

# Exploring the Advancement of Digital Finance for Regional Economic Development

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**Abstract:** With the emergence and rapid development of the Internet, there is also a new financial form of digital finance. Under the premise that the current Internet technology has fully penetrated into people's daily life, the emergence of digital finance has also brought great convenience to people's lives and changed the composition and development of China's traditional financial industry. However, due to the geographical differences, regional economic development also exists at different levels, and reducing the regional economic development gap is not only an important part of realizing common prosperity, but also helps to promote the coordinated development between regions. This paper will start from the development history of digital finance, analyze the current impact of digital finance in the high-quality development of China's regional economy, and discuss how to promote digital finance to play a better role in regional economic development in the future.

**Keywords:** digital finance; regional economy; development advancement

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## Introduction

In recent years, the rapid development of digital finance represented by mobile payment and online banking has become an important support for the high-quality development of the economy and an important part of positive economic growth. 2020, China has historically eliminated absolute poverty, creating a "Chinese miracle" in the history of poverty in the world, but at the same time, the polarization of regional economic development is becoming more and more obvious in China. However, at the same time, China's regional economic development has become more clearly differentiated and polarized.

## 1. Overview and history of digital finance

Digital finance refers to the deep combination of finance and science and technology, thus generating a new financial field, mainly through the Internet and information technology means of mutual cooperation, and the traditional financial services industry effectively combined, to provide people with a higher quality of the new generation of financial services. However, at the same time, its meaning will be constantly adjusted and changed along with the generation of new technology, synchronized with the times, to include all the areas involved in the Internet and financial technology as well as financial services.

There may be many people who think that China's digital finance started very early and is a leader in the world, but in fact, internationally, the development of e-finance began with PayPal, an e-payment platform in the United States. On the contrary, China's e-finance started late, with the emergence of BalanceBao in 2013, but the country's e-finance industry has seen explosive growth since then. It was also after this that the study of digital finance entered a new phase in academia.<sup>[1]</sup>

In recent years, academics have done a great deal of research on the development history of digital finance, the relationship between digital finance and traditional finance, and the impact that digital finance has had on traditional finance. If it is divided according to the combination of finance and technology in the international arena, it can be divided into three periods.

The first period was between 1866 and 1967, when financial technology began to evolve from analog to digital, most notably with the emergence and use of credit cards and automated teller machines (ATMs).

The second phase came in 1967, when Barclays of the United Kingdom introduced the first ATM machine.

## 2. Impact of digital finance on regional economic development

### 2.1 Accelerate financial iteration and promote entrepreneurship and innovation

Until then, the financial industry had been very slow and of low quality, and the emergence and development of digital finance had given a greater boost to financial innovation, as the start-up costs of innovative enterprises had begun to decrease and the environment for innovation had become more favorable. Through digital finance, financial instruments can help companies to choose and realize a wide variety of financing methods, rather than being limited to traditional bank loans. This enables more people to enter the financial sector, increases the flow of people and resources, speeds up the operation of the industry, obtains more capital investment and demand matching, and also promotes the activation of innovation and research and development in the financial sector and economic growth in the long term.

## **2.2 Improve financial services and enhance service efficiency**

Compared with traditional finance, digital finance is more efficient, has wider coverage, lower costs and richer services. Digital finance has made financial services more flexible and convenient, provided customers with more diversified banking services, and improved the quality and efficiency of financial services.<sup>[2]</sup>For the general public, the online payment, online banking, loan application and other operations of digital finance have become more convenient and fast, and people can enjoy perfect financial services without leaving their homes.

## **2.3 Promoting economic upgrading and optimizing investment markets**

The investment market under the digital finance model is more open and inclusive, and international mutual exchanges are conducive to enhancing the country's competitiveness in the international financial market. At the same time, digital finance can optimize the investment market, speed up the operation of the market, accelerate the exchange of resources, enhance the efficiency of services, improve the ability of enterprises to raise funds, and provide a greater impetus to support the transformation and upgrading of the economic structure.

## **2.4 Promoting financial regulation and strengthening risk management and control**

Digital finance can be combined with traditional regulation to accurately control financial risks, improve the risk management system, provide more comprehensive and effective regulatory data, and provide more effective control of the financial market.<sup>[3]</sup>In addition, digital regulation can also use new technology to realize the whole process of data control and information sharing, reduce regulatory costs and improve regulatory efficiency.

# **3. Measures to make the future of the digital economy more conducive to regional economic development**

## **3.1 Promoting balanced development of digital finance in the region**

From the point of view of China's digital financial regional economic development status, China's current regional economy is still polarized, there is a certain degree of divide, manifested in the following: the eastern region and the degree of digital financial development in urban areas is significantly higher than in the central and western regions and rural areas. It can be seen that the need to better play the role of digital finance to promote China's regional economy, we must focus on coordination and balance, can focus on accelerating the construction of digital finance in the central and western regions, in the cultivation of digital talents, the establishment of digital industries, the construction of digital facilities and other aspects to be supported, and to promote the coordinated development, to ensure that the residents of the less developed regions in the context of the current information age, in the information dissemination and digital service It will promote coordinated development and ensure that residents of less developed regions have equal opportunities in information dissemination and digital services in the context of the current information age, and enjoy higher quality digital financial services.<sup>[3]</sup>

## **3.2 Adherence to measures that prioritize the development of digital finance**

Digital finance is more distinctive and universal than traditional finance, with low cost, high efficiency and ease of access, which not only promotes regional economic development, but also reduces the development gap between bipolar regions and improves the average val-

ue associated with digital financial development. Therefore, digital finance should be in the position of priority development. We can improve the relevant laws and regulations, provide rigid support, give clear norms to the Internet financial industry related business, protect legitimate business, weaken or eliminate the “gray area” in digital finance, and promote the healthy development of the digital financial industry; in addition, we can deepen the relationship between the traditional financial industry and the digital financial industry through the innovation of traditional financial industry institutions, cooperation and linkage, and so on. In addition, it can also deepen the communication between traditional financial industry and digital financial industry by means of institutional innovation and cooperation and connection of traditional financial industry, accelerate the transformation of traditional financial industry, and promote the healthy competition between digital financial industry and traditional financial industry.

### **3.3 Strengthening risk prevention and control in the digital finance industry**

Financial chaos perennially, the emergence and development of digital finance has also given rise to a greater variety of financial events, and it is very necessary to strengthen the relevant defense and control of the digital financial industry. It is possible to establish as soon as possible a set of regulatory methods suitable for the current mode of operation of the digital financial industry, to strengthen the regulatory work of the digital financial industry, and to strictly regulate the relevant mechanisms of the market of the digital financial industry, and so on, so as to enhance the industry’s self-regulation, and also to strengthen the protection of consumers, so as to make consumers feel more at ease. <sup>[4]</sup>At the same time, the information security of consumers and good participants in the financial industry should also be highly valued, and relevant legal provisions such as the Cybersecurity Law, the E-commerce Law, and the Personal Information Protection Law should be implemented to improve the financial-related regulations, to protect consumer information security in real terms, and to increase consumer trust in digital finance.

## **Conclusion**

Digital finance is a product of the times under the rapid development of information, and has become an important part of the modern financial system and one of the important forces driving economic development today. With the development of digital financial technology, digital finance has been transformed from the initial simple electronic payment method to a more complex financial innovation tool, which has a far-reaching impact on the development of regional economy. Improving the mechanisms related to digital finance will play a great role in promoting China’s financial industry.

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