

Research on Coupling Digital Finance and Traditional Finance to Enable the Development of Rural Revitalization Strategy in Shaanxi Province



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Abstract: In the context of the new era, the promotion of rural revitalization has become an important strategic goal for China to achieve common prosperity, and financial services play a crucial supporting role in this process. This paper discusses the synergy between digital finance and traditional finance in rural revitalization in Shaanxi Province and its optimization strategy. By analyzing the financial practices in Shaanxi Province's rural revitalization, including the improvement of financial policies, the improvement of basic rural financial services, the supply and innovation of financial resources, and the development of special financial products, it reveals the key role of financial services in promoting rural economic development and achieving balanced regional development. The study found that the application of digital financial technologies, such as big data and blockchain, is conducive to improving credit assessment and risk management capabilities. And, the continued promotion of new financial products will further support the diversification and sustainable development of the rural economy.

Keywords: digital finance; traditional finance; rural revitalization; balanced regional development; rural economy

Introduction

The modernization and diversification of the financial system drive sustained economic growth. In particular, the integration of digital finance and traditional finance has not only greatly expanded the scope and depth of financial services, but also enhanced the efficiency and popularity of financial services. Digital finance utilizes modern information technology to provide more convenient financial services, while traditional finance ensures the stability and security of financial services with its deep customer base and rich product experience. The effective combination of the two provides a new impetus and direction for the innovative development of financial services. In China, the strategy of rural revitalization, as the general grasp of the “three rural” work in the new era, aims to comprehensively promote the modernization of agriculture and rural areas, solve the problems of agriculture, rural areas, and farmers, and achieve the goal of strong agriculture, beautiful rural areas, and rich farmers. Shaanxi Province, an important province in the west,

has rich agricultural resources and huge rural market potential. Therefore, exploring the coupling role and practical application of digital finance and traditional finance in empowering the development of rural revitalization strategy in Shaanxi Province is conducive to supporting the in-depth advancement of rural revitalization in Shaanxi Province, as well as providing empirical support for rural revitalization practice.

1. The Importance of Coupling Digital and Traditional Finance for Rural Revitalization

1.1. Definition, characteristics, and duality of traditional finance

Traditional finance is centered on financial institutions such as banks, insurance, securities, etc., relying on physical outlets to provide services, and its characteristics include high stability, wide coverage, and strong regulation. This financial form occupies an important position in the national economy and directly affects the level of development and gap in the economy. In middle China, the development of the traditional financial sector has been a key area of economic marketization

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reform, but the reform of the financial sector is relatively lagging compared with the reform of the product market and labor market (Yang & Wang, 2024). State-owned commercial banks dominate the traditional financial system, and their lending behavior is often driven by policy rather than by the market, leading to a serious mismatch of capital and loss of total factor productivity, which hinders long-term economic growth. In addition, the underdevelopment of traditional financial services has exacerbated the problem of financial exclusion of disadvantaged groups such as those in rural areas and small and micro enterprises. These groups often find it difficult to access formal financial services and are forced to rely on higher-cost informal finance, thus exacerbating the fragmentation between rural and urban, formal and informal finance, and widening the development gap. Therefore, traditional finance plays a dual role in promoting common prosperity and addressing development imbalances and is both a real challenge and a key to transformation.

1.2. Definition, characteristics, and advantages of digital finance

Digital finance is a product of the deep integration of information technology and financial services, providing financial services mainly through the Internet, big data, cloud computing, and other modern technical means. Its core features include high efficiency, popularity, and innovation. Digital finance can break the geographical and time constraints of traditional financial services and provide more convenient and fast financial services. Especially in rural areas not adequately served by traditional finance, digital finance can significantly reduce the urban-rural income gap, especially the positive impact on low-income families and backward areas is more significant (Zhang, 2022). For example, when using the Thiel index to analyze the relationship between digital finance and residents' income and consumption levels, the results show that the development of digital finance not only promotes the upgrading of residents' consumption, especially in the central and western regions and rural areas but also significantly promotes regional entrepreneurial activities, an effect that is particularly prominent in regions with low urbanization rates and low registered capital. By filling the gaps in the credit market for rural areas and micro and small enterprises, digital finance replaces the traditional informal financial supply and eases the binary structure of the financial market segmentation. It also

promotes the marketization of financial resources, improves resource allocation, and enhances the fairness and efficiency of financial services, contributing particularly to rural revitalization.

