

# The Impact of Digital Financial Inclusion on Residents' Entrepreneurial Decisions

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**Abstract.** As technology advances, digital inclusive finance has gradually become an important force supporting entrepreneurial activities. This paper, based on the Probit model, utilizes cross-sectional data from the China Family Panel Studies (CFPS) in 2020 to investigate the impact of digital inclusive finance on residents' entrepreneurship. The research reveals that digital inclusive finance promotes entrepreneurship among residents in China, a conclusion robustly supported by a series of sensitivity tests. Mechanism tests suggest that digital inclusive finance alleviates credit constraints during residents' entrepreneurial processes and enhances their participation in financial markets. Heterogeneity tests indicate that digital inclusive finance significantly stimulates rural residents' entrepreneurship, reflecting its inclusive nature. From a gender perspective, digital inclusive finance has a more substantial impact on male entrepreneurship, while its impact on female entrepreneurship is relatively minor. Furthermore, heterogeneity tests based on human capital suggest that digital inclusive finance reduces the human capital barrier required to entrepreneurship, thus facilitating residents with lower levels of education to engage in entrepreneurial activities. Hence, it is imperative to continuously deepen the popularization of digital inclusive finance while also addressing the entrepreneurial needs of vulnerable groups, thereby further unleashing residents' entrepreneurial vitality and achieving genuine inclusivity.

**Keywords:** Digital Financial Inclusion; Residential Entrepreneurship; Credit Constraints; Financial Market Participation.

## 1. Introduction

With the advancement of innovative technologies like mobile internet, artificial intelligence, big data, and blockchain, various sectors within the financial services domain have been transformed, giving rise to a new financial service model known as digital inclusive finance. The concept of inclusive finance was introduced by the United Nations in the year 2005, which aims to build a financial system capable of providing effective and comprehensive services to diverse demographics and all types of groups. Since then, a global consensus has gradually formed, promoting the digitization and informatization of financial services as a development goal. In China, the growth of digital inclusive finance is highly valued. It aims to speed up the establishment of an inclusive financial system, guide finance to better support the economy, enhance the continuous upgrading of digital technology, and improve digital infrastructure, further popularizing digital inclusive financial services.

Amid China's shift from rapid growth to high-quality development, entrepreneurship has emerged as a crucial driver of sustained economic progress. However, entrepreneurship faces numerous obstacles. Access to finance is the most basic prerequisite, but the financial accessibility of people with meager assets and low incomes has always been difficult to implement under the traditional financial system [1]. Hence, entrepreneurs, especially individual residents, often encounter significant financial constraints. In recent years, emerging democratized financing methods such as online lending and third-party payments have emerged successively, with digital technology deeply integrated into financial service processes such as transactions and payments. It is evident that when digital technology is organically combined with inclusive finance, it can offer convenient economic services to residents with entrepreneurial needs at lower costs and bring new opportunities for entrepreneurship. Therefore, studying whether digital inclusive finance can stimulate resident entrepreneurship in China has practical significance.



Existing research primarily focuses on the impact on the entrepreneurship of agricultural workers, households, and small and mid-sized businesses, neglecting entrepreneurial activities among the general population, and analyses of entrepreneurial influencing factors is not comprehensive enough. Building upon this, this paper will investigate how digital inclusive finance influences resident entrepreneurship, utilizing the 2020 Digital Inclusive Finance Index from Peking University and cross-sectional data from the 2020 CFPS. It will examine how digital inclusive finance influences resident entrepreneurship by considering factors such as credit restrictions and participation in capital markets. It will also analyze the heterogeneity of the impact on resident entrepreneurship from various angles such as urban-rural divide, gender, and human capital.

Based on this, the paper innovatively approaches the research perspective. It focuses on the entrepreneurial activities of residents in general, filling the gap of prior research that primarily center on entrepreneurship of farmers, families and so on. Furthermore, this study analyzes heterogeneity of digital inclusive finance in residents' entrepreneurship from multiple perspectives, such as urban and rural, gender, human capital, etc., which deepens the research standpoint. Besides, in terms of mechanism innovation, this paper delves into the mechanisms through which digital inclusive finance influences residents' entrepreneurship from two perspectives: credit constraints and financial market participation. In comparison to the previous investigations, this paper jumps out of the traditional analytical framework and deeply explores how digital inclusive finance can foster residents' entrepreneurial spirit by mitigating financial limitations and enhancing financial market participation. This mechanism innovation helps to further understand the unique role of this new finance model in supporting innovative activities and entrepreneurship, and provides policymakers with a more targeted theoretical basis.

