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Study on the Influence of Financial Agglomeration on China's Regional Economic Development

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ABSTRACT

This study examines the impact of financial agglomeration on China's regional economic development, revealing its positive effects in enhancing capital allocation efficiency, reducing corporate financing costs, and driving industrial upgrading. It simultaneously highlights negative impacts such as financial risk concentration and regional development imbalances, providing theoretical foundations and policy references for promoting coordinated development between finance and regional economies. Through analysis of the formation mechanisms and pathways through which financial agglomeration influences regional economic growth, the research concludes that while financial agglomeration positively impacts capital allocation efficiency, reduces corporate financing costs, and promotes industrial upgrading, it also carries adverse effects including financial risk accumulation and exacerbation of regional development disparities. This study offers theoretical support and policy recommendations to facilitate harmonious development between financial agglomeration and regional economic coordination.

KEYWORDS

Financial agglomeration; Regional economic development; Financial allocation; Industrial upgrading; Financial supervision

1. INTRODUCTION

1.1. Research Background

In recent years, with the deepening of economic globalization and digital transformation, the financial sector has become increasingly vital to modern economic systems. The spatial distribution of financial resources exhibits pronounced geographic clustering patterns, particularly in economically developed regions where concentrated financial institutions form distinct financial hubs. However, regional economic disparities remain significant, with substantial differences observed between eastern coastal areas and central-western inland regions in terms of financial resource endowments and economic development levels. This intricate relationship between financial agglomeration and regional economic growth not only hinders effective resource allocation but also presents new challenges for coordinated and sustainable development. Against this backdrop, studying the impact of financial agglomeration on regional economies holds crucial practical significance. It helps reveal the intrinsic connections between the spatial distribution of financial resources and economic growth, while providing theoretical foundations for formulating differentiated development policies.

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1.2. Problem Statement

While substantial literature has examined the impact of financial agglomeration on regional economic development, existing studies still exhibit certain limitations. Firstly, current research predominantly focuses on the stimulating effects of financial agglomeration on economic growth, with insufficient attention paid to potential negative consequences such as financial risk concentration and regional development imbalances. Secondly, the significant disparities in financial agglomeration levels and economic development across regions have made the mechanisms through which financial agglomeration affects regional economies more complex. Furthermore, how to effectively mitigate potential risks during the process of financial agglomeration and achieve coordinated development between finance and the regional economy remains a critical challenge requiring urgent resolution.

1.3. Research Objectives

This study employs a combined approach of theoretical analysis and empirical research to elucidate the mechanisms through which financial agglomeration influences regional economic development, while examining its differential manifestations across different regions. The research systematically investigates the impact mechanisms of financial agglomeration on regional economic growth, explores its varying effects in distinct areas, and identifies potential risk factors. These findings aim to provide scientific foundations for informed policy formulation.

2. LITERATURE REVIEW

2.1. Conceptual Definitions of Financial Agglomeration and Regional Economic Development

Financial agglomeration refers to the concentrated distribution of financial capital, financial institutions, and related service industries within a specific geographic area, primarily manifested through spatial clustering of financial institutions and efficient allocation of financial resources [5]. This phenomenon encompasses not only the physical concentration of traditional financial entities like banks, securities firms, and insurance companies, but also the coordinated layout of financial regulatory bodies, intermediary service providers, and supporting infrastructure [11]. Fundamentally, financial agglomeration represents an inevitable outcome of the financial industry's development at a certain stage, reflecting the uneven distribution of financial resources across regions. Regional economic development is typically measured by indicators such as Gross Domestic Product (GDP), industrial structure optimization, employment levels, and household income, which collectively reflect both the scale and quality of economic activities in a region. GDP, as one of the most critical economic metrics, provides a clear indicator of aggregate economic growth, while industrial structure reveals the proportional relationships and evolutionary trends among regional industries, thereby demonstrating the quality and sustainability of economic development [11]. There exists a close relationship between financial agglomeration and regional economic development, with the former exerting profound impacts on the latter through mechanisms such as optimized resource allocation and enhanced capital efficiency.

