

Research on Digital Inclusive Finance Empowering Rural Revitalization in Gansu Province

Zhou Jiayue

Northwest Normal University, Lanzhou City, Gansu Province, 730070;

Abstract: Gansu Province's digital inclusive finance has entered a period of rapid development and deepened innovation, showing good progress in coverage breadth, usage depth, and digitalization level. However, challenges such as insufficient momentum for digital development, uneven development between urban and rural areas, and relatively low integration levels persist. This paper proposes measures to promote rural digital development, strengthen the cultivation of digital finance talents, establish information-sharing platforms, narrow regional development gaps, and enhance integration, in order to better leverage digital inclusive finance as a crucial engine for rural revitalization.

Key words: Digital Inclusive Finance; Rural Revitalization; Financial Services; Economic Growth

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Introduction

The 20th National Congress of the Communist Party of China emphasized high-quality development as the primary task in building a modern socialist country comprehensively, calling for deepening financial system reforms. Digital inclusive finance can comprehensively enhance financial service capabilities, optimize financing supply structures, and support high-quality economic development. By strengthening financial support in areas such as rural industrial development, cultural prosperity, ecological protection, and urban-rural integration, digital inclusive finance can guide funds into key rural sectors in a targeted manner, expand the breadth and depth of digital financial services, better meet rural financial needs, and effectively implement the national strategy for rural revitalization.

1 Current Status of Digital Inclusive Finance Development in Gansu Province

1.1 Overall Steady Growth:

According to the Peking University Digital Inclusive Finance Index, as can be seen in Figure 1, Gansu Province's digital inclusive finance index has shown a steady upward trend, from 18.84 in 2011 to 362.62 in 2023, realizing a 19.26-fold increase. Overall, Gansu's ranking in the national digital inclusive finance index improved from 28th in 2011 to 25th in 2023, indicating effective policies and enhanced comprehensive influence^[1].

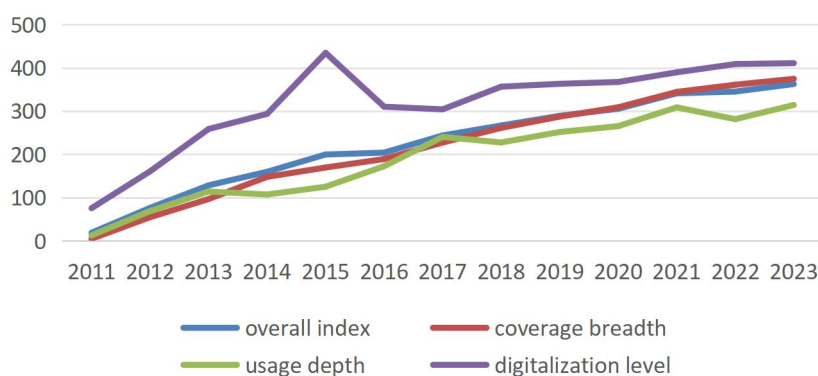


Figure 1 Digital Financial Inclusion Index and Sub-Index in Gansu Province, 2011-2023

Source: Peking University Digital Inclusive Finance Index

1.2 Broadening Reach of Digital Inclusive Finance:

As shown in Figure 1, the coverage breadth indicator of digital inclusive finance in Gansu Province has been rising, from 4.99 in 2011 to 374.69 in 2023, realizing a 74.06-fold increase, and the popularity of digital finance has achieved leapfrog progress. Through mobile payments, digital banking, blockchain, and other technological means, digital inclusive finance has achieved resource integration and allocation, improved financial inclusivity, and enhanced the financial accessibility of rural impoverished populations and small and medium-sized enterprises (SMEs). Compared to traditional financial models, digital inclusive finance effectively breaks through geographical and hierarchical constraints, fills gaps in rural financial services, and continuously expands its reach, with financial services now available in all 16,000 administrative villages in Gansu. The number of households with inclusive micro-loans reached 337,700 in 2023, more than 2.6 times the number at the end of 2019, with an average annual increase of over 40,000 households in the past five years. The number of people touched by digital inclusive finance has been increasing in Gansu Province, and the financial services have benefited more regions.