1.3. Synergistic effect and mutual influence of the two in rural revitalization

In the implementation of rural revitalization strategy, the coupling of digital finance and traditional finance is not only necessary but also plays an important synergistic effect. Especially in the central and western regions, traditional financial services are relatively backward, and the rise of digital finance provides these regions with the opportunity to "bend the road to overtake" (Chen, 2024). Through the introduction of digital finance, it can rapidly increase the coverage of financial services in rural areas, promote the innovation of financial products and services, and thus activate the potential of rural economic development. However, the development of digital finance cannot be completely separated from the foundation of traditional finance. An effective combination of the two can maximize their respective advantages and achieve the goals of the rural revitalization strategy. Traditional financial institutions such as village banks and cooperative credit unions still play an important role in many rural areas, especially where Internet infrastructure is weak. These institutions not only provide capital and financial services but also serve as a bridge for farmers to understand and accept new financial products. For example, local villagers who frequently use traditional financial services will have the opportunity to be informed about financial literacy. This is an important precondition to help them adapt to and accept digital financial services more quickly. Therefore, in the process of promoting rural revitalization, the synergy between traditional and digital finance is particularly important. Through the infrastructure and network of traditional finance, combined with the innovation and convenience of digital finance, the problem of insufficient financial services in rural areas can be solved more effectively, and the rational allocation and flow of financial resources can be promoted, thus leading to the overall development and enhancement of the rural economy. This synergy not only promotes the popularization of financial services but also brings new impetus and opportunities for the economic development of rural areas.

2. The Current Situation and Regional Differences

in Rural Revitalization in Shaanxi Province

Since the rural revitalization strategy was proposed in 2017, Shaanxi Province has actively responded to and implemented a series of relevant policies to promote the comprehensive development of agriculture and rural areas. Government-guided fixed-asset investments have significantly tilted toward agriculture and rural areas, effectively promoting infrastructure construction and improving rural habitat as well as education, medical, and health conditions. These initiatives have made the rural revitalization strategy begin to show results, and the overall differences between regions have narrowed. According to the Shaanxi Province Rural Revitalization Development Level Evaluation Index, it has grown from 0.478 in 2012 to 0.706 in 2022, showing obvious progress, especially in 2020, when the annual growth rate reaches 10.58%, indicating that the development trend of rural revitalization has been improving overall. At present, the development between regions in the province is still uneven. Analyzing the three regions from northern Shaanxi, Guanzhong to southern Shaanxi, although the rural revitalization evaluation indexes of the three regions are all improving year by year, northern Shaanxi has relatively better development, Guanzhong is second, while southern Shaanxi has the fastest development speed and a lower starting point. This unevenness in regional development, especially the widening of absolute regional differences in rural revitalization development, suggests the need for financial services to play a role in the future to reduce such differences through more targeted financial support and resource allocation (Tang, 2024).

3. Practical Application of Financial Services in the Process of Rural Revitalization in Shaanxi Province

3.1. Improvement of financial policies and basic financial services

In the process of rural revitalization in Shaanxi Province, the improvement of financial policies and organizational systems plays a central role. The government, in cooperation with financial institutions, has promoted a series of policies and measures for the “three rural areas”, aiming to accelerate the comprehensive development of rural areas through financial support. Major commercial banks and policy banks in the province, such as the China Development Bank and the Agricultural Development Bank, have set up specialized