2.2. Theoretical Basis of Financial Aggregation

The formation mechanisms of financial agglomeration can be theoretically supported by scale economy theory and location theory. Scale economy theory posits that the clustering of financial institutions can lead to significant cost savings and efficiency improvements, primarily due to the combined effects of external economies of scale and scope [11]. Specifically, the concentration of financial institutions in specific regions facilitates shared infrastructure, reduces information transaction costs, and promotes specialized division of labor and collaboration, thereby enhancing

overall operational efficiency [13]. Location theory emphasizes the importance of geographical factors in the spatial distribution of financial resources, highlighting that transportation accessibility, convenient information access, and policy support play crucial roles in forming financial agglomeration. Additionally, location theory focuses on the radiating effects of financial agglomeration on surrounding areas, where spatial spillover effects drive economic growth in neighboring regions. These theories provide crucial analytical frameworks for understanding the formation mechanisms of financial agglomeration and its impact on regional economic development, while also revealing the non-equilibrium distribution patterns of financial resources across spatial dimensions.

2.3. Research Progress on the Impact of Financial Agglomeration on Regional Economic Development

Scholars worldwide have produced substantial research on the relationship between financial agglomeration and regional economic development, though findings vary due to differences in subject selection and indicator systems. Regarding its positive impacts, studies demonstrate that financial agglomeration significantly boosts regional economic growth through capital optimization, reduced corporate financing costs, and technological innovation [2]. For instance, by fostering a favorable financial ecosystem and diversified financing channels, it effectively alleviates corporate financing constraints, thereby enhancing investment efficiency [7]. However, financial agglomeration may also bring adverse effects, such as concentrated financial risks and regional development imbalances. Some research indicates that excessive concentration of financial institutions could intensify risk contagion effects, potentially triggering systemic financial risks [8]. Moreover, the "suction effect" in financially clustered regions might further widen development disparities, particularly in central and western areas with relatively scarce financial resources. While existing studies have achieved theoretical and empirical breakthroughs, limitations remain.

3. POSITIVE IMPACT OF FINANCIAL AGGLOMERATION ON REGIONAL ECONOMIC DEVELOPMENT

3.1. Improve Capital Allocation Efficiency

3.1.1. Optimizing capital flows

Financial agglomeration significantly enhances capital allocation efficiency by channeling funds to high-yield projects and enterprises. In financial cluster regions, the spatial concentration of financial institutions facilitates information exchange between capital suppliers and demanders, thereby reducing transaction costs and improving resource allocation effectiveness. Moreover, financial agglomeration attracts more capital inflows through economies of scale, which tends to flow into high-return projects or enterprises, further optimizing capital utilization efficiency. Research indicates that regions with higher levels of financial agglomeration typically demonstrate greater investment efficiency, primarily due to effective integration and distribution of financial resources. Therefore, financial agglomeration not only promotes capital flow into high-yield sectors but also provides robust support for regional economic development.

3.1.2. Reduce information asymmetry

The geographic concentration of financial institutions significantly enhances information-sharing mechanisms, thereby reducing information costs and optimizing capital allocation. In financial clusters, competition and cooperation among institutions coexist dynamically, facilitating efficient information flow both within and beyond the industry while mitigating information asymmetry. Specifically, financial clustering establishes comprehensive information-sharing platforms that enable investors to gain a holistic understanding of risk-return profiles in potential investments,

enabling more rational decision-making. Furthermore, it fosters the growth of specialized service providers such as credit rating agencies and asset appraisal firms, which further improve information transparency and reliability. Research indicates that higher levels of financial clustering effectively alleviate information asymmetry, ultimately delivering more precise financing support to enterprises.

3.2. Reduce Enterprise Financing Costs

3.2.1. Diversified financing channels

Financial agglomeration provides enterprises with diversified financing channels, significantly expanding their capital sources. In financial agglomeration zones, companies can not only rely on traditional bank loans but also obtain funding through equity financing, bond issuance, and other methods [6]. This diversified financing approach not only meets the varied needs of different enterprises but also reduces dependence on single-channel financing, thereby enhancing financial stability. Moreover, financial agglomeration drives innovation in financial products, offering more customized financing solutions. For instance, regions with higher financial agglomeration demonstrate greater vitality in emerging financing methods like venture capital and private equity investments, which provide crucial funding support for innovative enterprises and startups.

