

The Mechanism and Path of Financial Influence on Inflation

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Abstract

Inflation is one of the most important problems at home and abroad. Compared with traditional finance in economic activities, digital inclusive finance features such as low cost of services, high efficiency of resource allocation and openness of information, which are conducive to reducing the current inflation. Based on the data of 212 prefecture-level cities from 2011 to 2019, this paper discusses the impact of digital inclusive finance on inflation and its internal mechanism. The research finds that firstly, the development of digital inclusive finance is indeed helpful to alleviate inflationary pressure at present. Digital inclusive finance will inject funds into the transformation of agricultural production mode, improve agricultural production efficiency to reduce agricultural production costs and alleviate inflation in the primary industry. Digital inclusive finance will improve the efficiency of resource use, reduce industrial production costs and reduce government environmental regulations, and the use of funds will reduce inflation in the secondary industry. Digital inclusive finance will increase investment channels for residents. Break the limitation of traditional real estate investment, reduce the housing price, reduce the service industry operating costs and reduce the tertiary industry inflation. In regions where digital tools are more widely available and Internet infrastructure is better, digital financial inclusion may lead to overheated consumption, discourage investment and increase inflation.

Keywords

Digital Financial Inclusion; Inflation; Three Major Industries; Overheated Consumption.

1. Introduction

The report to the Party's 20th National Congress pointed out that we should strive to promote high-quality development, uphold and improve the socialist economic system, and give full play to the decisive role of the market in allocating resources. Price is not only the "engine" of market allocation of resources, but also the barometer of market development. Reasonable price changes are the basis of healthy development of market economy.

On the study of price, the early classical economists only saw the long-term flexibility of price and unilaterally emphasized the influence of price on resource allocation, while the new classical economists promptly realized the stickiness of some prices in the market. Due to the characteristics of macro market operation mechanism and the different behaviors and cognition of micro individuals, stickiness leads to the reaction of price on economic development. This not only supplemented the limitation of the classical economic school's understanding of inflation, but also laid a theoretical foundation for the study of "price changes adapting to economic development". At present, the most popular view is that inflation has a threshold effect on economic variables, moderate inflation is the most appropriate, while excessive inflation and deflation are not conducive to economic development. High level of inflation in foreign countries will promote terrorism Shahbaz(2013), pressure on family holding education fund Hossain (2015), reduce the credibility of monetary policy Sequeira(2021) and hinder the operation of economy. In China, inflation at a certain level is

beneficial to social development, while excessive inflation will significantly reduce economic growth (Huang Zhilin et al., 2014) and national happiness index (Chen Gang, 2013).

Historical experience shows that from 2000 to 2020, there were five serious inflation episodes in China's overall price, one of which was the demand-driven inflation caused by investment and consumption caused by the active fiscal policy and loose monetary policy implemented in the context of the SARS epidemic to ease the downward pressure of the economy. Three times (the US financial crisis, the European economic crisis and the African swine fever) were caused by the import of overseas price increases, and the other time was caused by the rising cost of capacity contraction during the supply-side reform. The price index of agricultural products generally shows an upward trend; the price of industrial products shows deflation in most years, but it is prone to dramatic rise under the influence of emergencies; the price of service industry has not formed a definite accounting method in China. However, the overall consumer price index is high, the industrial production price index is deflated, and although agricultural inflation is very high, the proportion of agriculture in our country is very low, which cannot explain the current inflation. Therefore, it can be inferred that the price inflation of the service industry is also relatively serious.

The factors that have put pressure on Chinese prices in recent years are similar to those in the past two decades: the global supply chain is not working well due to the epidemic (similar to the SARS epidemic in 2004), the Russia-Ukraine conflict caused energy and food prices to soar (similar to the swine fever epidemic in 2009), and the loose monetary policy at home and abroad to stimulate the economy during the epidemic. It is worth thinking about how to break through the tense inflationary pressure and the unhealthy development of industrial prices in the future.

