Proceedings of CONF-BPS 2026 Symposium: Sustainability Transitions and Regional Economic Restructuring in New Contexts
DOI: 10.54254/2754-1169/2026.NJ31031

Can Digital Inclusive Finance Facilitate the Achievement of "Common Prosperity"?

Yifeng Peng

Zhejiang University, Hangzhou, China
peng13418797887@163.com

Abstract. This paper centers on the relationship between digital inclusive finance and common prosperity, exploring the mechanisms through which digital inclusive finance may promote common prosperity as well as its potential risks, and proposing a corresponding policy framework. The study finds that digital inclusive finance can contribute to common prosperity through mechanisms of income generation, equal opportunities, and resource allocation. Specifically, it broadens pathways for income growth among different groups, breaks down financial exclusion, and optimizes regional resource flows. At the same time, risks such as the digital divide and algorithmic discrimination exist, which may exacerbate the Matthew effect. Furthermore, the impact mechanisms are heterogeneous, showing differentiated effects across various groups. Through approaches such as top-level institutional design, product innovation, and financial literacy enhancement, it is possible to effectively balance innovative value with risk constraints. This research holds practical significance for deepening the theoretical connection between digital finance and common prosperity, guiding the optimization of digital inclusive finance practices, and promoting the equitable sharing of development outcomes.

Keywords: digital inclusive finance, common prosperity, income generation, digital divide, policy framework

1. Introduction

Promoting common prosperity is one of the core objectives of Chinese-style modernization, with its essence lying in ensuring both material and spiritual well-being for all people while maintaining reasonable development gaps. The equitable accessibility of financial resources is a key support for achieving this goal. At present, the traditional financial system exhibits geographic and identity-based exclusions, making it difficult for low-income groups, rural populations, and other "long-tail groups" to share financial dividends, thereby constraining the progress toward common prosperity. Digital inclusive finance, leveraging digital technologies to overcome the service barriers of traditional finance and provide affordable financial services to disadvantaged groups, has become an important link connecting financial resources with the goal of common prosperity. This paper focuses on the relationship between digital inclusive finance and common prosperity, analyzing the theoretical mechanisms through which digital inclusive finance promotes common prosperity,

DOI: 10.54254/2754-1169/2026.NJ31031

exploring its potential risks, and proposing a corresponding policy framework to provide theoretical and practical guidance for using digital inclusive finance to support common prosperity.

Based on existing literature, this paper examines the logic of digital inclusive finance's role in promoting common prosperity from three main marginal contributions: ① It supplements the mechanism research on digital inclusive finance and common prosperity. While existing studies mainly focus on the income-increasing effects of digital inclusive finance, this paper systematically constructs a theoretical framework for its promotion of common prosperity from three dimensions: income generation, equal opportunities, and resource allocation, and deepens the mechanism analysis by incorporating the logic of tertiary distribution. ② It expands the research on risks associated with digital inclusive finance. Few existing studies pay attention to the potential reverse impacts of the "digital divide" and "algorithmic discrimination" on common prosperity. This paper reveals the risk pathways through which digital inclusive finance may exacerbate the Matthew effect, examining both capability barriers and technological biases. ③ Drawing on the theory of feasible capabilities, it proposes a comprehensive solution to narrow the literacy gap. Compared with single-policy suggestions, this paper constructs a "government + school + society" collaborative system, offering a more operational pathway for addressing the inclusivity challenges of digital inclusive finance.

The remainder of the paper is organized as follows: Section 2 analyzes the connotations of common prosperity and the essential characteristics of digital inclusive finance; Section 3 elaborates the theoretical mechanisms through which digital inclusive finance promotes common prosperity; Section 4 examines the potential risks in this process; Section 5 proposes a policy framework and implementation pathways for digital inclusive finance to support common prosperity; and Section 6 concludes and discusses possible extensions.