1.3 Steady Increase in Penetration Rate of Digital Inclusive Finance:

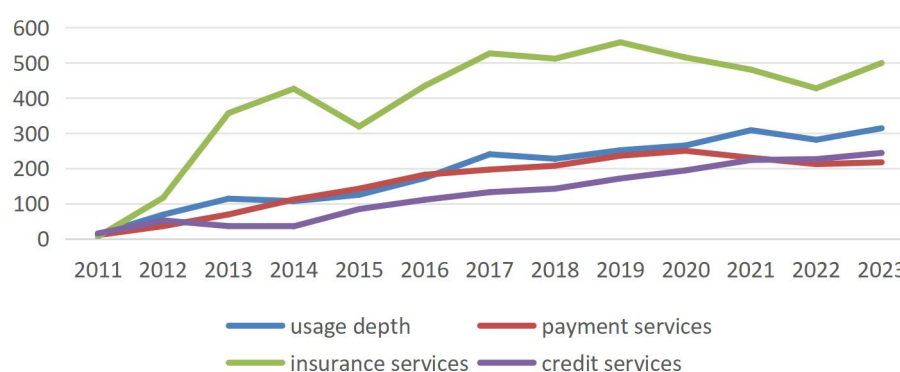


Figure 2 Sub-Index of Digital Inclusive Financial Services in Gansu Province, 2011-2023

Source: Peking University Digital Inclusive Finance Index

As depicted in Figure 2, the usage depth index of Gansu's digital inclusive finance has continuously climbed, increasing 24.57-fold from 12.76 in 2021 to 314.16 in 2023. In terms of specific businesses: In payment services, with the widespread adoption of mobile payments, the volume of mobile payment transactions in Gansu has significantly increased. In 2023, the average number of bank card transactions per person in Gansu reached 376.75, with efforts to increase payment convenience in remote areas and for elderly groups, narrowing the digital divide. In credit, a variety of personal credit loan products, such as the "Gansu Xinyidai •Longxintong" platform, Gansu Rural Credit Union's "Xinglong e-loan," and the Gansu Wisdom Financial Service Platform, offer convenient and efficient lending services with pure credit and no collateral, alleviating farmers' urgent financial needs and enabling them to invest more conveniently in agricultural industrial modernization, promoting high-quality development of rural revitalization in Gansu. Additionally, these platforms link credit with financial services, enhancing financial institutions' credit default risk prevention and control capabilities, facilitating a virtuous cycle in credit business. Meanwhile, the loan balance for SMEs has grown from 183.331 billion yuan to 789.84 billion yuan over the past decade, a 4.31-fold increase, with agricultural-related loan balances reaching 820.1 billion yuan in 2023, highlighting the significant role of digital inclusive finance in supporting the "agriculture, rural areas, and rural residents" sectors. In insurance services^[1], Gansu's insurance business usage depth has consistently exceeded that of other business types, focusing on rural revitalization, safeguarding livelihoods, and promoting regional economic development by providing diverse and inclusive services. In agricultural insurance, innovative products such as meteorological index insurance have been introduced, calculating compensation amounts based on meteorological data, offering advantages such as no need for on-site inspections, efficient and objective claims processing, effectively reducing risks for agricultural operators due to natural disasters, and mitigating the high economic sensitivity of farmers caused by

agriculture's inherent vulnerability.

1.4 Enhanced Data-Driven Capabilities of Digital Inclusive Finance:

As illustrated in Figure 1, Gansu's digitalization level index has continuously risen, increasing 4.44-fold from 75.61 in 2011 to 410.85 in 2023. Gansu's digitalization level index has consistently surpassed other digital inclusive finance indices, achieving mobile, affordable, credit-based, and convenient development. On one hand, digital technologies empower agricultural industrial development by integrating the agricultural industry chain, achieving precise resource allocation, improving production management levels, and enhancing industrial added value, while promoting the modernization of the industry chain to improve production efficiency. For example, in corn farming in Zhangye, sensors monitor soil moisture and temperature, enabling precise irrigation and fertilization based on big data analysis, improving resource utilization efficiency, and yields. On the other hand, through platforms like e-commerce live streaming and intelligent logistics, geographical constraints are overcome, broadening farmers' income channels. For instance, Gansu's "Jingning Apples" and "Lanzhou Lilies" have established high-end brand images through digital marketing strategies, gaining higher market recognition and prices. Meanwhile, digitalization provides strong impetus for promoting rural governance and disseminating and protecting rural culture. For example, Gaolan Shichuan Town uses digital power to promote the integrated development of agriculture, culture, and tourism, achieving smart rural construction.