Digital inclusive finance means that traditional financial services use digital technology to provide financial services to a wider range of customers at a lower cost, which has a profound impact on the production and life of different market subjects. For agriculture, the investment and financing business of digital inclusive finance promotes rural entrepreneurship (Li Xiaoyuan, 2022), rural mechanization level (Sun Xuetao, 2022) and deepens the integrated development of rural industries (Zhang Yue et al., 2021). The inclusive investment and financing business for enterprises promotes enterprise innovation (Lang Xiangxiang et al., 2021), improves employment quality (Guo Qing et al., 2022) and market resource allocation efficiency (Zhao Xiaoge et al., 2021). Personal inclusive investment and financial services can alleviate residents' relative poverty (Liu Wei, 2021) and change the household asset allocation structure (Duan Junshan et al., 2022). Inclusive payment business improves rural consumption level (Li Cuimei et al., 2021) and promotes the upgrading of residents' consumption structure (Yan Jianjun et al., 2021). The influence of digital inclusive finance on major market players will inevitably affect the situation of price changes, but there are very few studies on digital inclusive finance and inflation in the literature. In view of the two problems mainly solved in this paper, first, whether the inclusive investment and financing business of digital inclusive finance can alleviate the current inflationary pressure of different industries, Second, what impact does the payment business of digital inclusive finance have on the current inflation situation?

2. Theoretical Analysis

First, Chinese agriculture is facing mainly cost-driven, capital input type inflation pressure. This is due to the fact that agricultural development did not get attention in the early stage, while the investment yield and stability after mature industrial service industry are much higher than agriculture, which leads to the basic flow of investment to industry and service industry, which causes the backward agricultural infrastructure and the lack of technology efficiency. At

present, international energy prices have risen sharply due to COVID-19 and war, leading to the rise of wrapping paper, mulch and other means of production. Current agricultural inflation is under pressure from the low efficiency of Chinese agricultural production and the improvement of prices of international agricultural means of production. Improving agricultural production efficiency is the most effective way to alleviate the current agricultural inflation pressure, but it requires huge funds to support the upgrading of agricultural production equipment and the introduction of high and new technologies. Such investment is rejected by traditional finance due to the huge demand for funds, the slow rate of return on funds, and the serious lack of information in rural financial markets. On the one hand, the development of digital inclusive finance collects idle funds from the masses through Internet-related technologies to expand the capital reservoir of financial providers; on the other hand, it operates through electronic devices and other mobile terminals to get rid of the restrictions of physical space and solve the problem of rural financial information asymmetry with the help of digital technology. Thereby extending financial services to remote areas that are hard for traditional financial institutions to reach. This will help alleviate the financing constraints faced by rural residents in purchasing high-quality agricultural production factors and provide funds for the introduction, research and development and absorption of advanced agricultural technologies, thereby improving agricultural production efficiency and easing agricultural inflationary pressure.

Second, from 2010 to 2020, the average annual growth rate of industrial inflation was not high. Except for special periods such as the European debt crisis in 2011 and the financial crisis in the United States in 2017, deflation occurred in other years, indicating that domestic secondary industry inflation was not serious. However, with the change of our social contradictions, the people's demand for a better environment continues to strengthen. The goal of carbon peaks and carbon neutralization shows our determination to environmental protection. From the development history of developed countries, environmental pollution can reduce inflation in the early stage because it can reduce the production cost of enterprises. Liu Xiangyang (2021), however, from the long-term development perspective, the external effect brought by excessive environmental pollution is very terrible. In order to control pollution, the government usually carries out environmental regulation policies such as taxation to control the pollution level, but this will increase the production cost of enterprises in a way, which is usually transferred to consumers by enterprises in the form of increasing commodity prices. Therefore, the secondary industry is facing the inflationary pressure brought by the high environmental regulation cost in the future. Digital financial inclusion reduces the cost of social protection and alleviates industrial inflationary pressure. 1. Digital inclusive finance facilitates the development of new technologies, and the improvement of factor productivity reduces the amount of non-renewable energy required for unit product production, thus reducing the environmental pollution caused by production activities. 2. Digital inclusive finance has built numerous environmental protection service platforms to enhance residents' environmental awareness and guide residents' green consumption, thus driving the development of green industries and promoting the green transformation and upgrading of the economy. 3. Second-hand trading platforms such as Xianyu and Zhuanzhuan, which use mobile payment functions, have advantages such as low consumption payment cost, open up new channels of resource recycling, reduce resource waste, improve residents' participation in environmental protection, and promote green consumption of residents.