2. Conceptual definitions and theoretical foundations

2.1. The connotation of common prosperity

Common prosperity is a gradual process under the leadership of the Party, based on the development of social productive forces, in which all people jointly build and share wealth, achieving both material and spiritual abundance while keeping development gaps within a reasonable range. Its connotation primarily includes three aspects: First, common prosperity is an essential requirement and fundamental principle of socialism, as well as a shared ideal for all people. Whether in Marxist visions of future society or the traditional Chinese cultural aspiration for a "Great Harmony" (Datong) society, the pursuit of common prosperity is consistently emphasized [1]. Second, common prosperity emphasizes the dialectical unity of "common" and "prosperity," focusing not only on wealth growth but also on equitable distribution. For instance, the Rural Revitalization Strategy, through policies such as e-commerce support for farmers, integrates remote areas into the national market. By 2023, the per capita disposable income of rural residents nationwide reached 23,598 yuan, an increase of nearly 1.8 times compared with 2012. This process not only enlarges the economic "pie" but also ensures that farmers share in the development outcomes, reflecting the core principle of "shared prosperity for all" [2]. Finally, common prosperity encompasses both material and spiritual dimensions. It refers not only to material wealth but also to enriched spiritual life and holistic human development. In recent years, China has continuously increased investments in grassroots cultural infrastructure. By the end of 2024, over 2,700 county-level libraries and 34,000 township cultural centers had been established nationwide, with rural cultural halls covering more

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than 50% of administrative villages. These efforts significantly enhance people's cultural sense of acquisition, exemplifying the dual abundance of material and spiritual well-being [3].

2.2. The essential characteristics of digital inclusive finance

Digital inclusive finance refers to the use of digital technologies—such as mobile payments and big data—to provide affordable, convenient, and high-quality financial services to groups that are difficult to reach through traditional finance. Its core characteristics include: First, inclusiveness, breaking physical and identity barriers. Digital inclusive finance targets "long-tail groups" who are excluded due to geographic remoteness, insufficient assets, or lack of credit, including small and micro enterprises and low-income populations. For example, villagers in Nujiang, Yunnan, can sell local specialty products nationwide via WeChat Pay, overcoming settlement difficulties in traditional transactions and effectively breaking geographic financial exclusion [4]. Second, process restructuring through digital tools, lowering service thresholds. Compared with the cumbersome manual review processes of traditional banks, digital platforms construct risk control models using multi-dimensional data. For instance, JD Finance's "Baitiao" service integrates users' shopping behavior with third-party data to complete risk assessment and credit granting for individuals lacking traditional credit records within minutes, significantly improving service efficiency [5]. Third, building an ecosystem of multi-stakeholder collaboration. This system, with data as a key element, emphasizes the complementary advantages of technology companies, financial institutions, and other participants. For example, Ant Group's "Ant Microloan" service, in collaboration with commercial banks, leverages Ant's technology to screen customers while banks provide funding support, effectively addressing challenges in customer acquisition and risk management for small and micro groups. By 2024, this model had served over ten million users, fully demonstrating the collaborative advantages of multi-party win-win cooperation [6].

3. Theoretical mechanisms of digital inclusive finance in promoting common prosperity

3.1. Income generation mechanism

Digital inclusive finance establishes a comprehensive mechanism for promoting common prosperity by synergistically optimizing primary distribution, redistribution, and tertiary distribution. First, at the primary distribution stage, digital inclusive finance leverages big data risk control to overcome financing constraints faced by long-tail groups, such as lack of collateral or credit history, providing affordable credit support to small and micro enterprises, farmers, and flexible workers. This not only helps farmers and individual merchants (e.g., e-commerce operators) expand production and business operations, thereby increasing operational income, but also boosts wage income by supporting the development of new digital business models, such as ride-hailing and live streaming [7,8]. Second, at the redistribution stage, digital technologies act as an "efficient conduit" for policy dividends. By leveraging algorithmic advantages to alleviate information asymmetry, they ensure that government re-lending and discounted funds are accurately directed to underdeveloped regions and vulnerable industries, preventing idle capital and enhancing the targeting of public resource allocation. Finally, at the tertiary distribution stage, digital platforms such as "Ant Forest" and "Tencent Charity" provide fragmented and convenient scenarios that significantly lower the threshold for charitable participation. They guide social wealth toward public welfare through "small, frequent contributions," creating a wealth-sharing pattern supported collaboratively by society as a whole [9].