3.2.2. Competition promotes cost reduction

Competition among financial institutions serves as a crucial mechanism for reducing corporate financing costs through financial agglomeration. In regions with concentrated financial resources, the clustering of numerous institutions creates intense market competition. This dynamic compels these institutions to continuously optimize services and reduce financing costs to attract clients. Specifically, competition manifests in lowering loan interest rates, commission rates, and other financing-related expenses. Research indicates that areas with higher financial agglomeration generally experience lower corporate financing costs compared to other regions, primarily due to healthy competition among financial institutions. Moreover, financial agglomeration facilitates deeper market development, granting enterprises more financing options and further reducing overall costs.

3.3. Promoting Industrial Optimization and Upgrading

Industrial optimization and upgrading encompass core elements such as industrial structure adjustment, industrial upgrading, industrial agglomeration, and industrial relocation. This process fundamentally involves resource integration and reallocation. In addition to policy factors, both enterprises and social capital are driven by the goal of achieving economic benefits during this phase. Consequently, the direction and scale of capital flow become crucial forces guiding industrial development. Under the new development paradigm of "dual circulation," urban clusters should accelerate industrial structure optimization based on their strategic plans and development objectives. Simultaneously, financial institutions should leverage their inherent advantages in optimizing resource allocation to channel social capital into key industrial chain segments like core technology R&D and critical component manufacturing. This approach helps break through external technological barriers, stimulates internal vitality for economic and industrial transformation, and promotes internationalization of domestic products and industries. Further analysis reveals that financial development enhances capital allocation capabilities and service levels, injecting capital into pillar industries, high-tech sectors, and emerging industries to provide sufficient funding support for structural upgrades. Meanwhile, profit-driven capital flows can swiftly adjust existing stock structures, accelerate capital circulation across efficiency-optimized sectors, achieve highly efficient industry allocation, thereby promoting advanced industrial expansion and phasing out outdated capacities. Ultimately, this accelerates industrial restructuring and transformation [12]. For instance, the development of green finance and its provision of financial products/services to environmental protection industries can effectively drive sustainable development in urban clusters. In addition, The spatial agglomeration of financial resources has a positive spatial spillover effect on the spatial layout

of industrial development, thus giving birth to an industrial layout model driven by financial resources [15].

3.4. Support for Emerging Industries

Financial agglomeration provides substantial funding support for industrial optimization and upgrading, facilitating their rapid growth and expansion. During the initial development phase of emerging industries, they often face high financing barriers and uncertainties. Regions with concentrated financial resources and diversified financing channels can effectively mitigate these challenges [2]. For instance, financial instruments such as venture capital and private equity investments have played a crucial role in nurturing emerging industries. These tools not only provide enterprises with capital support but also deliver advanced management expertise and technical assistance. Furthermore, financial agglomeration fosters a favorable financial ecosystem that attracts high-caliber professionals and innovative resources to emerging sectors, thereby accelerating technological advancement and market expansion in these industries.

3.5. Effective Investment of Financial Resources to Expand Domestic Demand

In the context of building a domestic economic cycle, sustainable household consumption requires effective investment and financing activities to optimize financial resource allocation. The transmission path of financial resource utilization—from job creation and income growth to consumption expansion—serves as a sustainable mechanism for unleashing consumption potential and boosting domestic demand. For instance, integrating new elements like rail transit and renewable energy into urban cluster planning can generate new demands and expand domestic market space for high-quality development goals. Specifically, financial institutions should provide diversified financial services: enhancing traditional consumption tiers while actively cultivating emerging growth areas such as automotive, health, and green consumption. By leveraging technological means to break down market segmentation barriers, they can ensure smooth circulation of the national economic cycle. The development of consumer finance, through increasing consumers' disposable funds and alleviating liquidity constraints, effectively promotes consumption scale expansion [1].

4. NEGATIVE IMPACT OF FINANCIAL AGGLOMERATION ON REGIONAL ECONOMIC DEVELOPMENT

4.1. Agglomeration of Financial Risks

While financial clustering drives regional economic growth, it may simultaneously amplify financial risks and pose potential threats to economic stability. First, spatial concentration of financial institutions could intensify risk contagion. When numerous financial entities cluster in specific regions, their interconnected operations and frequent capital flows create a tightly-knit network structure. While this enhances resource allocation efficiency, it also establishes channels for rapid risk transmission. Should any institution face liquidity crises or operational issues, risks could rapidly spread through complex financial networks to other players, potentially triggering systemic risks [9]. Moreover, increased financial innovation and heightened product complexity further amplify contagion risks. For instance, in derivatives markets, the high-frequency cross-institutional trading and leverage effects make localized risks more likely to escalate into full-scale crises.