The third service industry includes the industry that uses certain sites and tools to provide service labor for the society. This paper takes consumer service industry as the research object. The pricing of consumption-oriented service industry is usually affected by three factors: cost, demand and competition. As the service object of consumption-oriented service industry is a large number of residents, the more potential customers of such service in areas with dense

population and greater population mobility, the greater the demand. In the face of high demand, relatively large business sites are also needed. Different from industrial or other types of service industries, which can move their business sites to sparsely populated areas with low housing prices to reduce their operating costs, underdeveloped areas with low population density have too little demand for service industries, so even if there is a high operating cost of rent, Consumer services are mostly willing to shift these costs by raising service fees in areas with more potential users. Although the fierce competition in the service industry may lead to rising housing rental prices in developed service areas, traditional people's investment habits are also an important factor for rising housing prices. In the past, people's investment channels were mainly stock investment with high risk and real estate investment with low risk. As real estate investment is not only stable but also has additional intangible values such as rental, living, school district housing, etc., most funds are invested in the real estate industry, which undoubtedly raises the housing price and increases the daily operating costs of the service industry. The development of digital inclusive finance has brought more diversified choices of financial products. Financial products with low threshold, low risk and easy operation enable ordinary residents who do not know how to invest other than real estate investment to carry out financial management through financial products, which has realized the popularization of financial investment. Therefore, it can absorb the accumulated funds in real estate investment projects and ease the operating pressure of the rising housing price on the consumer service industry.

Therefore, hypothesis 1 is proposed: the development of digital financial inclusion can reduce agricultural inflation by promoting the improvement of agricultural production efficiency. Digital inclusive finance improves energy efficiency, enhances residents' awareness of environmental protection, and reduces the cost of environmental regulation, thus reducing industrial inflation. The development of digital financial inclusion could ease the rise in house prices and thus service inflation.

Hypothesis 1 introduces the inclusive investment channels of credit and wealth management business expansion of digital inclusive finance, which expands the reservoir of investment funds, improves the efficiency of resource allocation and relieves the inflationary pressure of different industries from the perspective of production and operation costs. However, compared with credit and financial services, the current third-party payment is the most inclusive business in the digital financial industry. Data show that in 2021, financial institutions across the country handled 439.506 billion non-cash payment businesses, with the total amount reaching 4415.56 trillion yuan, up 23.9% and 10.03% year-on-year respectively. Third-party payment initially as a simple means of online payment to adapt to the development of online shopping trend. However, with the accumulation of cloud computing, big data, artificial intelligence, Internet of Things and other digital technologies, third-party payment no longer only serves the consumption of ordinary C-end consumers, but also affects the practical operation of B-end merchants. The third-party payment promotes the digital upgrading of B-end merchants. Through massive payment data and data analysis, the third-party payment provides different merchants with upgrading services throughout the whole operation process, such as customer acquisition, marketing and operation. The payment data is used to master consumers' psychological preferences, and the Internet live streaming lets users understand the value and applicability of different types of commodities, so as to provide more attractive business means to consumers. The original intention of digital inclusive finance is to use digital technology to collect idle funds and provide payment, credit, finance and other financial services according to the will and ability of the masses. Therefore, the direction of financing use still depends on the needs of each individual. For investment and financing business, due to the lack of traditional investment concepts and the wrong understanding of investment and financing (think it is unsafe and difficult to make money), it not only causes the rejection of C-

side clients to investment and financing, but also makes it difficult to use payment data to understand consumer preferences and formulate targeted business strategies like payment business. So here's the question: With the improvement of digital technology, the idea of digital inclusive finance to promote people's investment and financial management has not played a good role due to the lack of consumers' traditional investment concept. The development of digital technology has better integrated into the payment business to meet people's various potential requirements for consumption. In this context, it is possible that the over-guidance of B-end merchants may lead to irrational consumption of consumers, and excessive consumption may increase inflation. (According to statistics, during the period from January to December 2021, except for the Spring Festival logistics disruption in February, which led to a decline in sales on platforms such as Douyin and Kuaishou, sales in most months showed an overall upward trend.)

