Review of the Development of Digital Inclusive Finance in China

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Abstract. Digital finance refers to traditional financial institutions and Internet companies using digital technology to achieve financing, payment, investment and other new financial business models. The rapid development of China's digital economy and digital finance has benefited from the Internet revolution. In the short period of more than a decade from 2004 to 2018, relying on technological innovations such as Internet big data and cloud computing, the development of China's digital finance has advanced by leaps and bounds. The emergence of a series of third-party payment methods such as Alipay and WeChat payment has made financial services convenient and available, and the coverage and depth of financial services in backward areas have been promoted, so that groups that could not meet the "high threshold" of financial services can also enjoy financial services, so the development of digital finance has further promoted the development of inclusive finance, but digital inclusive finance also has drawbacks, such as a series of financial chaos caused by insufficient supervision. The risks of digital inclusive finance mainly include default risk, fraud risk, policy risk and operational risk. This article takes online lending as an entry point to study new financial risks in the era of digital economy.

Introduction

Digital finance refers to traditional financial institutions and Internet companies using digital technology to realize financing, payment, investment and other new financial business models. The rapid development of China's digital economy and digital finance has benefited from the Internet revolution. The Internet revolution is another major revolution in the history of human civilization following the invention of the steam engine and the use of electricity. It has brought all-round innovation and impact to the global economy and people's lives. China's development has benefited in particular from the Internet revolution. However, digital finance is essentially different from Internet finance and technology finance. Internet finance refers to a new financial business model in which traditional financial institutions and Internet companies use Internet technology and information and communication technologies to realize financial communication, payment, investment and information intermediary services. It is more regarded as an Internet company engaged in financial business; and technology finance refers to the promotion of financial innovation through technological means to form business models, technology applications, business processes and innovative products that have a significant impact on financial markets, institutions and financial services. Highlight technical characteristics.

The United Nations defines financial inclusion (financial inclusion, also translated as inclusive finance) as a financial system that can effectively and comprehensively provide services to all
classes and groups of society. It was originally proposed that the purpose of inclusive finance is to emphasize the continuous improvement of financial infrastructure to improve the convenience and availability of financial services, so as to provide convenient financial services for low-income groups and underdeveloped areas. This concept was initially used by the United Nations in the promotion of the "2005 International Microcredit Year" and was vigorously promoted by the United Nations and the World Bank.

The concept of introducing inclusive finance in China is to promote the international microfinance year in 2015 and proposed the "inclusive finance system". The earliest introduction of the concept of inclusive finance in China was the China Microfinance Union. At the G20 summit held in Mexico in 2012, Hu Jintao pointed out that inclusive financial issues are essentially development issues. He proposed that countries should strengthen cooperation and communication to establish a financial system that benefits all countries and groups. In November 2013, the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China formally proposed the development of inclusive finance. Guo Feng’s opinion is at the end of 2015, the State Council clarified the definition of inclusive finance at the national level for the first time: inclusive finance refers to the principle of equal opportunities and business sustainability, through increased policy guidance and support, strengthening the construction of the financial system, and improving the financial infrastructure\[1\]. The burdened cost provides appropriate and effective financial services for all social strata and groups in need of financial services. At the same time, it is determined that the main service targets of inclusive finance are farmers, small and micro enterprises, urban low-income groups and other vulnerable groups. Li Tao proposed the development of inclusive finance can promote economic growth. By expanding the coverage of the financial system, the development of inclusive finance can allow more residents and enterprises to reasonably enjoy the financial products and services they need, effectively alleviating financial exclusion\[2\].