2 Shortcomings and Challenges in Digital Inclusive Finance Empowering Rural Revitalization in Gansu Province

2.1 Insufficient Momentum for Digital Development:

According to Peking University's Digital Inclusion Index, although the digitization index of Gansu Province is overall higher than other indices, it declined after reaching its peak in 2015, and the growth rate slowed down in the later period. Among the 31 provinces and municipalities in China, the national ranking of Gansu Province's digitization index goes from the 2nd in 2011 to the 23rd in 2023, which shows that Gansu Province's digitization growth rate is slowing down as a whole, and its future strength is slightly insufficient. On the one hand, the digital dividend is fading, the market demand is gradually saturated, and the new users are lower, leading to a slowdown in the growth rate of digitization. On the other hand, with the development of the digital economy, the market is in urgent need of composite financial talents, the education development in rural areas of Gansu Province is slower, and financial literacy is more backward, while the rural areas are unable to continue to effectively attract financial talents, which further exacerbates the problem of insufficient talents. At the same time, Gansu Province is also faced with risk regulation problems, some rural areas credit system construction difficulties, data security issues to be resolved, making financial costs continue to increase, unable to further promote the promotion of digital financial services in rural areas.

2.2 Uneven Development Between Urban and Rural Areas and Among Cities:

There is an imbalance in the inclusive development of digital finance between urban and rural areas^[2]. In terms of infrastructure, urban areas have relatively complete network infrastructure, with 5G networks achieving full coverage in urban districts and deep coverage in key urban venues by 2023. In contrast, rural network coverage levels are lower, with only around 60% 5G network coverage in rural areas of Gansu by 2023, and some areas still lacking broadband network access or having unstable signals, affecting the application and popularization of digital technologies. In terms of policy support, urban areas have stronger policy support for the digital economy, attracting a large number of digital economy enterprises to settle in, while rural areas have weaker policy support for the digital economy, making it difficult to attract digital economy enterprises for investment and development. Meanwhile, Gansu has a relatively low loan balance for technology-based SMEs, ranking at a lower level nationally, unable to attract more high-tech enterprises to settle in rural areas^[3], with rural areas lacking leading enterprises to play a leading role in digital economic development.

Additionally, there is an imbalance in the development of digital inclusive finance among cities within Gansu. According to the Peking University Digital Inclusive Finance Index, among 337 prefecture-level cities nationwide, Jiayuguan

City and Lanzhou City in Gansu rank 82nd and 86th respectively in digital inclusive finance development, while Gannan Tibetan Autonomous Prefecture and Linxia Hui Autonomous Prefecture rank 320th and 328th respectively, and have a disadvantageous position among the prefecture-level cities in the country. With backward areas facing difficulties in building financial infrastructure due to underdeveloped regional economies and limited financial service coverage due to low financial literacy, further exacerbating the imbalance in digital inclusive finance development among cities within Gansu. In economically backward areas, limited access to financial services further leads to "digital exclusion," while farmers and SMEs face financing difficulties, possibly further exacerbating regional economic imbalances and even leading to a vicious cycle of imbalance.

2.3 Relatively Low Integration Level:

On one hand, the positioning and layout of digital financial products are inconsistent with rural industrial development. There is insufficient supply of financial resources in rural areas, inadequate innovation in financial products and services, and an inability to effectively meet the diverse needs of farmers. More funds need to be directed towards rural areas and key sectors^[4]. According to statistical data from the People's Bank of China in 2023, the balance of inclusive loans for rural households' production and operation was 194.2 billion yuan, accounting for only 0.081737% of the total balance of RMB loans for financial institutions. Meanwhile, in terms of the growth rate of inclusive loans for rural households' production and operation, one-third of the provinces nationwide had growth rates above 20%, while only two provinces had growth rates below 10%, with Gansu's growth rate at only 9.56%, lagging behind the national overall growth rate. On the other hand, there is an imbalance in supply, with rural financial needs not being effectively stimulated and met, and financial service efficiency needing improvement. The availability and convenience of financial services need to be strengthened. Since the elderly population in rural areas lacks digital skills and literacy, they face difficulties in applying digital technologies and resist using financial services, limiting the effective demand for digital inclusive finance. When demanders are unable to enjoy digital conveniences due to a lack of digital literacy, even if digital financial services are improved, it will be difficult to improve industrial development, and may even produce "digital exclusion," which is not conducive to rural revitalization.