Secondly, excessive speculation in financial clusters poses another major threat to economic stability. In regions with concentrated financial resources, market participants often prioritize maximizing short-term gains, a profit-driven mindset that can lead to asset price bubbles. Particularly under conditions of information asymmetry and inadequate regulation, such speculative activities tend to proliferate, ultimately impacting the real economy. Research indicates that capital markets in

financial clusters typically exhibit higher volatility, which is closely linked to frequent speculative activities [4]. Moreover, excessive speculation may cause resource misallocation, diverting funds from productive sectors to non-productive ones, thereby weakening long-term economic growth momentum. Therefore, while financial clustering brings economic benefits, we must remain vigilant about the potential accumulation of financial risks.

4.2. Intensified Regional Development Imbalance

Financial agglomeration not only poses financial risks but also exacerbates regional development disparities, primarily manifested through two aspects: resource siphoning effects and widening development gaps. First, financial hubs exert a pronounced "siphoning effect" by attracting surrounding areas to their vicinity. These centers typically boast superior infrastructure, advanced financial services, and robust policy support, which draw massive capital flows to the core regions while leaving peripheral areas with limited access to financial resources. For instance, major financial hubs in eastern coastal regions like Shanghai and Shenzhen leverage their agglomeration advantages to attract nationwide capital, talent, and technology, whereas central and western regions face relative scarcity of financial resources. This uneven distribution of resources further constrains economic development potential in peripheral areas, thereby deepening the interregional development divide.

Secondly, disparities in financial agglomeration levels have significantly widened regional economic development gaps. Research indicates that the stimulating effects of financial agglomeration on economic growth exhibit notable heterogeneity across regions. In economically developed areas with well-established financial systems, such agglomeration can fully leverage external economies of scale and resource allocation efficiency, thereby substantially enhancing regional economic performance. However, in less developed regions, the effects of financial agglomeration are often constrained by institutional environments and infrastructure limitations, making it difficult to effectively drive economic growth [10]. Moreover, differences in financial agglomeration levels further intensify regional economic disparities through impacts on industrial distribution and technological advancement pathways. For instance, areas with higher financial agglomeration tend to attract high-tech industries and innovative enterprises, while regions with scarce financial resources remain reliant on traditional industries. This structural imbalance between sectors exacerbates regional development disparities. Therefore, how to promote financial agglomeration while preventing the widening of regional development gaps has become an urgent issue requiring policymakers' attention.

5. REGIONAL VARIATIONS IN FINANCIAL AGGLOMERATION AND THEIR IMPACT ON ECONOMIC DEVELOPMENT DISPARITIES

5.1. Analysis of Financial Agglomeration Degree in Different Regions

5.1.1. Eastern region

As one of the most economically developed regions in China, the eastern region exhibits significant spatial concentration and high-level characteristics in its financial agglomeration. The quantity, scale, and variety of financial institutions in the eastern region lead the nation, forming a multi-tiered financial system centered around core cities such as Shanghai, Beijing, and Shenzhen [3]. This financial agglomeration is not only reflected in the high concentration of traditional banking sectors but also demonstrated through the rapid development of diversified financial services including securities, insurance, and funds. In terms of development level, the financial agglomeration index in the eastern region far exceeds that of other regions nationwide, particularly excelling in financial innovation capabilities and internationalization. The formation of this phenomenon is primarily attributed to the eastern region's superior geographical location, well-developed infrastructure, and policy support. For instance, the implementation of the "Belt and Road" initiative and the Beijing-

Tianjin-Hebei coordinated development strategy has further promoted the agglomeration and optimal allocation of financial resources in the eastern region [10]. Additionally, the robust economic foundation and complete industrial system in the eastern region provide solid market demand and capital support for the development of the financial industry.