agricultural finance divisions, which focus on the development and provision of financial products in support of agricultural and rural development. These policies not only optimize the allocation of financial resources but also incentivize financial institutions to provide more support to rural areas through measures such as low-interest rate loans and subsidized loans. Shaanxi Province has paid special attention to the improvement of basic rural financial services in its rural revitalization strategy and is committed to extending financial services to a wider range of rural areas. Through the implementation of a series of innovative measures, it has succeeded in expanding rural residents’ access to and utilization of financial services. Shaanxi Province has promoted rural payment services in all administrative villages, basically achieving full coverage, enabling farmers to conduct financial transactions more conveniently and effectively promoting the integration of rural e-commerce and financial services. Shaanxi Province has set up nearly 10,000 service points of “Farmers’ cash withdrawal & rural e-commerce integrated development”, which greatly facilitates the daily financial needs of rural residents, and at the same time improves farmers’ knowledge of financial products and frequency of use (Liu, 2023). These service points not only provide basic financial services but also actively promote financial knowledge and enhance the financial literacy and risk awareness of rural consumers. Shaanxi Province also regularly carries out activities such as the “Golden Benefit Project” and the “Financial Consumer Rights Day”, through which it strengthens the protection of consumer rights and interests in rural areas, and ensures that farmers can obtain the necessary protection and support while enjoying financial services. These initiatives have significantly increased the penetration and efficiency of financial services in rural areas, providing a solid foundation of financial support for the implementation of the rural revitalization strategy.

3.2. Financial resource supply and innovation

In the process of rural revitalization in Shaanxi Province, to promote agricultural and rural development, Shaanxi Province has vigorously increased its credit investment in rural areas. By lowering the deposit reserve ratio and flexibly utilizing monetary policy tools such as refinancing and rediscounting, the province’s financial institutions can provide more low-cost funds to support agricultural production and rural economic

activities. By the end of 2022, the balance of agriculture-related loans grew significantly, highlighting the effective flow of financial resources to rural areas.

The province has also made significant progress in financial innovation, implementing a financial support strategy that targets the full cycle of agricultural production, and providing specialized financial products for various segments of the planting, storage, and distribution process. These financial products have helped modernize and upgrade regional agriculture by providing financial security for specific agricultural chains. Financial innovation is not limited to traditional loan products but also includes financial solutions developed using big data and Internet technology, such as flow loans based on transaction data, which have greatly enhanced the accessibility and practicality of financial products (Bian, 2022). For example, credit products targeting specific agricultural chains such as the apple and kiwifruit industries have been launched, including the “Hail Prevention Loan” and “Cold Storage Loan”, which are designed to address specific financing needs in agricultural production. Financial institutions have also explored the dynamic appraisal of biological assets and floating mortgage models. These innovative financial products help revitalize dormant assets in rural areas and enhance their financial attributes, thereby supporting the capital needs of agricultural business entities. Through these financial resource supply and innovation measures, Shaanxi Province has effectively promoted the implementation of the rural revitalization strategy, enhanced the financial service capacity of agriculture and rural areas, and promoted the upgrading of the agricultural industry and the overall development of the rural economy.

4. Optimization Direction of Coupling Digital Finance and Traditional Finance to Enable Rural Revitalization in Shaanxi Province

4.1. Financial service strategy to support balanced regional development

Under the framework of rural revitalization in Shaanxi Province, achieving balanced regional development is one of the core objectives of financial services. It is crucial to formulate and implement differentiated financial service strategies in response to the differences in development levels and needs of different regions. First, financial institutions should provide customized financial products and services