The paper follows this structure. The subsequent section will introduce the literature review and research hypotheses, which focuses on analyzing the mechanism of digital financial inclusion on residential entrepreneurship. The research methodology is then introduced, encompassing data sources, selection of relevant variables, and construction of the model. The fourth section is the empirical analysis, including benchmark regression, robustness testing, mechanism analysis, and heterogeneity analysis. Lastly, the paper will provide some recommendations on the experimental findings.

## **2. Literature Review and Research Hypotheses**

Currently, there are fruitful research results from domestic and international academics. Digital financial inclusion provides significant incentives for entrepreneurial activity [2]. The unique wide-coverage and deep-reach characteristics of digital inclusive finance make it possible to greatly cut down on the search cost and risk identification cost of financial markets, whether it is digital payments, online lending or other specific businesses. And it could enhance the efficient distribution of financial products and services, and effectively alleviate capital constraints in the process of entrepreneurship [3]. In contrast to conventional formal finance, digital inclusive finance is more adaptable and accessible, with functions such as business payments and lending and borrowing completed online, as well as more relaxed requirements for users [4]. The digital ecosystem built by digital financial inclusion provides better credit support for resource-constrained home-based entrepreneurs [5]. In conclusion, cyber technology lowers the financing threshold and service cost, expands the coverage of financial offerings, and is also able to provide value-added services such as management consulting for entrepreneurs, providing a better entrepreneurial market environment for residents. Accordingly, this paper posits the first hypothesis.

H1: The advancement of digital financial inclusion has a positive effect on the entrepreneurship of the residents.

Funding is a core element of entrepreneurial activity. For entrepreneurs, funding is not only the cornerstone of launching a project, but also the key to business growth. Start-ups often encounter obstacles when applying for loans, and financial institutions often demand higher risk premiums to compensate for potential risks, thus raising the cost of financing for these companies. Fortunately,

