

Analysis of Digital Financial Inclusion Promotion of Rural Economic Development

Zhi Zhang*

School of International Education, Hebei University of Economics and Business, Shijiazhuang, China

**Corresponding author: Zhi Zhang, E-mail: zhangzhi_0118@outlook.com.*

Abstract

In the context of the digital age, China has set new goals for rural economic development: to transform from a major agricultural country to a powerful agricultural country. On this basis, digital financial inclusion has become a powerful tool for achieving this goal. This paper systematically reviews the impact and pathways of digital financial inclusion on rural economic development. This paper focuses on the practical effects of digital financial inclusion in areas such as rural revitalization, high-quality agricultural development, rural economic growth promotion, and common prosperity. According to multiple studies, digital financial inclusion has effectively promoted the transformation and upgrading of rural industries and the optimization of the rural consumption structure through methods such as optimizing resource allocation and expanding the boundaries of financial services. However, issues such as unbalanced regional development and risk prevention and control still need to be optimized and resolved. This paper, by integrating multiple academic research papers, proposes methods for optimizing paths such as strengthening the infrastructure of digital financial inclusion and improving the application system, striving to achieve common prosperity and narrowing the urban–rural gap.

Keywords

digital financial inclusion, rural economy, rural income growth

1. Introduction

The key to development lies in promoting the agricultural economy first. The 20th National Congress of the Communist Party of China noted that “the most arduous and onerous tasks of fully building a modern socialist power still lie in rural areas.” At present, China is at a crucial stage of transitioning from a major agricultural country to a powerful one. The development of the rural economy not only involves the expectations of hundreds of millions of farmers for a better life but also serves as an important foundation for building a new development pattern and promoting high-quality development. At present, the rural economy still suffers from unbalanced regional development. In some areas, due to incomplete infrastructure, there is a serious outflow of the labor force, and the income level of rural families is low. To address this phenomenon and solve the problem of unbalanced development between urban and rural areas, this paper holds that digital financial inclusion should be vigorously developed to assist rural economic growth.

Given the current vigorous development of the digital economy, the amount of digital financial inclusion has become an important means to promote the economic development of rural areas. Compared with the traditional financial model, digital financial inclusion lowers the service threshold and expands the scope of

the service population through internet technology, effectively improving service efficiency and significantly enhancing the universality of financial services.

Most of the existing studies focus on the impact of digital financial inclusion on rural revitalization (Chen et al., 2025), the impact of common prosperity for farmers and rural areas (Wang & Zhang, 2025), and the impact of digital financial inclusion and the equalization of public services on rural revitalization (Jiang & Xie, 2024). This paper focuses on the various impacts of digital financial inclusion on the current rural economy and analyzes the risks that digital financial inclusion may induce (Xie, 2025) as well as the existing deficiencies. This study shows that the development of digital financial inclusion has accelerated rural modernization and high-quality rural development, significantly promoted the income growth of rural families at all income levels, and contributed to the realization of common prosperity. Moreover, enhancing regulatory efforts on digital financial inclusion and increasing its popularity in rural areas, as well as farmers' understanding and recognition of it, are necessary.

This paper, through sorting and analyzing the impact of digital financial inclusion on rural economic development, makes the following contributions. First, it expands the assessment dimensions of common prosperity and provides new evidence for the expansion of the connotation of common prosperity. Second, we build a multidimensional theoretical analysis framework and integrate the literature from multiple perspectives to provide theoretical support for research on the combination of digital finance and the rural economy.

2. The Promotion Effect of Digital Financial Inclusion on Rural Economic Development

The No. 1 Central Document of 2025 clearly states the goals of promoting the comprehensive revitalization of rural areas, enhancing the development of rural industries, increasing agricultural efficiency, invigorating rural areas, and increasing farmers' income. The development of the rural economy involves the aspirations of hundreds of millions of farmers for a better and happier life, and it is also an important foundation for China's high-quality development. Data from the National Bureau of Statistics show that in 2024, the per capita disposable income of urban residents was 54,188 yuan, whereas that of rural residents was 23,119 yuan, with a difference of 31,069 yuan between the two. Thus, there is still a considerable gap between the incomes of rural residents and those of urban residents.

Inclusive financing is an effective way to alleviate the economic imbalance caused by the development gap. Inclusive finance refers to the provision of appropriate and effective financial services to all social strata at an affordable cost through financial services. Especially for small and microenterprises, farmers, people with disabilities and other groups that are difficult for the traditional financial system to cover, equal access to financial resources should be provided. It is a kind of financial business that takes “universality” as its service group and “benefit” as its service goal.