Based on the above background, the development of digital finance driven by the Internet revolution has made China's digital finance develop rapidly in backward areas, and has significantly increased rural household income, which is conducive to narrowing the gap between urban and rural areas. And the convenience and availability of the financial services industry have been greatly improved, providing funds for more low-income groups and inducing more entrepreneurial behavior. China's digital finance has been scaled and infiltrated into various financial businesses such as credit, loans, stocks, etc., and has become an indispensable part of the financial system, which represents the future development direction of the financial industry. The launch of Alipay in 2004 was the starting point for the development of digital finance, while the launch of Yu'e Bao in 2013 made the development of digital finance a historic step. From 2003 to 2018, China's digital finance has developed by leaps and bounds. Among the world's leading digital finance companies, Ant Financial, JD Finance, Lufax and Zhong’an Insurance are all in the forefront. The development of China's digital financial system has its own unique features, and it also reflects the regularity prevailing in the development of digital finance. Huang Yiping pointed out that in addition to technical advantages, the rapid development of China's digital finance also benefits from two other advantages: the insufficient supply of the formal financial sector and the relative tolerance of the regulatory authorities. The latter provides a relaxed environment for the development of digital finance. An important reason why digital finance can temporarily lead other countries\[3\].

Digital finance is the product of the combination of finance and technology. After more than ten
years of development, China's Internet development relies on technological innovations such as big
data and cloud computing, which has made China's digital economy experience rapid development. The
daily use of Alipay, WeChat Pay, and Jingdong Baitiao are all in In the past ten years, the convenience and availability of financial services have been greatly improved. For example, some people who were previously unable to access the financial market can now buy and sell funds and bonds through Yu'e Bao. According to 2016 data from the China Banking Statistics Association, as of 2015, the number of credit cards issued in China was 530 million, equivalent to one credit card for 2.5 people, so there is still a considerable portion of credit records that cannot be obtained. Unable to borrow funds from the financial market. However, the development of digital finance has changed this situation: our daily use of ant flowers, micro-loans, and WeChat or Alipay shopping, payment of utility bills, etc., can accumulate personal credit and provide credit records. Therefore, the digital finance driven by the revolution of the Internet can enable those low-income groups that lacked credit reporting and mortgages to enjoy financial services and promote investment and business activities. It is foreseeable that the development of the digital economy and digital finance is conducive to promoting the convenience and availability of the financial industry, improving the "high threshold, difficult to obtain" model of the traditional financial industry, and allowing more low-income groups to enjoy the benefits of finance. Change to promote inclusive growth of finance and promote the development of inclusive finance.

China's digital economy is developing rapidly, and its scale has ranked second in the world. With the development of artificial intelligence, blockchain, big data and other digital technologies, digital finance can bring economic development and improve financial efficiency, but it will also give economic environment Bring new risks and challenges.

The development of digital finance such as P2P platforms, WeChat crowdfunding, and third-party payment has the advantages of promoting the development of digital inclusive finance and the transformation of traditional finance in the following three aspects: First, it is conducive to economic growth from factor-driven to innovation Drive, promote the high-quality development of the domestic economy and promote the emergence of new business models. Second, it is conducive to alleviating regional imbalances in economic growth. The development of digital inclusive finance is more prominent in promoting consumption, innovation and entrepreneurship in residents in economically backward regions. Third, the competitive effect driven by the development of the digital economy has promoted the transformation of the financial industry and improved the efficiency of financial operations.

Due to lagging supervision, insufficient public awareness of risks, and insufficient corporate risk control capabilities, the risks in the financial technology industry have become prominent in recent years, and new financial formats have brought new risks. Taking the online lending platform as an example, according to the data of the online lending home, more than 85% of the platforms have withdrawn from the market by the end of 2018. At the moment, there were as many as 3595 P2P platforms operating normally in 2015. Therefore, a series of problems and risks are caused. Since 2016, the government has started to strengthen supervision, and the platform has been intensively thundering. Once the risk is not properly handled, it is likely to spread to the normal financial system, making it more difficult to prevent systemic financial risks.
This article focuses on the analysis of the development history of digital finance and inclusive finance in China, and the research results that have been achieved, and through the "Peking University Digital Inclusive Finance Index" report to analyze the development trend of digital inclusive finance in 31 provinces across the country.

The remainder of this article is organized as follows: The second part summarizes the relevant literature; the third part introduces the development of the digital economy and digital inclusive finance in China in the context of the Internet; the fourth part discusses the types of risks in China’s new financial format; The five parts are based on the report of Peking University Digital Inclusive Financial Index, which analyzes the inclusive financial indexes of 31 provinces across the country.