In conclusion, the paper puts forward hypothesis 2: In the current environment of continuous optimization of digital technology, digital inclusive finance may lead to the rise of prices caused by excessive consumption, and this trend can be better mitigated in areas with higher education level and residents with more investment concepts.

3. Study Design

3.1. Model Design

Panel model design. In order to verify the impact of digital financial inclusion on inflation, the following model is set up:

$$C_{it} = \alpha_1 + \beta_1 DFI_{it} + \beta_2 X_{it} + \mu_i + \varepsilon_{it} \quad (1)$$

Where, Formula (1) refers to the price level of i prefecture-level city during t period, refers to the digital inclusive finance development index of i prefecture-level city during t period, refers to the control variable, refers to the individual effect that does not change with time, and is the disturbance term.

3.2. Variable Selection

3.2.1. Inflation Level

There are four main indicators to measure changes in the overall price level: the consumer price index, the producer price index, the retail price index and the GDP deflator. Based on the availability of the price level index measured by prefecture-level cities, and referring to other literature, it is found that most scholars believe that the consumer price index is a relatively reliable index to measure the price level. In this paper, the consumer price index from 2011 to 2019 is selected as the measurement standard of inflation level.

3.2.2. Digital Financial Inclusion Index

The digital inclusive finance index is selected from the digital inclusive finance index prepared by Guo Feng, Wang Jingyi, Wang Fang et al. (2020). This paper also uses the digital inclusive finance payment sub-index to measure the online selling capacity of suppliers, online selling capacity of residents, and delivery capacity of related express logistics in the event of the epidemic.

3.2.3. Control Variables.

Unemployment rate: According to the traditional Phillips curve, unemployment is the key factor affecting inflation. In this paper, the registered urban unemployment rate of each prefecture-level city is used for measurement.

Marketization level: Zuo Dabei (1998) With the development of market economy, the price level is usually constantly rising. In this paper, the development of market economy is measured by the marketization index of each prefecture-level city.

Technological innovation level: Since changes in traditional price indexes do not take into account changes in product quality, changes in technological innovation have positive and negative impacts on inflation through increasing commodity quality and reducing commodity cost. In this paper, changes in per capita GDP are used to measure changes in technological level.

Industrial structure: The inflation of different industries has different characteristics, and the change of industrial structure has the important effect on the inflation. The measurement of industrial structure includes the upgrading of industrial structure and the rationalization of industrial structure. Compared with the upgrading of industrial structure, the rationalization of industrial structure can better show the change of coordination ability among industries. Therefore, this paper refers to the practice of Yuan Hang and Zhu Chengliang (2018) and uses Theil index to measure the rationalization of industrial structure of prefecture-level cities.

Fund demand level: Wang Lingling and Zhu Jiang (2012) Compared with money supply, the credit of financial institutions has a better effect on inflation. Therefore, in this paper, the loan balance of financial institutions at the end of each prefecture-level city represents the residents' demand level for funds in a year.

3.3. Data Description

In order to study the impact of digital inclusive finance on the overall price, static panel data of 212 prefecture-level cities from 2011 to 2019 were constructed, and different data were truncated and logarithmic according to the situation. The data came from the statistical yearbook of prefecture-level cities, China City Statistical Yearbook, National Bureau of Statistics and Mark Data network.

3.4. Descriptive Statistics

Descriptive statistics of each variable are shown in Table 1.

Table 1. Descriptive statistics

variable	N	Mean	Std	Min	Max
inflation	1917	102.4	1.243	95	106.9
Digital universal finance	1917	167.4	65.83	19.53	321.6
Capital demand level	1917	3.03×10^7	5.1×10^7	9.1×10^5	5.6×10^8
rationalization of industrial structure	1899	0.377	4.747	0.000506	206.9
technical innovation level	1900	52641	29901	6647	203489
Marketization level	1917	11.68	2.226	4.96	19.16
unemployment rate	1884	2.983	0.745	0.9	4.9

4. Empirical Results

4.1. Baseline Regression

The benchmark regression results of digital financial inclusion on inflation are shown in Table 2. In Table 2, control variables are gradually added by stepwise regression method. After control variables are gradually added to models (1)-(6), the goodness of fit of the model presents an upward trend. The coefficient of digital financial inclusion index has been slowing inflation at the significance level of 1%, and the symbols and significance of relevant control variables have not changed, indicating that the control variables of the model are set reasonably

and stably. The current phase of digital financial inclusion will indeed reduce inflation significantly.

