

# **Study on Digital Financial Inclusion, Upgrading Industrial Structure and High Quality Growth of Economy in the Western Region of China (Summary)**

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The Chinese economy has entered a new normal and is shifting from an era that emphasizes the speed of economic growth to one that emphasizes its quality. The Sixth Plenary Session of the 19th Central Committee of the Communist Party of China (CPC) pointed out that China is facing a complex situation with “three overlapping periods”: (1) a shift in the rate of growth of the Chinese economy, (2) a difficult period for structural adjustment, and (3) a period when initial stimulus policies have been ineffective. The meeting then noted the need to promote high-quality growth in the economy, accelerate the development of modern industrial systems, boost the real economy, and develop the digital economy amid the difficulty of continuing the traditional growth model.

Digital financial inclusion, which combines modern information technology and traditional financial inclusion, plays an important role in raising the level of efficiency and fairness of financial services, promoting scientific and technological innovation, and promoting consumption by residents, due to its wide range of services and rich transaction formats. Previous studies have shown that digital financial inclusion can accelerate industrial structure upgrading and economic growth through technological innovation and raise total factor productivity. However, the study also reveals that differences in industrial structure, public infrastructure, and resource endowment in different regions have dissimilar effects on the quality of economic growth in each region.

This study aims to determine whether digital financial inclusion can promote high quality growth of its economy in the western region, where the overall economy is relatively lagging, and whether there are differentiations among the various regions. Referring to previous studies, this study empirically analyzes the relationship between digital financial inclusion, industrial structure upgrading, and high quality growth of the economy in 86 selected district-level cities in the western region, using industrial structure upgrading as a mediating variable.

The conclusions obtained are, first, digital financial inclusion in the western region has a significantly positive effect on the high quality growth of the economy, and digital financial inclusion plays a role in enhancing economic growth in the western region, with the sophistication of the industrial structure as a mediating variable. Second, the western region exhibited different industrial structure fundamentals than the other regions, and there were differences in the facilitating effect of digital financial inclusion on economic growth. Third, this paper uses a panel threshold regression model with digital financial inclusion as the threshold variable to examine the nonlinear relationship between the two. The results show that the higher the level of development of digital financial inclusion, the more pronounced the effect of digital financial inclusion in promoting economic growth in the western region.

Based on the conclusions of the above empirical study, this paper makes the following recommendations.

(1) There is a need to promote the digitalization of traditional financial institutions and develop a system of digital financial inclusion. (2) To enable digital financial inclusion to play a greater role in upgrading the industrial structure, emphasis should be placed on supporting emerging industries, small and micro enterprises, and state-supported industries. (3) Since the industries among the western regions are structurally unbalanced, the rational flow and optimal allocation of resources should be promoted, and the upgrading of the industrial structure should be facilitated.

Keywords: digital finance inclusion, industrial structure, regional economy, the Western region of China

JEL Classification Codes: G20, O18, P25