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3.2. Equal opportunity

The core of common prosperity lies in "equal opportunity," which involves eliminating disparities in geography, identity, and wealth to ensure that all actors can fairly access financial resources. Inclusive growth theory emphasizes that growth should benefit disadvantaged groups, and digital inclusive finance, by breaking the triple barriers of "geography, identity, and cost" inherent in traditional finance, becomes a key pathway for achieving this goal [10]. First, digital inclusive finance leverages its "borderless" nature to overcome geographical constraints. Free from reliance on physical branches, services are extended to remote areas such as Tibet and Qinghai. Local residents can conduct transfers or obtain credit using only mobile devices, enjoying financial services equivalent to those available to urban residents, effectively avoiding the development opportunity loss caused by geographic disadvantage. Second, digital inclusive finance uses data-driven approaches to eliminate identity and asset thresholds. Unlike traditional finance, which imposes rigid requirements for collateral and asset size, digital finance transforms "non-traditional credit information," such as consumption records and performance behavior, into a basis for financing. For example, university graduates with little asset accumulation can obtain credit support through systems like "Sesame Credit" for vocational training or entrepreneurship. This "equality before credit" model fundamentally provides disadvantaged groups with fair opportunities for upward mobility.

3.3. Resource allocation mechanism

Achieving common prosperity depends not only on income balance at the micro level but also on coordinated regional and urban-rural development at the macro level. Traditionally, the financial system, driven by profit-seeking motives, exhibits a significant "siphoning effect," with capital flowing preferentially to high-return urban centers and developed industries. This mechanism has led rural and underdeveloped regions to face persistent "financial blood loss" and resource outflows, exacerbating the dual urban-rural structure and regional development imbalances. Digital inclusive finance, driven by both "technological empowerment" and "policy guidance," effectively reverses the unidirectional flow of resources and optimizes the cross-regional allocation efficiency of production factors such as capital and data. Specifically, by innovating financial product systems, it establishes capital channels that "reinvest" in rural areas, supporting agricultural modernization and rural industrial upgrading. For example, in agricultural supply chain finance, leveraging the credit endorsement of core leading enterprises, financial resources are transmitted backward along the chain to dispersed small farmers, alleviating funding bottlenecks for production inputs. Simultaneously, big data–based "weather index insurance" and "price index insurance" provide digital risk protection for agricultural production, helping farmers withstand the dual impact of natural disasters and market fluctuations, ensuring stable agricultural operating income. Moreover, the widespread adoption of digital payment infrastructures such as WeChat Pay and Alipay in counties has resolved payment bottlenecks in the "upward flow of agricultural products and downward flow of industrial goods," accelerating urban-rural trade circulation and factor integration, fundamentally improving the resource endowment structure of underdeveloped areas [11].

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4. The "digital divide" and potential risks

4.1. The "digital literacy gap"

The primary challenge of digital inclusive finance has shifted from the early supply-side issue of "whether services are accessible" to the demand-side capability issue of "whether services can be effectively used." This "capability gap" excludes elderly individuals, low-education groups, and rural residents from benefiting, creating the paradox of "access yet exclusion." First, high hardware coverage coexists with low effective usage. By 2024, internet penetration in rural China exceeded 60%, and county-level mobile payment coverage surpassed 95%, meaning that most groups have the conditions for "access." However, operational barriers remain significant. According to the China Research Center on Aging, only about 30% of people over 60 can independently complete online credit applications; nearly 60% of rural residents with elementary school education or below in central and western regions abandon use due to "unreadable interfaces" or fear of operational mistakes, leaving infrastructure underutilized [12]. Second, the "technology-driven" design of products exacerbates exclusion. Current mainstream digital financial products prioritize standardization and efficiency, assuming users have high cognitive and filtering abilities. Vulnerable groups, however, rely more on "simplified processes and human assistance," resulting in a supply-demand mismatch that renders services effectively unusable for them [13]. Finally, the "capability gap" leads to the reverse distribution of financial dividends. Due to differences in digital literacy, financial convenience is primarily captured by skilled middle-aged and educated users. For instance, rural small and micro enterprise owners, unfamiliar with "big data credit" maintenance rules (e.g., lack of transaction histories), often fail in loan applications, whereas urban groups with clear digital footprints easily access low-interest credit. This "those with skills enjoy the dividends" scenario further widens the wealth gap between groups.