Table 2. Baseline regression

	M(1)	M(2)	M(3)	M(4)	M(5)	M(6)
Digital Financial Inclusion	-0.016***	-0.0174*** ***	-0.0331*** ***	-0.0351*** ***	-0.0357*** ***	-0.0394*** ***
unemployment rate		-0.0127***	-0.0092***	-0.0057***	-0.0058***	-0.0049***
Marketization level			0.0805***	0.0741***	0.0758***	0.0593***
technical innovation level				0.0112*** ***	0.0114*** ***	0.0066*** ***
rationalization of industrial structure					0.0085*** **	0.0096*** **
Capital demand level						0.0131*** ***
constant term	4.722***	4.743***	4.6136***	4.5147***	4.5095***	4.4033***
N	1917	1884	1884	1868	1853	1853
Within-R2.	0.513	0.509	0.614	0.631	0.637	0.662

Note: ***, **and* correspond to the significance levels of 1%, 5% and 10% respectively, as shown in the following tables.

4.2. Robustness

In this paper, two methods are used to test robustness. First, more macro provincial panel data is used for regression, and the results show that the regression results are consistent with the original results except for the marketization level. The possible reason is that Wang Junfei (2019), when the marketization level is not high, the improvement of marketization level will aggravate the fluctuation of price level. The effect will be less and less. In the data of prefecture-level cities, we removed many data with low marketization degree, resulting in the positive effect of marketization on inflation of the overall regression model. This paper also changed the measurement standard of explained variables of provincial panel, replacing them with retail price index and GDP deflator, and the results showed that the symbols of core explanatory variables did not change. Second, imitate the practice of Tang Song and Wu Xuchuan (2020) and eliminate the influence of some factors. In the time node studied in this paper, a typical economic shock event is the economic crisis in the European market in 2010-2011. Objectively speaking, such factors are difficult to be measured by specific variables. In view of this, the impact of the European economic crisis (2011) is excluded in this paper. The results in the table show that the core conclusion of this paper that digital financial inclusion contributes to easing inflation has not changed at all, and the subsequent years of specific events are further excluded. The financial crisis in 2017 and the African swine fever in 2019 were also important factors that led to the increase of CPI price in that year, which did not change our conclusion after excluding that year.

Table 3. Robustness Test 1 -- provincial price indices of different standards

	M(1)	M(2)	M(3)
	the consumer price index	retail price index	GDP deflator
Digital Financial Inclusion	-0.0259***	-0.0314***	-0.0658***
control variable	Control	Control	Control
constant term	4.4245***	4.2944***	3.3211***
N	269	269	269
Within-R2.	0.7980	0.7817	0.4587

Table 4. Robustness Test 2 -- Eliminate the interference of some factors

	M(1)	M(2)	M(3)
	Eliminate 2011	Eliminate 2017	Eliminate 2019
Digital Financial Inclusion	-0.0247***	-0.0402***	-0.0347***
control variable	Control	Control	Control
constant term	4.4726***	4.3733***	4.5070***
N	1642	1642	1642
Within-R2.	0.1869	0.6629	0.7393

5. Mechanism Analysis

The above studies show that the development of digital inclusive finance does help to slow down inflation in a region, but the above only describes the overall impact of "digital inclusive finance -- slowing down inflation", and the internal mechanism needs to be studied. In this regard, this paper will discuss separately the channels affecting the prices of the three industries. To verify the hypothesis, the impact of digital financial inclusion on different industries is studied. For the primary industry, this paper selects agricultural production as the intermediate variable (since it is difficult to obtain agricultural production data, this paper assumes that the total production of each industry in the primary industry accounts for a certain proportion in the short term, and carries out 1% termination processing on the data), and measures the total agricultural production of each prefecture-level city and agricultural output per unit of effective cultivated land. For the secondary industry, this paper selects the energy cost used in production as the intermediate variable, and measures the total amount of energy consumed by each prefecture-level city in the current year against standard coal. Because the use of chemical energy can not only measure the change of production efficiency, but also measure the impact of production activities on the environment. For the tertiary industry, this paper selects the price change of commercial housing as the intermediate variable, and measures it with the average annual growth rate of the sales price of commercial housing in prefecture-level cities.