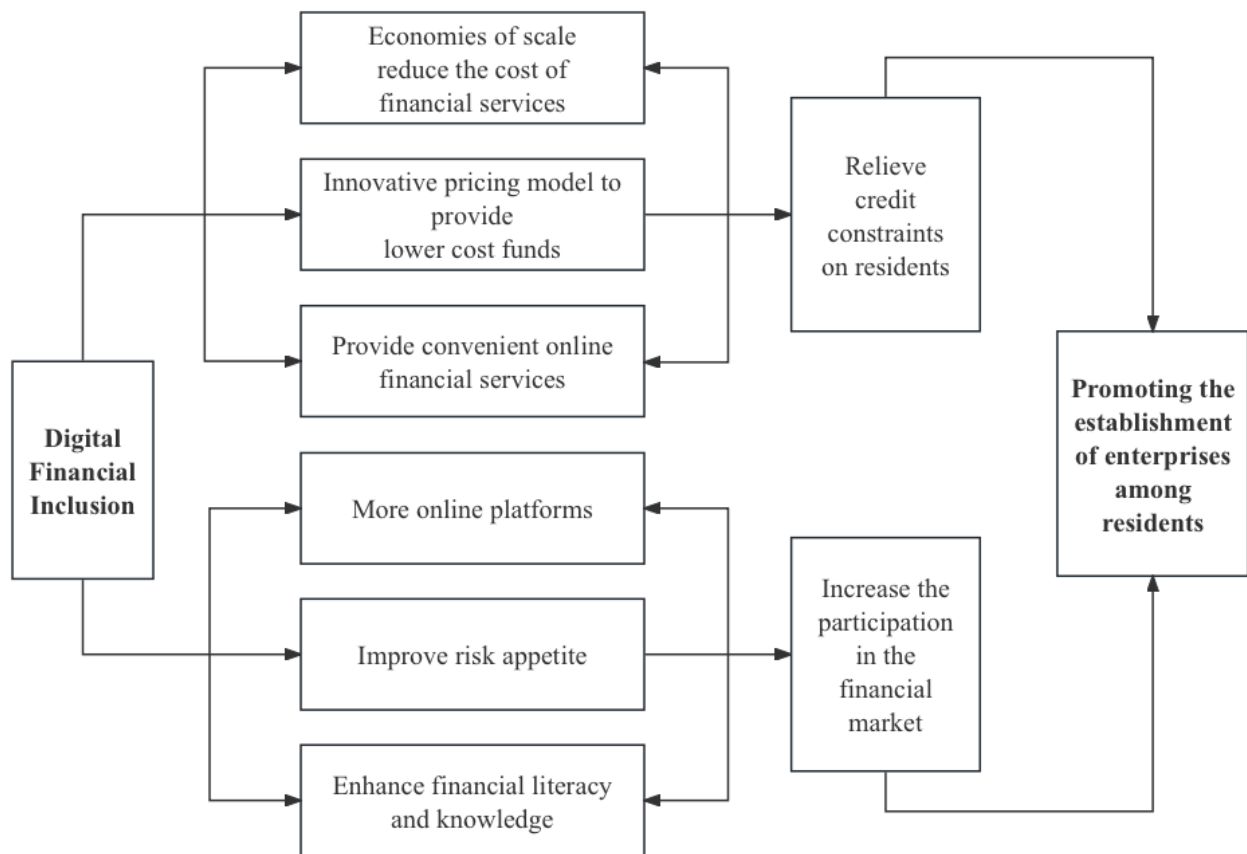
with the rise and progress of digital financial inclusion, this situation is gradually changing. First, digital financial inclusion has economies of scale and is able to provide credit services to home-based entrepreneurs at a lower cost, resulting in a relative decrease in the cost of financial services [6]. It could also enhance the positive incentives of financial supply by reducing the basic operating costs, risk management costs and marketing and publicity costs of financial supply, which makes lending institutions expand the types of credit products and credit scale [7]. Second, digital inclusive finance can effectively lower the financing cost for entrepreneurs. Its advantages of credit transparency and informatization can innovate the pricing model, providing entrepreneurs with lower-cost funds and reducing liquidity constraints while reducing the risk of lending by financial institutions [3]. Moreover, this new financial model increases the availability of information and solves problems of information asymmetry for some entrepreneurs [8]. Digital technology makes it easier for residents to obtain information needed in various aspects, and provides residents with convenient online financial services, such as online loans and mobile payments, which alleviates the challenge of accessing financing. Consequently, this paper proposes the second hypothesis.

**H2:** Digital financial inclusion can promote entrepreneurship by easing the credit constraints of the residents.

Financial participation is important for entrepreneurial success. Increasing the financial participation of the population can lower the barriers to entrepreneurship, increase the efficiency of capital utilization and reduce risk, helping increase the entrepreneurial success of the residents. The progress of digital financial inclusion can increase entrepreneurs' literacy, risk appetite, total income, and consumer spending, which in turn can promote investment in financial assets [9], and enable residents to participate in modern financial markets. Digital financial inclusion combines traditional financial inclusion and digital technology [10], and through digital channels such as mobile apps and internet platforms, it is able to prompt residents to have easier access to the financial market, develop their long-tail market more, and explore new financial needs. Moreover, digital financial inclusion could improve households' risk appetite, which in turn affects the diversified allocation and weight size of households' risky assets and increases their enthusiasm to participate in financial markets [11]. Meanwhile, an increase in the financial literacy of the people can make the act of financial investment a stable way for the people to increase their wealth [12]. The convenient financial services brought by digital financial inclusion allow residents to better understand the operation of the financial market, which can enhance their awareness of modern financial products and services, enrich their financial knowledge, enhance their confidence, and thus boost residents' willingness to engage in the modern financial market [13]. On this basis, residents invest more money in the financial market in order to get better returns. Therefore, this paper proposes research hypothesis 3.

**H3:** Digital financial inclusion facilitates the investment behavior of residents in financial assets and promote entrepreneurship by increasing their participation in financial markets.

The mechanism pathway is shown in Figure 1:



**Figure 1.** The functional mechanisms of digital inclusive finance

### 3. Research Design

#### 3.1. Data

This paper adopts the 2020 Digital Inclusive Finance Index issued by the Digital Finance Research Center of Peking University, which represents level of digital inclusive finance development in each province across China. Cross-sectional data from the China Family Panel Studies (CFPS) 2020 household questionnaire and adult questionnaire are also selected, and the data from the two questionnaires are merged according to the household code (fid20) to exclude duplicate households, non-head of household samples, and missing values. Finally, the CFPS data were merged with the Digital Financial Inclusion Index based on province to obtain a valid sample of 5,824.