5.1.2. Central and western regions

Compared to the eastern region, the central and western regions exhibit relatively lower levels of financial agglomeration with significant intra-regional disparities. While recent years have seen modest progress in the financial sector of these areas, the overall development remains at an early stage. The number and diversity of financial institutions remain limited, predominantly concentrated in traditional banking sectors, while high-end services such as investment banking and asset management are notably scarce. Current challenges in financial agglomeration include uneven distribution of financial resources, inadequate service coverage, and weak innovation capacity. These issues stem from both historical constraints and regional economic disparities. Historically, underdeveloped economies in central-western regions have lacked sufficient capital accumulation and industrial foundations to attract financial institutions. Meanwhile, underdeveloped infrastructure in transportation and communications further impedes the flow and integration of financial resources [10]. Additionally, the central-western regions lag significantly behind the eastern regions in financial policy support and talent reserves. These combined factors collectively hinder the formation and development of financial agglomeration.

5.2. Financial Resource Allocation is An Important Part of Urban Agglomeration Development

Table 1. China's 11 Major National Urban Agglomerations Financial Industry Loan Balance

urban agglomeration	2011 (100 million yuan)	2020 (100 million yuan)	Multiple of growth
Yangtze River Delta	103,432.04	292,941.17	1.83
Beijing-Tianjin-Hebei Region	56,643.02	153,226.78	1.71
Pearl River Delta	46,142.18	151,571.47	2.28
Middle reaches of the Yangtze	27,180.83	96,401.77	2.55
Chengdu	27,536.52	52,108.55	0.89
Central Plains	8,672.70	36,842.08	3.25
the central Shaanxi plain	9,169.92	31,974.31	2.49
Kazan	11,362.93	31,387.61	1.76
Beibu Gulf	9,037.09	28,254.56	2.13
Lancey	4,068.65	15,246.30	2.75
Khovakhooyu	6,075.41	14,163.85	1.33
sum	309,321.29	904,118.45	1.92

Source: China Urban Statistical Yearbook 2011 and China Urban Statistical Yearbook 2020

The core attribute of finance lies in its resource-gathering nature. As central hubs for financial resources, city clusters concentrate financial institutions, capital, and talent. Finance serves as a vital driver for urban cluster development: The spatial configuration of these clusters profoundly impacts the efficiency of financial resource allocation. Rational distribution effectively propels growth, while misallocation hinders progress. The loan balance of financial institutions remains a fundamental metric for assessing resource allocation. In 2020, the Yangtze River Delta, Beijing-Tianjin-Hebei, and Pearl River Delta clusters ranked as China's top three financial powerhouses, with the Yangtze River Delta region alone holding nearly 30 trillion yuan in loans. Over the past decade, the Central Plains, Mid-Yangtze River, and Western Gansu clusters have consistently led in loan growth rates,

particularly the Central Plains cluster where loan balances tripled. Nationwide, the total loan volume across 11 major urban clusters exceeded 90 trillion yuan in 2020, with the three major clusters (Yangtze River Delta, Beijing-Tianjin-Hebei, and Pearl River Delta) accounting for two-thirds of the total, while the top five clusters collectively represented over 80% of this figure.

However, the development of China's financial industry still faces the prominent issue of imbalanced resource allocation, which is prominently manifested in the imbalance between the structure of financial supply allocation and the structure of financial entities. On one hand, credit resources from financial institutions are excessively concentrated in infrastructure and real estate sectors, while the proportion of loans flowing to manufacturing has shown a downward trend in recent years, hindering industrial structure optimization and upgrading. This structural imbalance, combined with insufficient effective supply and excessive ineffective financial supply, constrains the quality and efficiency of China's financial sector in serving the real economy.

6. POLICY RECOMMENDATIONS FOR PROMOTING FINANCIAL AGGREGATION AND COORDINATED REGIONAL ECONOMIC DEVELOPMENT

6.1. Optimize the Financial Layout

The optimization of financial layout serves as a crucial foundation for promoting financial agglomeration and coordinated regional economic development. First, it is essential to formulate scientific and rational financial development plans based on the distinct economic characteristics of different regions, guiding the optimal spatial allocation of financial resources [14]. For instance, Guangxi Zhuang Autonomous Region has proposed establishing a "one core, one sub-center, multiple clusters" financial spatial development framework. This initiative aims to concentrate financial resources in key areas by developing Nanning as the regional international financial hub and Beiqinfang as the sub-center for international shipping finance, thereby enhancing overall financial agglomeration. Such region-specific planning strategies effectively address spatial imbalance in financial resource distribution while simultaneously boosting financial development in underdeveloped areas. Second, building a multi-tiered financial market system is vital for meeting diverse financing needs across regions and entities [6]. This system should encompass not only traditional banking credit markets but also stock exchanges, bond markets, and emerging fintech sectors. By improving these market functions, SMEs and innovative enterprises can access broader financing channels, ultimately driving regional economic restructuring and high-quality development.