based on the specific conditions of each region, especially in more economically backward regions, and should stimulate local economic activities and infrastructure development through stronger policy support such as low-interest rate loans, government guarantees, and subsidized loans. Second, the inclusiveness of financial services needs to be enhanced by strengthening financial infrastructure in rural areas, such as establishing additional service outlets and promoting mobile banking platforms to ensure comprehensive coverage of financial services. This not only enhances the financial accessibility of rural residents but also helps them to better utilize modern financial tools for their economic activities, thus gradually narrowing the development gap with urban areas. Once again, financial institutions should also launch specialized financial products for the characteristic industries in different regions, such as insurance products for specific agricultural products and supply chain financial solutions, to support the growth and upgrading of local industries (Wan et al., 2023). These special financial services can directly buttress the core needs of the local economy and promote the specialized and diversified development of the local economy. Finally, the popularization and education of financial knowledge should be strengthened, especially in rural areas, by organizing financial knowledge lectures and workshops to enhance the financial literacy of farmers, so that they can more effectively use financial services for production investment and risk management. In addition, the government and financial institutions should strengthen cooperation to accurately identify the demand for financial services and potential risks in each region through data sharing and policy coordination, to formulate more effective financial strategies. The above measures will not only enhance the role of financial services in rural revitalization but also promote balanced regional development in Shaanxi Province through the power of finance so that the fruits of rural revitalization will benefit a wider range of regions and people.

4.2. Deep integration of digital financial technology

In the process of rural revitalization in Shaanxi Province, the deep integration of digital financial technology and traditional financial services is an important way to enhance the effectiveness of financial support. First, digital financial technology can significantly improve the popularity and efficiency of financial services. By promoting

technological means such as mobile payments, online banking services, and digital wallets, it can make it easier for rural residents to conduct financial transactions and manage their finances. This not only reduces geographical and time constraints but also improves the accessibility and convenience of financial services. Second, the application of big data and artificial intelligence technologies in financial services can help financial institutions conduct credit assessment and risk management more accurately (Liu, 2021). By analyzing farmers' production data, consumption behaviors, and credit records, financial institutions can establish a more reliable credit scoring system and provide credit products that better meet farmers' needs. This technology-driven approach to credit assessment can not only reduce the risk of loan default but also improve the efficiency of loan approval and expand the coverage of financial services. Third, the application of blockchain technology in financial transactions can improve the transparency and security of transactions. Through blockchain technology, financial institutions can realize more secure and tamper-proof transaction records, reduce financial fraud and information asymmetry, and enhance farmers' trust in financial services. Blockchain technology can also be used for the traceability of agricultural products to improve the market competitiveness and added value of agricultural products, thus increasing farmers' income. Fourth, digital financial technology can also support the development of new financial products, such as micro-insurance, crowdfunding, and P2P loans. These products can meet the small and decentralized financial needs of rural areas and provide more flexible financial service solutions. For example, micro-insurance can provide farmers with low-cost insurance products for natural disasters, diseases, and other risks, reducing their financial losses; crowdfunding and P2P loans can help farmers solve the problem of insufficient start-up capital and promote rural entrepreneurship and employment. To realize the deep integration of digital finance and traditional finance, the government and financial institutions need to strengthen cooperation and jointly promote the construction of financial infrastructure and financial technology innovation. Through policy guidance and technical support, they can promote the intelligent and digital transformation of financial services, improve the quality and efficiency of financial services, and better support the implementation of the rural revitalization strategy in

Shaanxi Province. In this way, it will not only promote the sustainable development of the rural economy, but also realize the balanced development of financial services in urban and rural areas, and lay a solid foundation for building a moderately prosperous society in Shaanxi Province in all aspects.

Summary

This study explores the synergy between digital finance and traditional finance in rural revitalization in Shaanxi Province and finds that the effective coupling of the two can significantly enhance the popularity and efficiency of financial services and promote the development of the rural economy. The study shows that digital finance makes up for the shortcomings of traditional finance in rural areas by improving the popularity and efficiency of financial services, while the robustness and trust base of traditional finance provide important support for the promotion of digital finance. The synergy between the two not only improves the coverage and quality of rural financial services but also promotes the upgrading and innovative development of rural industries. However, there are some limitations in this study, such as the limited scope of data acquisition and analysis, which fails to comprehensively cover the specific situation of all rural areas. Future research should expand the scope of data collection and deeply analyze the specific needs of different regions to propose more targeted financial service strategies. Through continuous research and improvement, we can better support policymakers and financial institutions and contribute to the prosperity of the rural economy.

Conflict of Interest

The authors declare that they have no conflicts of interest to this work.

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