#### 3.2. Variables

The variables are selected and described as follows:

(1) Dependent variable: Residents' entrepreneurial decisions (*Enterp*)

This variable is constructed as a dummy variable based on the CFPS questionnaire “whether a family member is self-employed or not” to determine whether a resident is an entrepreneur or not. If the answer is “yes”, it is considered to be an entrepreneurial sample and given a value of 1, otherwise, it is assigned a value of 0.

(2) Independent variable: Digital Inclusive Finance Index (*DIFI*)

This paper utilizes the 2020 Digital Financial Inclusion Index issued by Peking University as the core explanatory variable.

(3) Mediator variables

According to the research hypothesis, digital financial inclusion promotes entrepreneurship by alleviating residents' credit constraints and increasing residents' financial market participation.

Among them, the credit constraint of residents is based on the practice of Zhu and Yi, which determines whether entrepreneurs face credit limitations based on the CFPS questionnaire, “Have you experienced refusal when your family sought a significant loan”. If answer is “yes”, the credit constraint dummy variable is assigned a value of 1, otherwise it is assigned a value of 0 [14]. Financial market participation refers to the research method of Bai, which is measured according to the query “Does your household possess financial products?” in the CFPS questionnaire. Holding financial products indicates extensive engagement, and this variable is assigned a value of 1, otherwise it is assigned a value of 0 [13].

(4) Control variables

This paper sets three dimensions: individual, household and regional. At the individual level, age, gender, marriage, health status, and education level are selected, all obtained from individual self-answer questionnaires. At the household level, household size and household social capital status are selected, both obtained from household questionnaires. And at the provincial level, two variables, the regional economic level and the innovation level, are selected.

The descriptive statistics for the above variables are presented in Table 1. As indicated in the table, the average probability of entrepreneurship among Chinese residents is 10%, the level is relatively low, and there is still much room for the development of it.

**Table 1.** Meanings and descriptive statistics of variables

Variable		Description	Mean	SD	Min	Max
Individual control variables	Enterp	Whether any family members are engaged in individual or private activities: 1=yes, 0=no	0.1	0.3	0	1
	DIFI	Digital Inclusive Finance Index	5.82	0.09	5.7	6.07
	Age	Age of household head in the questionnaire	47.85	13.58	10	89
	Gender	Gender: 0=female, 1=male	0.74	0.44	0	1
	Marry	Marriage status: 1=married or widowed, 0=others	0.13	0.33	0	1
	Health	Health: 1=Unhealthy, 2=ordinary, 3=relatively healthy, 4=healthy, 5=very healthy	3.05	1.18	1	5
Family control variables	Edu	Educational level: 1=Illiteracy/semi illiteracy, 2=primary school, 3=junior high school, 4=high school/technical school/vocational high school, 5=junior college, 6=undergraduate, 7=master's, 8=doctoral	3.36	1.03	1	8
	Fam_size	Total number of households	3.73	1.93	1	15
Province control variables	Fam_socap	Annual family favors and gifts expenses (Unit: Thousand yuan)	4.01	6.82	0	200
	Pergdp	Regional economic level: Logarithm of the Per capita GDP of each province	6.54	2.83	3.61	16.49
	Innova	Regional innovation level: Average number of patents per million people	0.3	0.26	0.06	1.16
Mediator	Credit	Have you ever been rejected when borrowed a large amount of money: 1=yes, 0=no	0.69	0.46	0	1
	Finance	Does your family hold financial products: 1=yes, 0=no	0.11	0.31	0	1

### 3.3. Model construction

The dependent variable, residents' entrepreneurial decision-making, is a dichotomous categorical variable, so we use the Probit model for regression analysis:

$$\Pr(\text{Entrepre}_{ij} = 1 | \text{DIFI}, \text{Controls}_{ij}) = \alpha_0 + \alpha_1 \text{DIFI}_j + \alpha_2 \text{Controls}_{ij} + \delta_{ij} \quad (1)$$

where  $\text{Entrepre}_{ij}$  represents the dummy variable for resident entrepreneurship, and subscripts  $i$  and  $j$  denote residents and provinces, respectively.  $\text{DIFI}_j$  is the digital financial inclusion index for each province.  $\text{Controls}_{ij}$  represents all controls, including individual, household and regional characteristic variables.  $\delta_{ij}$  is the random error term, and  $\alpha_1$  is the focus coefficient.