Literature Review

This article is devoted to the development process of China’s digital finance. Related literature can be summarized from the following two aspects.

Literature Review of Digital Finance

A series of literature evaluated the economic effects of digital finance development. Digital finance can promote economic growth. Song Xiaoling (2017) used the China Digital Finance Index and found that the development of digital finance helps narrow the gap between rich and poor. Xie Xuanli and others (2018) also used the index and found that the development of digital finance can promote corporate innovation. Huang Yiping (2018) reviewed the development history of digital finance from its present to present, and prospected the future development direction of digital finance. These studies discuss the development and innovation of digital finance from a macro perspective. Yi Xingjian (2018) found that digital finance can promote the convenience of payment and thus the consumption of residents.

A basic consensus is that financial development contributes to economic growth. The core issue of finance is to achieve the optimal allocation of resources while reducing risks as much as possible. Related research shows that financial development can promote consumption and increase convenience. In particular, there are empirical studies that prove that a more developed financial system can alleviate external constraints on resources. As a combination of the Internet and finance, digital finance naturally also has financial attributes. Not only that, there have been studies showing that digital finance can contribute to the realization of inclusive finance, thereby promoting
economic growth. The popularity of mobile Internet has created conditions for financial services in less developed regions, increased the coverage of financial services, and reduced the cost of financial services, thus helping to optimize the allocation of financial assets and improve the financing situation of SMEs. In terms of data, Peking University Digital Finance Research Center has been committed to researching the development of digital finance, and used Ant Financial’s trading account data to compile China’s digital inclusive finance in multiple administrative regions from 2011 to 2018 index. The results show that digital finance is a low-cost, wide-coverage and sustainable financial model that can provide various potentials for economic development in economically backward regions (Guo Feng et al., 2019). Xie Xuanli found that the development of digital finance has a significant role in promoting entrepreneurship, and digital finance the breadth of coverage, the depth of use and the level of digital support services have also significantly promoted entrepreneurship Progressive effect[4].

Summary of Inclusive Financial Literature

In 2015, the United Nations first proposed the concept of inclusive finance in the "International Year of Microfinance", calling for the establishment of an inclusive finance sector globally. For financial services to the real economy and to serve vulnerable groups, inclusive finance has extremely important value. Li Yan and others proposed in 2014 that Internet finance can effectively solve the practical difficulties faced by inclusive finance such as high costs and difficulty in obtaining structured information through the use of Internet technology, which is conducive to expanding the coverage and penetration rate of financial services. Jiao Jinpu (2015) refers to a financial system that can effectively and comprehensively provide services to all social groups. Li Jizun's (2015) point of view is that Internet finance has low cost, high efficiency, and convenient services, with distinctive inclusive features. Li Jianjun and Wang De (2015) pointed out that Internet lending platforms have lower search costs and can better provide inclusive financial services for small and micro economies.

Guo Feng (2016) symbolically puts forward that compared with traditional financial institutions, "thinking about poverty and loving the rich", digital finance can meet the needs of low-income and vulnerable groups that are usually difficult to enjoy financial services, reflecting the inclusiveness of inclusive finance. Meaning, Yao Jinlou and others (2016) believe that digital inclusive finance can overcome the shortcomings of the traditional financial system and make up for the “shortcomings” of rural finance. Li Tao et al. (2017) proposed the relationship between inclusive finance and economic development and regional inequality. Yi Xingjian (2018) innovatively proposed that the development of digital inclusive finance has a significant promotion effect on the consumption of residents in rural, central and western regions and low-income groups. Qiu Zhaoxiang (2018) believes that digital inclusive finance through related digital methods (including large Data, cloud computing, mobile Internet, etc.) has gradually become a new driving force for the development of inclusive finance, with the characteristics and advantages of reducing the cost of financial services and improving the reach of financial services, and helping small and micro enterprises and low-income groups to be fair Enjoy financial services. Zhang He (2018) innovatively proposed that digital inclusive finance has three convergence effects on the urban-rural income gap, namely the inclusive effect, poverty reduction effect and growth effect, pointing out that digital inclusive finance can narrow the urban-rural gap between rich and poor It is recommended that the development of digital inclusive finance in the future will further expand the depth and breadth of financial services through technological innovation and establish a financial
system that benefits everyone. Yixing Jian creatively proposed that the development of digital inclusive finance has significantly promoted the consumption of residents in the sample period, and this promotion effect is more obvious in rural areas, central and western regions, and low-income families\textsuperscript{[5]}. Fu Qiuzi proposed that the improvement of the overall level of digital finance on the one hand reduced the probability of rural productive formal credit demand. Among them, those with smart phones were significantly affected. On the other hand, it also increased the probability of rural consumer formal credit demand\textsuperscript{[6]}.