6.2. Strengthening Financial Regulation

Strengthening financial regulation is a crucial measure to prevent financial risks and maintain market order. On one hand, establishing robust early warning and prevention mechanisms is essential to mitigate systemic risks caused by financial agglomeration [9]. While such concentration may enhance capital allocation efficiency, it could also amplify risk contagion effects. For instance, excessive spatial clustering of financial institutions might trigger rapid risk propagation across regions, potentially leading to systemic financial crises. Therefore, developing dynamic monitoring systems for timely risk identification and targeted countermeasures is imperative. On the other hand, regulating market order remains indispensable. Enhanced supervision over financial institutions and markets can effectively curb excessive speculation and preserve a fair competitive environment [4]. Particularly in regions with high financial agglomeration, regulators should focus on addressing improper competition among financial institutions to ensure stable and sustainable service delivery.

6.3. Deepening Regional Financial Cooperation

Deepening regional financial cooperation serves as a vital pathway to facilitate cross-regional capital flows and achieve coordinated development between finance and the economy. First, efforts should focus on breaking down barriers to interregional financial collaboration, eliminating restrictions imposed by administrative divisions and policy disparities on capital movement. For instance, establishing unified regional financial service platforms can enable free flow of capital, talent, and information across regions, thereby narrowing development gaps. Second, strengthening coordination between financial institutions and government departments across regions helps create synergistic effects that drive balanced economic-financial growth [10]. Specifically, creating cross-regional financial cooperation funds could support infrastructure development in underdeveloped areas, while encouraging collaborative business operations among financial institutions to jointly address financing needs for major projects. Additionally, regional financial synergy requires prioritizing information sharing and technological exchanges to enhance overall financial service capabilities, providing robust support for high-quality regional economic development.

7. CONCLUSIONS AND OUTLOOK

7.1. Findings

Financial agglomeration exerts multidimensional impacts on regional economic development. Research indicates that this phenomenon enhances capital allocation efficiency by optimizing capital flow pathways and reducing information asymmetry, while lowering corporate financing costs through diversified funding channels, thereby effectively supporting the real economy. Simultaneously, it drives industrial transformation and upgrading alongside structural optimization of regional economies. However, financial agglomeration also intensifies spatial concentration of financial risks and regional development imbalances. The spatial clustering of financial institutions may trigger systemic risk contagion, while their resource suction effect leads to financial resource outflow from surrounding areas. Empirical studies demonstrate that significant disparities in regional financial agglomeration levels further exacerbate development imbalance. In summary, financial agglomeration operates through dual mechanisms: generating positive effects via technological advancement and high-end talent aggregation, while potentially causing negative consequences due to homogenized competition. These conclusions provide theoretical foundations and practical references for formulating coordinated policies between regional economic and financial development.

7.2. Future Outlook

With the rapid development of emerging financial ecosystems, innovative approaches like fintech are fundamentally reshaping the interplay between financial agglomeration and regional economic growth. Leveraging cutting-edge technologies such as big data, fintech has effectively reduced transaction costs and information asymmetry in financial services, significantly enhancing resource allocation efficiency. Moving forward, it is poised to transcend geographical constraints, facilitating efficient cross-regional flow of financial resources and alleviating regional development imbalances. For instance, digital financial platforms can substantially narrow disparities in financial service access between regions. Moreover, fintech applications present new regulatory challenges. On one hand, emerging risks associated with financial innovation require regulators to refine supervisory frameworks; on the other hand, its evolution provides regulators with innovative tools and technological support, improving the precision and effectiveness of oversight.

Future research should focus on the following key areas: (1) Investigating how fintech influences financial agglomeration patterns, with particular emphasis on analyzing emerging characteristics of

financial clustering in the digital economy; (2) Conducting systematic analysis of how fintech facilitates regional economic coordination by transforming financial service delivery models; (3) Exploring strategies to establish and refine financial risk prevention systems while encouraging innovation, thereby achieving sustainable development of both finance and the economy. Advancing these studies will enrich theoretical frameworks and provide scientific foundations and practical guidance for policy formulation.

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