It can be seen from the results of column (3) and (6) of Table 6 that, as expected, the improvement of agricultural output and agricultural production efficiency can restrain inflation at a significant level of 1%. From the results of column (3) and (6) of Table 7, it can be seen that the total energy use at a significant level of 1% per capita GDP will lead to the rise of inflation. And the rise in house prices will also cause the rise in inflation.

It can be seen from the results in column (2) and (5) of Table 6 that digital inclusive finance at a significant level of 1% has a positive impact on the total agricultural output and agricultural output per unit of effective arable land. Moreover, it can be seen from column (2) and (5) of Table 7 that digital inclusive finance can significantly reduce the total energy use under a given per capita GDP. Moreover, digital inclusive finance negatively affects the price level of real estate at a significant level of 1%. These results suggest that the development of digital financial

inclusion can indeed improve the productivity of agriculture and industry, slow the rise of housing prices and ultimately reduce inflation. The sobel test results of the four mediation models are all less than 0.01, which further proves the rationality of the design of each mediation variable.

Table 5. Intermediate effects -- Agriculture

	M(1)	M(2)	M(3)	M(4)	M(5)	M(6)
	Inflation	agricultural production efficiency1	Inflation	Inflation	agricultural production efficiency2	Inflation
Digital universal finance	- 0.0394***	0.0331*	- 0.0396**	- 0.0394***	0.0804***	- 0.0390***
agricultural production efficiency1			- 0.0030259			
agricultural production efficiency2						- 0.0049**
control variable	Control	Control	Control	Control	Control	Control
constant term	4.4036***	4.0001***	4.4137**	4.4036***	11.3016***	4.4588***
N	1853	1844	1844	1853	1853	1853
Within-R2.	0.6629	0.4265	0.6666	0.6629	0.3256	0.665

Table 6. Intermediary effects -- industry and service industry

	M(1)	M(2)	M(3)	M(4)	M(5)	M(6)
	Inflation	energy consumption	Inflation	Inflation	House price growth rate	Inflation
Digital universal finance	- 0.0394***	-0.1499***	- 0.0390***	- 0.0394***	-0.0747***	- 0.0376***
energy consumption			0.0025***			
House price growth rate						0.0210***
control variable	Control	Control	Control	Control	Control	Control
constant term	4.4036***	-5.3260***	4.4168***	4.4036***	-0.0367**	4.4119***
N	1853	1853	1853	1853	1815	1815
Within-R2.	0.6629	0.3691	0.6661	0.6629	0.0833	0.6726

6. The Impact of Digital financial Inclusion on Inflation under the Broadband China Policy

With the optimization of digital technology infrastructure under the broadband China policy, will the impact of digital inclusion finance on inflation be slowed down? In order to verify hypothesis 2, pilot cities of broadband policy are cited as dummy variables in the model, and the interaction terms between them and the digital inclusion finance index are included in the benchmark model as moderating variables. The results are shown in Table 8 column (1). The results of Column (1) show that the implementation of broadband China policy is conducive to reducing the level of inflation, but the interaction term between the policy and digital inclusive finance is positive at the significance level of 1%, indicating that the higher the development

level of digital inclusive finance in prefecture-level cities implementing broadband China policy, the higher the level of inflation. In order to better confirm this view, We introduced the Internet penetration rate instead of the broadband China policy to measure the popularity of digital technology and the advantages and differences of digital infrastructure. The results are shown in column (2) of Table 8. The results show that the interaction term between digital inclusion finance and the two is positive at the significant level of 1%, thus confirming our speculation that with the popularity of digital technology and the optimization of digital infrastructure, Digital financial inclusion has become less of a brake on inflation.

In order to verify whether, as we guessed 2, with the implementation of broadband China policy, the development speed of Internet sales is higher than that of investment guidance, resulting in overheated consumption and thus higher inflation, this paper divides regions into those that have implemented broadband China policy and those that have not, and uses the intermediary effect test respectively. The test results are shown in Table 9.