With the rapid development of the Times, against the backdrop of society entering the era of technology and information, inclusive finance has also completed its innovation with the help of digital technology and has been upgraded to digital financial inclusion. Compared with traditional inclusive finance, digital financial inclusion has innovated and been improved by leveraging digital technology. Digital financial inclusion has lowered the threshold for financial services and broken the situation in the traditional financial model, where it was impossible to obtain financial support due to insufficient collateral, incomplete information and other reasons. Digital financial inclusion provides financial services through internet platforms, reducing the costs required for traditional financial services. Moreover, the coverage area of internet technology is much larger than that of traditional financial service points, greatly increasing the number of audience groups and broadening customer channels. Its advantages, such as cost reduction, work efficiency improvement and security enhancement, have greatly improved the popularization of rural finance and the quality of rural financial services.

3. The Role Path of Digital Financial Inclusion in the Rural Economy

In the path of the role of digital financial inclusion in the rural economy, the supply and demand of finance are fundamental for the development of the rural economy. Digital financial inclusion has lowered the application threshold for finance, making it easier for farmers and small and microenterprises to apply for funds. This has enabled small-scale farmers in remote mountainous areas, large-scale agricultural enterprises, and other business entities to obtain basic financial resources such as agricultural credit and agricultural

insurance. These financial resources are the foundation for enterprises and farmers to introduce advanced agricultural production technologies and promote high-quality agricultural development. Moreover, by providing them with personalized financial products and services, their ability to cope with natural disasters and market fluctuations has also been enhanced.

3.1 The Impact of Digital Inclusive Finance on Regions at Different Levels of Development

Against the backdrop of unbalanced agricultural development, the promoting effect of digital financial inclusion on regions with relatively low levels of high-quality agricultural development has gradually increased, whereas in regions with higher levels of high-quality agricultural development, the promoting effect of digital financial inclusion has gradually decreased (Huo & Zhang, 2025). The reasons for this can be attributed to the fact that in regions with a relatively low level of high-quality agricultural development, there are certain deficiencies in the establishment of financial institutions and the coverage of finance. These areas often lack the necessary infrastructure and support systems to attract and sustain financial services. This can result in limited access to credit and other financial products for local farmers and agricultural businesses, hindering their ability to invest in modernization and expansion. Compared with areas with a higher level of development, where financial institutions are more established and services are more readily available, these underdeveloped regions face significant challenges in bridging the financial gap.

Moreover, targeted studies based on data from the Inner Mongolia region have shown that digital financial inclusion significantly promotes common prosperity in Inner Mongolia. Moreover, neighboring regions of Inner Mongolia are also correspondingly driven, exerting a siphoning effect (Li et al., 2025). In addition to specific studies on individual provinces, research on China's overall data has reached similar conclusions: for every one-unit increase in the coverage of digital financial inclusion, its promoting effect can increase by 0.23 standard deviations. Among the influences of digital financial inclusion, the western region is the most sensitive to the development level of digital financial inclusion (Chen et al., 2025). The similar conclusions drawn from different studies indicate the key role of digital financial inclusion in promoting rural economic development, as well as the remarkable achievements and significance of digital financial inclusion for rural revitalization.

3.2 The Impact from a Micro Perspective

From a micro perspective, digital financial inclusion, which uses big data technology to collect customer credit information, lowers the application threshold for rural low-income groups, making it easier for farmers to obtain funds. Digital financial inclusion can drive the growth of farmers' income by promoting investment in rural human capital. Moreover, digital financial inclusion promotes income for rural families at different income levels, and its effect on increasing the income of low-income rural families is more obvious, while its effect on high-income groups is relatively weak (Luo, 2024). Therefore, digital financial inclusion should focus on popularizing in low-income families and regions with relatively underdeveloped infrastructure and improving and perfect its own system on the basis of local conditions.

3.3 Impact from the Perspective of Regional Consumption Levels

Digital financial inclusion has removed the time and space restrictions for consumers to apply for funds, increasing their purchasing willingness and purchasing power. The growth of consumption has increased the regional consumption level, and as a result, government tax revenue has increased. The government further conducts macrocontrol through taxation and fiscal expenditures. The income gap among farmers should be narrowed through distribution measures such as transfer payments and social security to achieve common prosperity (Wang et al., 2024). From the perspective of consumption upgrades, diverse consumer demands prompt producers to optimize and adjust their industries and increase the allocation of market resources, thereby driving investment. Investment has enabled industries to evolve to higher levels. The updated industries have provided more opportunities for innovation and growth, leading to a virtuous cycle of economic development. As consumers continue to seek new and improved products and services, businesses must remain agile and responsive to these changing needs. This dynamic interplay between consumer behavior and production strategies not only fuels economic growth but also fosters a more competitive and resilient market landscape.