Figure 2 refers to the CiteSpace map to analyze the progress of the digital economy research. In recent years, the research on the digital economy has focused on Internet +, big data, artificial intelligence, and the sharing economy. The integration of the digital economy and inclusive finance has become a trend.

![CiteSpace map](image)

Figure 2. Research progress of digital economy.

The Development of Digital Inclusive Finance

The integration of China's Internet and financial industry has generally experienced two stages:

The first stage is from the 1980s to 2003. This stage is mainly in China. This period is mainly the process of introducing advanced information technology into the financial industry. It is the stage of
integration of finance and informatization. It is gradually applied to all walks of life in finance, which greatly improves the efficiency of financial business. But at this stage the traditional business model of the financial industry has not changed, and Internet companies have not really entered the financial industry system, nor have they provided financial services and financial products to consumers.

The second phase began in 2003, and the emergence of Alipay started a new process in which the Internet and information technology changed the financial industry model. Internet companies have entered the financial system and provided financial services and products, changing the traditional model of the financial industry. Taobao was born in May 2003 to serve transactions between individual consumers and SMEs, but due to lack of sufficient trust, the transaction between the two parties is difficult to reach. The buyer is worried that the payment has not been received, and the seller is worried about sending the goods. However, in this case, in order to help both parties build trust and facilitate the transaction, Taobao launched Alipay for the first time in October 2003. At first, Alipay was only used as a third-party trust intermediary. In the Alipay account, the payment will be transferred from the Alipay account to the seller's account only after the inspection is successful. Through such a third-party custody method, the two parties of the transaction establish trust, and the C2C transaction between individuals quickly develops on Taobao. It can be said that without Alipay, there will be no rapid development of Taobao. Taobao’s market share continues to rise, and most transactions are completed through Alipay. Therefore, it can be said that not only Alipay has promoted the rapid development of Taobao. In turn, the development of Taobao has also made Alipay one of the payment tools recognized by consumers. On this basis, Alipay gradually separated from Taobao and became an independent third-party payment platform in 2004, and began to pay in various business environments. So far, as an Internet company, Alipay's business has entered the traditional financial field. Alipay's success has attracted a large number of Internet companies and traditional financial companies. They have also emulated Alipay and launched third-party payment services. The most famous of these is Tencent pay, launched by Tencent in 2005. But none of them have achieved the market effect of Alipay. Because they do not have the development foundation of Alipay transaction intermediary and credit intermediary. Before 2013, Alipay had not yet had a major impact on the mobile payment of bank cards.