To delve deeper into the transmission mechanism of credit constraints and involvement in capital market on digital inclusive finance in influencing residents' entrepreneurship, model (2) and model (3) are constructed using two-step method [15] as follows:

$$\text{mediator} = \beta_0 + \beta_1 \text{DIFI}_j + \beta_2 \text{Controls}_{ij} + \delta_{ij} \quad (2)$$

$$\text{Entrepre}_{ij} = \lambda_0 + \lambda_1 \text{DIFI}_j + \lambda_2 \text{mediator} + \lambda_3 \text{Controls}_{ij} + \delta_{ij} \quad (3)$$

In models (2) and (3),  $\text{mediator}$  represents credit constraints (*Credit*) and financial market participation (*Finance*), respectively. For *Credit*, if  $\lambda_1$  is significantly positive and  $\lambda_2$  is notably negative, this suggests the existence of this transmission mechanism of digital inclusive finance easing residents' credit and promoting entrepreneurship. For *Finance*, if both  $\lambda_1$  and  $\lambda_2$  are notably positive, it suggests that digital inclusive finance foster residents' entrepreneurship by increasing residents' participation in the financial market.

## 4. Empirical Analysis

### 4.1. Benchmark Regression Analysis

The Probit model is used to estimate equation (1) and the results are shown in Table 2. Column (1) includes no control variables. In column (2), individual and household-level control variables are introduced, and in column (3), individual, household, and regional control variables are all included. Specifically, irrespective of the inclusion of control variables, digital financial inclusion has a positive effect on household entrepreneurship and is significant at the 5%, 1% and 0.1% levels, respectively. This suggests that the advancement of digital financial inclusion plays a significant role in fostering entrepreneurial endeavors among residents. H1 is verified.

**Table 2.** Benchmark regression results

VARIABLES	(1)	(2)	(3)
	Enterp	Enterp	Enterp
DIFI	0.424* (0.249)	0.621** (0.261)	2.351*** (0.798)
Age		-0.0132*** (0.00203)	-0.0134*** (0.00204)
Gender		0.106* (0.0550)	0.102* (0.0551)
Marry		-0.242*** (0.0862)	-0.247*** (0.0866)
Health		0.00262 (0.0204)	0.00330 (0.0204)
Edu		-0.0159 (0.0246)	-0.0151 (0.0247)
Fam_size		0.0893*** (0.0123)	0.0862*** (0.0124)
Fam_inc		0.0172*** (0.00258)	0.0179*** (0.00260)
Fam_socap			-0.000579 (0.00219)
Pergdp			-0.0547** (0.0227)
Innova			-14.40*** (4.511)
Constant	-3.743*** (1.450)	-4.719*** (1.520)	2.351*** (0.798)
Observations	5,824	5,824	5,824

## 4.2. Robustness analysis

### 4.2.1 Replacement of modeling methods

To validate the regression findings, this paper uses Logit model to replace the original Pobit model and the results are presented in Table 3. It is evident that the regression results exhibit significant positivity, and changes in the model do not significantly change the size and sign of the core explanatory variables. Therefore, it is concluded that digital financial inclusion has an incentive effect on enhancing residents' entrepreneurship, which aligns with the findings obtained from benchmark regression. It suggests the robustness of the benchmark regression conclusions.

### 4.2.2 Reduced regression sample

This paper conjectures that the advancement of digital inclusion in remote regions (Xinjiang, Tibet, Inner Mongolia, and Qinghai) may be somewhat limited and less affected by digital inclusion, and thus can be removed from the sample. Meanwhile, drawing from the research methodology of Guo Ruliang et al. (2023), municipalities have greater agglomeration ability for population and capital, so the data of four urban areas, Beijing, Shanghai, Tianjin and Chongqing, can be removed. Columns (2) - (4) in Table 3 show the results after removing remote areas, removing municipalities, and removing both, respectively. The results show that the level of significance of the digital financial inclusion index after removing remote areas is 1%, and the level after removing municipalities and both removals is 0.1%. This shows that digital financial inclusion continues to significantly promote entrepreneurship among residents, which aligns with the findings obtained from the benchmark regression, and therefore results are robust.