4. Existing Problems and Improvement Suggestions

4.1 Existing Problems

The varying degrees of impact of digital financial inclusion on the eastern, central and western regions today indicate that the coverage of digital financial inclusion has not yet reached full coverage. In some areas, the construction of infrastructure and the popularization of digital financial inclusion still need to be strengthened. In addition, the positive effect of digital financial inclusion on the development of rural finance has indirectly exacerbated the problem of rural labor outflow, which in turn restrains the development of rural finance (Wang & Zhang, 2025).

4.2 Optimization Path and Suggestions

On the basis of the realistic picture of digital financial inclusion, this paper suggests the following: First, the popularization of digital financial inclusion in rural areas should be enhanced, and the relevant encouraging policies for its development should be improved. Actively popularizing knowledge related to digital financial inclusion among rural residents can enhance their understanding and acceptance of digital financial inclusion.

Second, attention should be given to the possible impact of digital financial inclusion on capital outcome decisions (Xie, 2025). The government should establish a risk prediction department and a regulatory department to predict potential risks and effectively regulate and control them.

Third, the role of digital financial inclusion in promoting the economy of rural areas, driving the income growth of farmers, and empowering the innovation and upgrading of agricultural production should be fully considered. Empowering rural development through digitally inclusive financial technology plays a leading role in promoting high-quality rural production and farmers' lives.

5. Conclusion

On the basis of a review and summary of the literature on the contributions of digital financial inclusion to the rural economy, this paper concludes that digital financial inclusion has played a positive role in the modernization of agriculture and rural areas. The financial support it provides to producers such as small and microenterprises has promoted the upgrading of rural and agricultural industries and helped industries shift from traditional models to new network models. Digital financial inclusion has promoted the development of families at all income levels. Promoting farmer income, industrial transformation and other means has played a significant role in narrowing the gap between urban and rural areas and achieving common prosperity.

In addition, the development of digital financial inclusion should focus on regions with lower development levels in the central and western regions. Through measures such as improving infrastructure, increasing the coverage of digital financial inclusion, and enhancing farmers' awareness of it, digital inclusive finance can more effectively understand the financial needs of remote areas and take targeted measures accordingly. This significantly enhances the economic growth of regions with lower levels of development, thereby compensating for the imbalance in development among regions and further narrowing the development gap between urban and rural areas.

References

- Chen, Y., Liu, L., & Zheng, S. (2025). Impact of digital financial inclusion on rural revitalization. *Finance Research Letters*, 85, Article 108071.
- Huo, T. M., & Zhang, L. J. (2025). The impact of digital financial inclusion on high-quality agricultural development: mechanism analysis based on supply and demand perspective. *Technoeconomics & Management Research*, (7), 97-103.
- Jiang, Y., & Xie, J. (2024). Public service equalization, digital financial inclusion and the rural revitalization: evidence from Chinese 283 prefecture-level cities. *International Review of Economics & Finance*, 96, Article 103648.

- Li, H., Wei, X., & Chen, W. (2025). Digital financial inclusion's impact on farmers' income and spatial spillover effects: evidence from Inner Mongolia, China. *Heliyon*, 11(3), Article e42155.
- Luo, Z. J. (2024). How digital financial inclusion affects high-quality rural development: theoretical analysis and empirical test. *Statistics and Decision*, 40(7), 132-137.
- Wang, Y., & Zhang, Z. (2025). Digital development and rural financial inclusion: evidence from China. *Research in International Business and Finance*, 73, Article 102637.
- Wang, Y. Z., Lin, X., Li, Z. H., & Wu, W. X. (2024). Digital financial inclusion promotes common prosperity: from the perspective of liquidity constraints. *Economic Research Journal*, 59(6), 49-68.
- Xie, J. (2025). Banking evolution in the digital age: how digital financial inclusion induces systematic financial risk? *Finance Research Letters*, 80, Article 107351.

Funding

This research received no external funding.

Conflicts of Interest

The authors declare no conflict of interest.

Acknowledgment

This paper is an output of the science project.

Open Access

This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