In 2007, the advent of the Apple mobile phone opened the era of the mobile Internet, and a large number of applications for mobile phones were developed. In this context, mobile phones are likely to become a new mobile payment tool, and replace the mobile payment function of bank cards. Tencent launched WeChat, a social software, in 2011, and it covers a wide range of users. In 2013, WeChat launched WeChat Wallet as a payment tool. With the help of the social activities of “grabbing red envelopes” in the WeChat group during the Spring Festival, WeChat successfully attracted a large number of users to use WeChat Pay to transfer and pay between individuals, gradually training users to use WeChat Payment consumption habits, and successfully extended WeChat payment to other business areas. Although the development process of Alipay and WeChat Pay are not the same, Alipay is built on user transactions, while WeChat is an Internet payment tool built on social networking. However, as Internet companies have entered the field, they have promoted the development of the traditional financial industry and innovated new financial models, such as Internet microfinance, Internet P2P finance, and Internet crowdfunding. Digital finance is beginning to take root in China's financial system.
The third stage began in 2005. The United Nations first proposed the concept of inclusive finance in the "International Year of Microfinance", calling for the establishment of an inclusive finance sector on a global scale. Over the next ten years, many international organizations including the United Nations and the World Bank have committed to promoting the development of inclusive finance on a global scale, seeking to expand the coverage of existing financial services by developing financial models such as microfinance and microfinance. To provide reasonable, convenient and safe financial services to all classes and groups of the whole society as much as possible to support the development of the real economy and eliminate inequality.

Figure 3 cites CiteSpace analysis to systematically elaborate the research of inclusive finance. It can be seen that inclusive finance has been integrated into other areas of the financial industry, mainly integrating with rural finance, Internet finance, and commercial banks. For these aspects.

Figure 3. Research hotspots of inclusive finance.

To sum up, we can see that the development of China's digital finance started with Alipay's third-party payment, and later expanded into the fields of payment, credit, insurance and other integrated financial services. And due to the development of informatization and mobile Internet, the development of digital finance has also greatly improved the convenience and availability,
especially for those who could not access financial services, most of them have mobile phones or have access to the Internet Of residents are likely to enjoy the convenience brought by digital finance, thereby promoting the development of inclusive finance in China.

**Digital Inclusive Financial Indicators and Applications**

Since the United Nations put forward the concept of "digital inclusive finance" in 2005, international organizations and scholars at home and abroad have begun to explore and establish indicators for measuring digital inclusive finance indexes. The Peking University Digital Finance Research Center and the Ant Financial Group have established a joint research group. Using Ant Financial ’s massive data on digital inclusive finance, a set of inclusive financial index system has been developed and the data has been obtained. The "Peking University Digital Inclusive Finance Index" report builds on existing indicators and combines the characteristics of traditional financial services and Internet financial services. Based on the availability and reliability of data, the coverage and depth of use of digital financial services The three dimensions of digitalization and the degree of digitization reconstructed the digital inclusive financial indicator system. Including 33 specific indicators from 31 provinces, cities and counties across the country from 2011 to 2018, with a view to reflecting objectively and comprehensively the development status of digital inclusive finance. Huang Hao believes that digital technology has not changed the core content of finance. Regulators need to recognize the nature of emerging digital financial formats and put them into the traditional regulatory system to achieve classified supervision[7].

In terms of the breadth of digital finance, users different from traditional financial institutions are directly reflected in the "number of financial institution service outlets" and "number of financial service personnel." Because the Internet is naturally not restricted by regions, the supply of Internet financial services is that users can It is reflected by the number of electronic accounts (such as Alipay account number and the number of bank cards bound to it). In terms of the depth of use of digital finance, this report mainly measures the use of Internet financial services. The types of financial services include payment services, money fund services, credit services, insurance services, investment services and credit services. From the perspective of usage, both the actual total usage index (the number of people using these services per 10,000 Alipay users), the activity index (number of transactions per capita) and the depth of use (transaction amount per capita) are used to measure usage Happening. In terms of the degree of digitization, convenience and cost are the main factors that affect users' use of digital financial services, which effectively reflects the low cost and low threshold advantages of digital financial services. The more convenient digital financial services (such as a higher degree of mobility) and the lower the cost (such as lower loan interest rates), the greater the demand for financial services, and vice versa. Ge Heping put forward the conclusion that the current online lending platform's interest rate level is falsely high, the information of both sides of the capital supply and demand is asymmetric, and the lack of effective supervision and regulation leads to the default of the fund demander. Provides important support for the healthy development of the industry[8].

