Based on the theory of dual economic structure and financial development theory, the principle of how finance affects the urban-rural income gap is deduced. First, on this basis, the transformation of digital inclusive finance is added to explore how the emergence of digital inclusive finance will affect financial development. And then how to affect the urban-rural income gap.

2.1. Analysis based on Dual Economic Structure

Finance can have an impact on the urban-rural income gap, and the key to financial convergence of the urban-rural income gap is that rural residents can equally enjoy financial services. Inclusive finance has been developed to alleviate financial exclusion. Inclusive finance needs to have four characteristics, namely accessibility, affordability, comprehensiveness and business sustainability. Traditional inclusive finance must meet social goals and provide financial services to disadvantaged groups. Financial products and services must be low-priced. However, low pricing will inevitably compress profit margins, causing inclusive finance to be unable to make profits or even lose money, making it difficult to continue operating. This Therefore, it conflicts with its commercial goals. Under the constraints of traditional financial technology, it is easy to form an "inclusive finance theory", causing the process of inclusive finance to serve rural residents to enjoy financial services equally, while traditional inclusive finance converges urban and rural incomes. The gap process is also in trouble. Digital inclusive finance uses the support of digital technology to better solve this dilemma.

From inclusive finance to digital inclusive finance, digital technology has weakened the reliance on the outlets of physical financial institutions and greatly saved the fixed asset investment costs of providing financial services; the business promotion methods of digital inclusive finance mostly integrate financial services into life scenes. , using e-commerce as a window, when customers encounter financial needs during the consumption process, they immediately provide corresponding financial support, reducing customer acquisition costs. Since the many conveniences provided by digital technology have reduced the cost of inclusive finance, the pricing of digital inclusive finance can also be reasonably adjusted to reach a price level acceptable to rural residents, thereby lowering the threshold for digital inclusive finance and making it more affordable. Access to financial services for income earners and disadvantaged groups increases the accessibility of financial inclusion.

3. Policy Inspiration

Based on my country's current practice of digital inclusive financial development and urban-rural income gap, this article puts forward the following policy recommendations:

3.1. Improve Rural Digital Construction

In order to further narrow the income gap between urban and rural areas, it is necessary to strengthen the construction of rural network infrastructure, agricultural production informatization, rural management informatization and other related construction, reduce the digital economic development gap between urban and rural areas, help to clear the congestion points of financial services in rural areas, and improve financial services. efficiency in rural areas, thereby promoting the growth of per capita disposable income of rural residents and narrowing the urban-rural income gap.

3.2. Efforts to Improve Rural Digital Human Capital

My country's rural areas contain huge potential for the development of the digital economy. In order to bridge the urban-rural digital divide as soon as possible, it is necessary to further improve the level of digital human capital in rural areas. This requires combining traditional knowledge and skills training with digital skills education to make up for shortcomings. Promote the sharing of digital economic dividends between urban and rural areas.

3.3. Pay Attention to the Coordinated Development of the Digital Economy among Regions

The development of the digital economy is uneven among various regions in my country. There is a "high-high" agglomeration and a "low-low" agglomeration. The "high-high" agglomeration is mainly in the eastern region of my country, and the "low-low" agglomeration is mainly in the northeast and west of my country. Region. In order to alleviate the urban-rural income gap in the "low-low" agglomeration provinces, it is necessary to further deepen inter-regional cooperation in the field of digital economy, actively promote the "East and West" project, and promote the coordinated development of the digital economy among regions.

3.4. Take Effective Measures to Increase Farmers' Human Capital Investment

Increase farmers' investment in human capital, especially educational human capital and migration human capital, and at the same time, the role of healthy human capital cannot be ignored. With regard to the goal of narrowing the income gap between urban and rural areas, special attention must be paid to the human capital investment of rural households in the eastern region, with special emphasis on increasing investment in educational human capital and migration human capital; the central and western regions must increase investment in various human capitals and achieve various goals. While working together on human capital, we also pay attention to the impact of economic growth on human capital.

First, establish and improve the rural health security system. Farmers' awareness and ability in health care and self-care are lacking, and they urgently need to be improved through public health, health education and other publicity activities; and the government should continue to increase the stock of rural human capital, increase investment in rural health, and improve farmers' health level, establish relevant security systems, build rural public health systems, improve rural cooperative medical systems, etc.

Secondly, increase investment in education in rural areas, improve teaching conditions in rural schools, introduce corresponding policies to guide outstanding teachers into rural schools, optimize teacher resources, and focus on developing vocational and technical education for farmers and cultivating professional farmers.

Finally, an open and transparent labor employment market mechanism should be established. In order to release the employment potential of rural residents and improve the labor market supervision and management mechanism, the government should provide effective employment information in a timely manner to ensure the legalization and standardization of the labor market.

4. Conclusion

After in-depth analysis combined with the real environment, this article believes that due to the real problem of the digital divide, new digital inequality has arisen between urban and rural areas. If rural areas cannot enjoy digital services equally, digital inclusive finance based on digital technology will also face difficulties in expanding in rural areas. The problem of financial exclusion in rural areas will not be effectively solved due to digital exclusion. Financial inequality still exists between urban and rural areas. Promoting equal access to financial services in rural areas is the key to the development of digital inclusive finance in closing the urban-rural income gap. When digital inclusive finance develops to a certain stage, its effect in closing the urban-rural income gap will decrease, showing an obvious threshold effect. , and the development of coverage breadth, usage depth and digitalization degree all show a threshold effect on the effect of digital inclusive finance on converging the urban-rural income gap, confirming that the impact of digital inclusive finance on the urban-rural income gap will change. As the human capital investment of rural households continues to increase, the income gap between urban and rural areas will continue to narrow.

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