**Table 3.** Results of the robustness test

VARIABLES	(1)	(2)	(3)	(4)
	Enterp	Enterp	Enterp	Enterp
DIFI	4.435*** (1.571)	1.757** (0.887)	2.266*** (0.857)	2.595*** (0.952)
Individual control variables	Yes	Yes	Yes	Yes
Family control variables	Yes	Yes	Yes	Yes
Region control variables	Yes	Yes	Yes	Yes
Constant	-28.87*** (8.916)	-11.93** (5.054)	-15.31*** (4.857)	-17.29*** (5.439)
Observations	5,824	4,938	5,458	4,572

### 4.3. Mechanism analysis

Based on the conclusion that digital financial inclusion can promote residential entrepreneurship as verified above, the paper continues below to examine how digital financial inclusion affects residential entrepreneurship.

#### 4.3.1 Easing credit constraints

Digital financial inclusion eases the credit constraints on residential entrepreneurship by reducing the financial service charges, lowering fees for financing for entrepreneurs, and increasing availability of information. The results of the test for the mediating role of credit constraint mitigation are shown in the first 2 columns of Table 4. As indicated, the regression coefficients of digital financial inclusion and credit constraints in column (1) are significantly negative, and the regression coefficients of digital financial inclusion index, credit constraints and residents' entrepreneurial decisions in column (2) are notably positive and negative, respectively, which suggests that credit constraints have a partially mediating role. The regression coefficient of credit constraints on entrepreneurship is significantly negative, indicating a significant inhibitory effect, while digital financial inclusion can change the inhibitory effect generated by credit constraints. Therefore, hypothesis H2 is verified.

#### 4.3.2 Increasing financial market participation

Digital financial inclusion promotes entrepreneurship by improving residents' financial literacy, risk appetite and broadening their access to financial markets, increasing their financial market participation. The outcomes are depicted in columns (3) and (4) of Table 4. The coefficients of the two-stage regression results are significantly positive, thus suggesting that financial market participation has a partial mediating effect, and that digital financial inclusion promotes entrepreneurship among entrepreneurial residents by increasing their financial market participation and thus their entrepreneurship. Hypothesis H3 is verified.

**Table 4.** Results of the mechanism

VARIABLES	Credit constraints mechanism		Financial market participation mechanism	
	(1) Credit	(2) Enterp	(3) Finance	(4) Enterp
DIFI	-0.882* (0.526)	1.697** (0.687)	2.823*** (0.680)	1.707** (0.687)
Credit		-0.197*** (0.0488)		
Finance				0.139* (0.0754)
Individual control variables	Yes	Yes	Yes	Yes
Family control variables	Yes	Yes	Yes	Yes
Region control variables	Yes	Yes	Yes	Yes
Constant	5.198* (2.972)	-11.49*** (3.881)	-19.44*** (3.863)	-11.57*** (3.883)
Observations	5,824	5,824	5,824	5,824

## 4.4. Heterogeneity analysis

### 4.4.1 Heterogeneity between rural and urban areas

To conduct a more thorough analysis of the urban-rural disparities in digital financial inclusion's impact on residents' entrepreneurship, this paper groups the samples according to urban and rural households and conducts group regression analysis. Control variables are added. According to the results, it is apparent that the impact on entrepreneurship of residents in rural areas is positive at the 5% level, while there is no significant impact on that of urban residents. This may stem from the comparatively limited availability of conventional financial services in rural regions, and digital financial inclusion has effectively filled this gap through mobile payments, online loans and other means, facilitating rural residents' access to financial services. The coverage of urban financial services is itself relatively mature and diverse, so the impact among urban residents is relatively small.

### 4.4.2 Heterogeneity of the gender

Globally, men and women face different challenges and opportunities in the field of entrepreneurship. Female entrepreneurs often have difficulty accessing the same level of financial support, resources and networking opportunities as men, which limits their entrepreneurial activities to a large extent. Therefore, this study conducted regression tests on samples grouped according to gender. Columns (3) and (4) of Table 5 indicate impacts on entrepreneurship for male and female residents respectively, and it is evident that the impact on entrepreneurship of male residents is highly positive at the 1% level, but there is no notable boost to entrepreneurship of female residents.