Therefore, according to the digital inclusive financial index of 31 provinces (autonomous regions) in China given in the report of Peking University Digital Inclusive Financial Index, the following analysis can be drawn:
As shown in Table 4, China's digital inclusive financial business has achieved leapfrog development from 2011 to 2018, and the digital inclusive financial indexes of the provinces in the eastern, central and western regions have grown rapidly. At the same time as the rapid growth of digital inclusive finance, like most of China's economic characteristics, the degree of development of digital inclusive finance in China still varies from region to region, Shanghai with the highest digital inclusive financial index score in 2018 is the lowest 1.4 times of Qinghai Province. This shows that, compared with traditional inclusive finance, although the development of digital inclusive finance in China still has regional differences, this regional difference is rapidly narrowing, which shows that the regional imbalance of digital inclusive finance in China has been Improvement, the development of digital inclusive finance in backward provinces is more rapid. Hu Jinyan pointed out that farmers who participated in online lending activities provided insufficient certifiable information, resulting in a low credit score and a high probability of default after obtaining loans. The potential and actual default risks of low-income people are lower than those of middle-income people. And high-income earners[9]. Li Cangshu proposed to pay attention to the spillover effect of new format risks on the systemic risks and financial uncertainties in the formal financial market, and recommended the establishment of a financial technology regulatory sandbox system, a clear access mechanism, vigorous development of regulatory technology and the implementation of penetrating supervision, strengthening Construction of risk warning and mitigation mechanism[10].

Taking provincial data as an example, as shown in Table 4 and Figure 2, the average value of digital inclusive financial indexes in each province in 2011 was 40.00, which increased to 220.00 in 2015 and further increased to 300.21 in 2018. The average value of the P & F financial index is 7.5 times that of 2011, and the digital inclusive financial indexes of the provinces in the eastern, central and western regions are growing rapidly. It rose to 377.73 in 2018, and the inclusive financial index in 2018 was 4.7 times that in 2011. Looking at the economically backward western region (taking Tibet as an example), the inclusive financial index in 2011 was only 16.22, which increased by 2018 By 274.33, the inclusive financial index in 2018 was 17 times that of 2011, achieving rapid development. Let's compare the changes in the maximum and minimum values from 2011 to 2018. Shanghai, which scored the highest in 2011, was 4.9 times the lowest score in the Tibet Autonomous Region. In 2015, Shanghai was 1.49 times that of Tibet. By 2018, this multiple was reduced to 1.4 times. This shows that compared with traditional inclusive finance, digital inclusive finance has better geographic penetration and forms a wider coverage of inclusive finance.
Table 4. Value of inclusive financial index of 31 provinces from 2011 to 2018.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sample size</th>
<th>Average</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>31</td>
<td>40</td>
<td>18.61</td>
<td>16.22</td>
<td>80.19</td>
</tr>
<tr>
<td>2012</td>
<td>31</td>
<td>99.69</td>
<td>22.34</td>
<td>61.47</td>
<td>150.77</td>
</tr>
<tr>
<td>2013</td>
<td>31</td>
<td>155.35</td>
<td>26.18</td>
<td>115.1</td>
<td>222.14</td>
</tr>
<tr>
<td>2014</td>
<td>31</td>
<td>179.75</td>
<td>23.46</td>
<td>143.91</td>
<td>239.53</td>
</tr>
<tr>
<td>2015</td>
<td>31</td>
<td>220</td>
<td>22.94</td>
<td>186.38</td>
<td>278.11</td>
</tr>
<tr>
<td>2016</td>
<td>31</td>
<td>230.41</td>
<td>21.19</td>
<td>200.38</td>
<td>286.37</td>
</tr>
<tr>
<td>2017</td>
<td>31</td>
<td>271.98</td>
<td>24.06</td>
<td>240.2</td>
<td>336.65</td>
</tr>
<tr>
<td>2018</td>
<td>31</td>
<td>300.21</td>
<td>29.77</td>
<td>263.12</td>
<td>377.73</td>
</tr>
</tbody>
</table>

Figure 4. The average and maximum value of the provincial digital inclusive financial index from 2011 to 2018.

