

10.18686/frim.v2i6.4663

# Analysis of the Impact and Role of Digital Finance on Regional Economic Development

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**Abstract:** There exists an inseparable intrinsic link between digital finance and regional economic development, and exploring the underlying factors of this relationship has long been a significant topic of academic interest both domestically and internationally. This paper primarily delves into the primary impacts of digital finance on regional economic development and examines effective strategies for leveraging digital finance to propel regional economic growth. It aims to provide valuable insights and reference points for maximizing the role and potential of digital finance in the economic development process.

**Keywords:** Digital finance; Regional economic; Impact and role

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After 40 years of reform and opening-up, China's market economy has expanded to an unprecedented scale, and the external market environment has become increasingly complex and volatile. Currently, China stands as a focal point of the global economy, ranked as the world's second-largest economy, attracting international attention with its "China Miracle" and "China Speed." As socialism continues to evolve, China's economy must fundamentally shift away from a growth-focused development model and gradually progress towards a stage of high-quality development. In this transformative period, digital finance has emerged as a new vitality driving economic development. Thus, harnessing digital finance to propel regional economic growth and development, and leveraging its significant value as a tool, has become crucial for ensuring steady growth in China's market economy.

## 1. The Impacts of Digital Finance on Regional Economic Development

### 1.1 Enhancing economic operational efficiency

Currently, digital financial systems are gradually integrating into the development process of China's regional economy. Leveraging modern intelligent technologies and big data analytics, digital finance consolidates vast financial data streams onto a single platform, ushering in a new era of payment and settlement. This payment and settlement function, being the most prominent and efficient novelty in financial systems, accelerates the efficiency of financial operations and subsequently enhances the operational efficiency among regional economies. Digital financial systems can analyze vast amounts of data from multiple dimensions, integrating data across various industries. Through deep mining of these data, they uncover underlying patterns and correlations, thereby strengthening the overall accuracy and efficiency of financial data transmission. The insights gained from these in-depth analyses significantly impact financial trading markets and top-level market economic decision-making. The high operational efficiency of digital finance stems from the interpretation and deep analysis capabilities of big data and cloud computing technologies, providing valuable reference for top-level decision-making in regional economies, enhancing capital circulation efficiency, and bolstering the core competitiveness of market economies in different regions. Moreover, regulatory authorities overseeing regional economic development can utilize data to achieve dynamic monitoring throughout the entire process, enhancing the transparency of economic reforms. This, in turn, reduces additional costs incurred by transactions and continuously elevates transaction efficiency.

### 1.2 Strengthened Resilience Against Economic Risks

In its operation, the digital financial system can effectively identify various risk contradictions existing in the current market operations through the analysis of massive data information and the assessment of industry developments. This aids in promptly screening out risk issues in economic operations and also enhances the robustness and completeness of the regional economic regulatory mechanism, which is of great significance in boosting the competitiveness of regional economies in the globalized market. As China's economic globalization accelerates and the domestic market becomes more integrated with the international market, the external market environment faced by competitive entities has become increasingly complex and volatile. At this point, a secure, green, and healthy trading environment becomes a primary driver

for regional economic development. However, economic activities often entail substantial risks, ranging from budget overruns to information asymmetries, which could pose existential threats to regional economic development. The digital financial regulatory system, by integrating resources across the entire platform, can assist regional economies in promptly identifying and predicting risks during their development. It leverages data to reduce the burden of unfair competition or risk regulation, while also ensuring the security of transaction modes within the platform. This provides crucial support for stable transactions in regional economies and diversifies investment risks.

## **2. Effective Paths for Digital Finance to Boost Regional Economic Development**

### **2.1 Promoting Financial Industry Innovation through an Open Development Concept**

Digital finance, in essence, is a service model primarily geared towards serving the real economy, facilitating economic trade and industry investment in the market. Therefore, different regions should leverage their local characteristics to explore the application value of digital financial tools and open up a new path for local economic innovation. Taking Shanghai as an example, Shanghai's financial center is the most prominent financial hub in China. In recent years, it has continuously pursued a high degree of international integration, maintaining an advanced level of financial development with significant global influence. In the first half of 2022, Shanghai's pilot free trade zone leveraged digital financial tools to actively promote trade exchanges, resulting in more transparent data information in the investment environment. According to statistics, after adopting the digital financial pilot model, the net inflow of goods trade in Shanghai's free trade zone reached 640 billion yuan in just the first half of the year, continuously driving the increase in China's cross-border RMB capital flows. Subsequently, Hainan's free trade zone followed suit, utilizing the digital financial system to improve its trade market mechanism, providing important guarantees for the high-quality economic development and investment security of the region.

### **2.2 Responding to the Green Call and Boosting Low-carbon Economic Upgrading**

Currently, under China's call for green, energy-saving, and environmentally friendly development, various financial pilot regions have gradually embarked on a path of green and ecological development and construction. In the financial sector, the green finance model has emerged as the primary guiding force leading the industry forward. In the major financial pilot regions of China, more environmental protection incentive mechanisms, green environmental information disclosure, and innovations in green products have been established, leading to an unprecedented expansion of green finance. Taking Zhejiang Province in China as an example, Quzhou City in Zhejiang Province has pioneered the launch of a carbon account financial circular system. This system incorporates carbon emissions as an important substantive measurement standard in facilitating financing activities and economic transactions. Through quantification and verification of carbon emissions, it effectively promotes the development of a low-carbon, green economy. Subsequently, the Guangzhou Pilot Zone, in collaboration with Shenzhen, Hong Kong, and Macau, established the Green Finance Development Alliance for the Guangdong-Hong Kong-Macao Greater Bay Area. This alliance emphasizes the concept of green development in economic construction and investment environments, facilitating the green transformation and low-carbon upgrading of the financial industry.

### **2.3 Vigorously Promoting Reform and Innovation in Inclusive Finance and Microfinance**

As key policies, the inclusive finance model and financial models for micro-enterprises have emerged in China in recent years to boost regional economic development and support enterprises. These policies aim to consolidate the country's poverty alleviation achievements, promote the implementation of the regional rural revitalization strategy, and demonstrate that financial services will continue to expand their coverage and enhance their accessibility, contributing to the goal of achieving common prosperity. Under the digital finance model, new possibilities have emerged for the implementation of microfinance and inclusive finance.

Taking Ganzhou City in Jiangxi Province as an example, Ganzhou and Ji'an have collaborated to utilize digital finance to establish a financing service platform for small and micro-customers. Additionally, a credit-linked inquiry system dedicated to rural business operators has been set up. The construction of this service platform and inquiry system enables more external investors to easily access information about local micro-enterprises and rural business operators, broadening their access to financing. Furthermore, Taizhou City in Zhejiang Province has leveraged digital finance to improve its local credit system. According to data, driven by digital finance, the number of micro-loan accounts reached 550,000 by July 2022, with the available loan amount on the platform continuing to double. It is evident that the popularization of digital finance has provided a broader platform for promoting regional rural reform and revitalization, as well as the financing development of micro-enterprises.

## **3. Conclusion**

In summary, the evolution of digital finance represents the convergence of modern information technology and the financial sector. The role of digital financial tools in driving and developing regional economies cannot be underestimated. Specifically, digital finance has spurred regional economic innovation by optimizing regional resource allocation, enhancing economic development efficiency, and opening up chan-

nels for information exchange. Through the establishment of open digital financial platforms, the implementation of green finance accounting systems, and the promotion of microfinance and inclusive finance, digital finance has provided crucial support for the future reform and progress of China's regional economies.

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