3 Paths and Suggestions for Digital Inclusive Finance Empowering Rural Revitalization in Gansu Province

3.1 Promoting Rural Digital Development and Strengthening the Cultivation of Digital Finance Talents

Firstly, further promote the construction of rural digital inclusive finance infrastructure in Gansu, closely follow national digital development trends, and increase government financial support for digital inclusive finance. Continue to establish network infrastructure in rural areas and fully mobilize the enthusiasm of financial institutions to encourage them to establish more rural service points, expanding the coverage of digital finance and enabling rural areas to use financial services more conveniently and efficiently^[5]. At the same time, utilize rural service points to build a more transparent and open information platform, allowing farmers to access timely and comprehensive financial information and bridge the rural digital divide.

Secondly, strengthen talent cultivation and technical support, promote cooperation among governments, enterprises, and schools, and cultivate high-quality talents suitable for Gansu's development needs with skills in finance, agriculture, technology, etc. Meanwhile, introduce corresponding talent incentive policies to attract more talents to return to their hometowns for employment, injecting a continuous stream of fresh blood into the development of rural revitalization through digital inclusive finance^[6].

Thirdly, farmers' financial literacy significantly affects the breadth and depth of digital inclusive finance. Establish financial consulting service platforms to enable farmers to fully understand various financial information, enhance rural financial literacy as a whole, and deepen rural financial awareness. The government can introduce relevant preferential policies to encourage banks to continuously expand service outlets, improve the penetration of inclusive finance, provide certain rewards and tax incentives for agricultural-related financial institutions, and strengthen cooperation with rural

financial institutions.

3.2 Establishing Information-Sharing Platforms and Narrowing Regional Development Gaps

Firstly, improve the construction of rural digital inclusion infrastructure in Gansu Province, expand the network coverage in villages, promote the digitalization of villages, narrow the digitalization gap between urban and rural areas, formulate corresponding preferential policies in a targeted manner to tilt towards villages, encourage more enterprises to land in villages, guide traditional financial institutions to go deep into less developed areas, regularly carry out financial literacy campaigns in villages, and guide rural residents to reasonably use digital finance to Rational allocation of personal wealth, enhance their acceptance of such products, and strengthen the financial literacy of farmers.

Secondly, cities should fully explore their regional characteristics and advantages, achieve reasonable resource allocation through policy guidance, construct an open and collaborative development model for relatively backward areas such as Gannan Tibetan Autonomous Prefecture and Linxia Hui Autonomous Prefecture, achieve regional linkage development, promote large-scale and regionalized development of rural areas in Gansu, and further bridge the imbalance in development among cities. Financial institutions should increase collaborative cooperation, jointly build a long-term mechanism for digital inclusive finance, achieve resource sharing and complementary advantages, and deepen cooperation with other industries to expand service scenarios.

3.3 Promoting the construction of a rural credit system and realizing the matching of supply and demand in digital finance

Firstly, accelerate the construction of a rural credit sharing system to optimize the financial service environment. Using big data technology, farmers' credit files are converted into electronic form to form a credit database, which is regularly managed and updated, linking farmers' credit to financial inclusion, establishing a credit incentive system, formulating practical and visible preferential policies, constructing a blacklist of bad faith, improving the level of prevention and control of credit default risk in financial institutions, further enhancing farmers' credit awareness, and enabling farmers to try to finance loans and carry out agricultural industry transformation and upgrading^[7].

Secondly, a more comprehensive financial regulatory system and data security and privacy protection mechanism should be constructed. On one hand, construct a more resilient risk defense system to ensure strong anti-risk capabilities, protect farmers' interests, avoid dampening farmers' enthusiasm for using financial services due to financial risk issues, and stimulate farmers' demand with more secure financial services. Meanwhile, while encouraging enterprises to provide innovative financial services, the government should also prevent financial institution monopoly issues, avoid suppressing innovation and impeding the diversification of financial services due to "monopoly by one enterprise" and ensure the effective supply of financial services.

Third, it should create a comprehensive financial service platform that is more beneficial to agriculture, use technology to optimize the financial service handling process, improve online handling services, and bring more personalized financial services to the countryside by means of big data analysis, so as to achieve efficient docking between supply and demand^[8].

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