Conclusion

The development of China's digital finance starts from the official launch of Alipay in 2004, but some people think that the emergence of Yu'ebao in 2013 is the starting point of China's digital finance development. In the past ten years or so, China's rapid development of digital finance has become a banner leading the development of global digital finance. Ant Financial, JD Finance, Lufax and Zhongan Insurance are among the top five digital financial companies in the world, and the development of third-party payment and online loans is also far ahead. In the domestic financial industry, these new emerging financial companies, because they are more competitive, have caused some pressure on traditional financial institutions, forcing traditional financial institutions to accelerate the digitization process in order to improve the service efficiency and service quality of financial institutions. One of the great advantages that digital finance has demonstrated so far is to support the development of inclusive finance. Since 2006, the Chinese government has vigorously
promoted the development of inclusive finance, and has adopted many measures, such as: the establishment of microfinance companies, the establishment of inclusive financial business departments in financial institutions, and the implementation of land management rights and housing property rights in rural areas. But the results have been minimal because of the lack of business sustainability and credit evaluation measures. The emergence of digital finance provides a practical solution to this problem. On the one hand, Internet platforms can tightly adhere to tens of thousands or even hundreds of millions of mobile terminals through Taobao and WeChat, and on the other hand, they can use these Credit evaluation and analysis of big data from online shopping platforms and social media. Under such circumstances, digital finance reduces the cost and risk of customer acquisition, and greatly improves the sustainability of inclusive financial development. Huang Yiping pointed out that digital finance provides real services to the real economy, but its development may also bring some problems, and even increase systemic financial risks, thereby posing new challenges to financial regulation[11].

In addition to technological advantages, China's rapid development of digital finance also benefits from two other advantages: the lack of traditional financial services and the relative tolerance of regulatory authorities. The former provides business opportunities for the development of digital finance, and the latter provides the development of digital finance a loose environment. The relatively loose regulatory environment may also be an important reason why China's digital finance can temporarily lead other countries, but there are many financial chaos, such as unlicensed employment, Ponzi schemes, and campus network loans. If this phenomenon cannot be solved, it is likely to result in "bad money expelling good money" and become the biggest obstacle to the development of China's digital finance.

China's digital inclusive financial development has made considerable contributions in eliminating the gap between rich and poor. It shows that digital finance has increased household income, and rural residents have benefited more from the development of digital finance, which has brought inclusive growth. Specifically, in traditional financial services, the difference in availability between urban and rural areas, and between the rich and the poor, and the emergence of digital finance can lower the threshold of financial services and alleviate the effects of financial exclusion. Further weaken the negative impact of financial development on the urban-rural income gap, and therefore play a role in narrowing the gap between rich and poor. Due to the high threshold of traditional financial services, it takes a certain cost to enjoy financial services, and low-income people cannot meet the conditions for obtaining financial services due to lack of funds. This situation is particularly serious in rural areas. Due to the poor credit environment in rural areas, the less collateralized assets of rural residents, and the large risks borne by bank loans, it is impossible to obtain bank credit services. This is also the "threshold" for financial services. Moreover, the return on investment enjoyed by high- and low-income groups is different, and the income is naturally different, which is not conducive to the increase in income of low-income groups. This restriction will form a vicious circle, making the income of high-income groups higher and higher. The income has not increased much, resulting in a widening gap between rich and poor. The development of inclusive finance can provide financial services for rural low-income groups and lower the threshold of financial services.

Financial institutions such as banks should reduce operating costs and control risks in order to increase profitability. Therefore, many financial institutions do not set up branches in backward areas, but exclude the residents of these areas from the coverage of financial services, resulting in
financial exclusion. At the same time, capital factors continue to attract labor and other production factors to continue to gather in large cities, resulting in the outflow of capital in economically backward areas or rural areas, seriously affecting the economic development of backward areas and rural areas, and further widening the urban-rural income gap. Now relying on the development of digital inclusive finance can effectively alleviate the negative effects of financial exclusion.

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