According to the results in column (2) and (5), the per capita consumption of digital inclusive finance in prefecture-level cities implementing broadband China policy and prefecture-level cities not implementing broadband China policy has increased significantly at the 1% level, which proves that the development of digital inclusive finance indeed facilitates the consumption of residents and improves the consumption level of residents. From the numerical point of view, the impact of digital inclusive finance on the per capita consumption level of prefecture-level cities that have implemented the broadband China policy is greater, about ten times that of prefecture-level cities that have not implemented the broadband China policy. Therefore, the optimization of digital infrastructure may indeed improve the intensity of residents' consumption on the Internet at present. According to the results in column (3) and (6), The increase of per capita consumption level at 1% has significantly promoted inflation. Therefore, with the continuous improvement of digital infrastructure, residents may become more active in online shopping, thus squeezing out investment and increasing inflation. The sobel test of the model is less than 0.01, which also verifies the existence of mediation effect.

Table 7. Mechanism research -- Digital Infrastructure

	M(1)	M(2)
Digital universal finance	-0.0381***	-0.03870***
Broadband China	-0.0167***	
Broadband China*Digital universal finance	0.00007***	
Internet popularization*Digital universal finance		0.00003***
control variable	Control	Control
constant term	4.4266***	4.4392***
N	1827	1853
Within-R2.	0.6707	0.6663

Note: Digital financial inclusion is logarithmic, while digital financial inclusion is not logarithmic in the two interaction terms. (Since Internet penetration is relatively low, the M(2) interaction term coefficient would be lower if digital inclusion were logarithmic).

Table 8. Mediating effect -- Broadband policy in China

	M(1)	M(2)	M(3)	M(4)	M(5)	M(6)
	Inflation	consumption per person	Inflation	Inflation	consumption per person	Inflation
Digital universal finance	- 0.0394* **	0.0591***	- 0.0373* **	- 0.0420* **	0.1462*	- 0.0441* **
consumption per person			0.0086* **			0.0370* **
control variable	Control	Control	Control	Control	Control	Control
constant term	4.4036* **	4.2263***	4.4214* **	4.2757* **	3.2328***	4.4119* **
N	1853	1574	1574	396	324	324
Within-R2.	0.6629	0.8245	0.7283	0.3612	0.889	0.2855

7. Conclusion and Suggestions

1) The development of digital inclusive finance solves the shortcomings of the traditional rural financial service model, such as limited reach, low efficiency and lack of inclusive, and infuses funds into the improvement of agricultural mechanization level, the optimization of agricultural infrastructure and the effective supply of agricultural technology to help the development of agricultural modernization, reduce agricultural production costs and alleviate agricultural inflation. 2) The development of digital inclusive finance is conducive to the daily operation and innovation activities of enterprises, reduces the energy cost of production and operation of enterprises and thus alleviates the inflation of the secondary industry, and with the improvement of the use efficiency of non-renewable energy, it can reduce the cost of environmental regulation of the government and indirectly reduce the inflation of the secondary industry. But with the implementation of the broadband China policy and the optimization of Internet infrastructure, the consumption boom caused by the development of digital inclusive finance may crowd out investment in the secondary industry and increase inflation. 3) The development of digital inclusive finance can expand residents' investment channels, and the excessive diversification and concentrated investment in real estate projects can reduce the rise of housing prices, thereby indirectly reducing the operating costs of the tertiary industry and easing the inflation of the tertiary industry.

Therefore, first, for agriculture, China has a large population base and a high demand for agricultural products. In recent years, the increase of international commodity prices has indirectly increased agricultural production costs. Therefore, China should accelerate the use of digital inclusive finance to finance the agricultural modernization reform and realize the production of agricultural products with lower cost and higher efficiency to alleviate agricultural inflation. At present, the industry is affected by international environment, and the rise of international commodity prices is an important reason for the rise of modern China's industrial price level. China should make use of the convenience of digital inclusive finance to finance the development of new energy and new technology, which can not only reduce the production cost but also alleviate the contradiction between modern China's development and environment. Reducing the costs associated with environmental regulation reduces industrial inflation. The government should use digital inclusive finance to strengthen residents' investment concept and break the phenomenon of traditional investment in the real estate industry, so as to reduce the operation cost of the service industry and reduce service inflation.

ii. Under the broadband China policy, the development of Internet infr

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