### 4.4.3 Heterogeneity of human capital

Individual factors are one of the determinants of whether residents choose to start their own business, and the level of human capital is an important characteristic of individuals. In this paper, the sample was categorized into two groups, low and high levels of human capital, based on their highest level of education. Among them, those with less than a high school diploma are classified as the low human capital group, while those with higher are classified as the high human capital group. The specific regression results are indicated in Table 5. It is evident that the regression coefficient of the low human capital group is positive at the 1% level, suggesting that it can significantly enhance entrepreneurship among low human capital residents. On the contrary, the regression coefficients for the highly educated group are not significant, indicating that their entrepreneurship is not significantly incentivized. This may be due to the fact that the highly educated group already possesses more entrepreneurial knowledge and skills, which may make them less reliant on the incentives provided by digital financial inclusion, and they are also more inclined to areas that require deep specialized knowledge, where the incentives of digital financial inclusion are not as pronounced as they are for the more resource-poor, low-human-capital residents.

**Table 5.** Results of the heterogeneity analysis

Variables	Living area		Gender of householders		Educational level	
	Urban (1)	Rural (2)	Male (3)	Female (4)	Low-edu (5)	High-edu (6)
	Enterp	Enterp	Enterp	Enterp	Enterp	Enterp
DIFI	1.535 (1.428)	2.340** (0.993)	2.703*** (0.927)	0.605 (1.683)	2.666*** (0.888)	-1.248 (2.117)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-9.479 (8.126)	-15.97*** (5.627)	-17.54*** (5.267)	-4.574 (9.537)	-17.21*** (5.046)	9.705 (12.21)
Observations	1,692	4,132	4,313	1,511	5,021	803

## 5. Conclusions and policy recommendations

### 5.1. Research conclusions

This paper examines the impact and mechanisms of digital financial inclusion on residents' entrepreneurial decision-making using the 2020 Digital Financial Inclusion Index from Peking University and the 2020 CFPS. The three core hypotheses have been effectively validated. Specific research findings are as follows: First, digital financial inclusion significantly promotes entrepreneurship among residents, and the results remain robust after changing the modeling methodology and shrinking the experimental sample. Second, the mechanism test reveals that by mitigating credit limitations and increasing financial market participation, digital financial inclusion fosters residential entrepreneurship. Third, digital financial inclusion has a higher incentive impact on entrepreneurship for rural residents compared to urban residents, when considering factors such as region, gender, and human capital. And it has a more significant effect on male entrepreneurship and no significant effect on female entrepreneurship. It has a greater impact on residents with low human capital who have lower levels of education as well.

### 5.2. Policy recommendations

Drawing upon the aforementioned discoveries, the paper proposes the following suggestions:

First and foremost, irrelevant products and services should be continuously optimized. Targeted financial offerings ought to be crafted, according to the distinct requirements of various user groups, such as the provision of specialized loans and insurance products for female entrepreneurs. It is of great importance to focus on the requirements of entrepreneurial disadvantaged groups and provide them with entrepreneurial training, guidance and financial support services, so as to stimulate their entrepreneurial vitality to a greater extent and enhance the accessibility of financial services. Secondly, special areas warrant attention, thus policies should be set up according to local conditions, so that digital inclusive financial products and services can be effectively popularized in remote and backward areas, thus realizing true inclusion.

Second, increase the support of credit-related policies. First, the Government can consider giving policy support backing through tax incentives, loan interest subsidies, interest discounts and simplified credit approval processes, so as to reduce the cost of participation in digital finance for financial institutions and entrepreneurs, lower the threshold for financial services, expand market scope and inspire more residents to participate in entrepreneurial activities. Second, provide a regulatory sandbox for innovative financial products and services, and allow new credit products and services to be tested within a certain range. While promoting an atmosphere of innovation and entrepreneurship, a sound regulatory system for digital inclusive finance should be established to achieve effective risk monitoring and prevention and control.

Third, publicity and education on digital financial inclusion should be strengthened. The Government can encourage the regular organization of financial literacy activities and popularize financial knowledge through a variety of channels and means, such as public service announcements, website columns and knowledge series, in order to raise residents' awareness and understanding of digital finance. Digital technology can also be effectively utilized to improve the interactivity and attractiveness of financial education through the use of animation and other forms, so that financial knowledge can be more easily understood and accepted by the public. In addition, financial institutions and public interest organizations are encouraged to cooperate in providing customized financial education services for different groups, especially special training for entrepreneurs.

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