4.2. Algorithmic discrimination and the "matthew effect"

Digital inclusive finance relies on algorithms to achieve "precise risk control," yet the inherent "data dependence" and "black-box mechanisms" of algorithms easily reinforce existing disparities, triggering algorithmic discrimination and the Matthew effect, which runs counter to the original goal of common prosperity. On one hand, data deficiencies cause "algorithmic exclusion." Risk control models primarily rely on digital footprints, but disadvantaged groups often have "data silos" due to limited formal financial experiences. Research shows that rural residents, accustomed to cash transactions, are frequently classified by models as "high risk" or "unassessable" due to the lack of data assets, resulting in credit rejection or high interest rates. In contrast, high-income individuals benefit from rich data, receiving algorithmic preferential treatment. This dynamic transforms past "financial exclusion" into "algorithmic exclusion." Moreover, models trained primarily on urban mainstream users may overlook behavioral characteristics of disadvantaged groups; even after removing sensitive attributes, discrimination chains can be reconstructed through correlated features [14]. On the other hand, algorithmic discrimination intensifies the Matthew effect. Empirical evidence indicates that when resource allocation is algorithm-driven, capital accelerates toward advantaged groups: non-poor households effectively use digital finance to mitigate risks and grow assets, whereas poor households face "high interest, low limit" constraints, limiting their ability to smooth consumption. In the credit reporting domain, advantaged groups leverage quality data to access low-cost reinvestment funds, while disadvantaged groups are excluded from wealth accumulation opportunities, further solidifying inequalities in social distribution [15].

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5. Policy framework and implementation pathways

5.1. Top-level institutional design

The government should maintain a balanced approach between fostering innovation and controlling risks, establishing a dynamically adaptive institutional framework to lay a solid foundation for the high-quality development of digital inclusive finance. First, establish an access incentive mechanism that emphasizes both a "negative list" and "bottom-line regulation." Referring to the Action Plan for Promoting High-Quality Development of Digital Finance, clearly define prohibited business areas to provide financial institutions and technology platforms with sufficient room for experimentation and innovation. At the same time, strengthen the bottom-line mindset by setting data security and consumer protection as non-negotiable regulatory red lines, effectively preventing disorderly expansion of financial innovation and regulatory arbitrage. Second, build a risk control system that synergizes "technological empowerment" and "tiered classification." On one hand, accelerate the application of regulatory technology (RegTech), using big data and artificial intelligence to develop intelligent regulatory platforms capable of dynamic monitoring and precise early warning of cross-regional and cross-industry risks, promoting a shift from passive risk defense to proactive intelligent control. On the other hand, implement differentiated regulatory strategies: provide reasonable transition periods for small and medium-sized institutions, while emphasizing anti-monopoly and anti-unfair competition supervision for large platforms, ensuring regulatory measures are precise and effective. Finally, improve a guarantee mechanism that combines "risk-sharing" with "policy incentives." Establish a robust risk compensation system for loans to agriculture and small and micro enterprises, utilizing tools such as fiscal interest subsidies and government guarantees to reduce the marginal cost for institutions serving disadvantaged groups. Simultaneously, optimize performance evaluation systems for financial institutions, increasing the weighting of inclusive finance coverage and product adaptability in assessments, thereby institutionally motivating them to "dare to lend, want to lend, and be able to lend."

5.2. Market guidance mechanisms for financial instruments

It is essential to balance policy guidance with market mechanisms, encouraging financial institutions and technology platforms to internalize social responsibility as an operational driver and build financial service systems precisely adapted to the needs of disadvantaged groups. First, strengthen the directional guidance and data-based credit enhancement of policy tools. Fully leverage re-lending and structural monetary policy instruments to channel financial resources precisely to weak links such as agriculture, small and micro enterprises, and low-income groups. At the same time, deepen the application of the "Credit-easy Loan" system and the national credit information sharing platform to break down interdepartmental data silos, integrating multidimensional data from government, transaction, and other sources to create digital credit profiles for disadvantaged actors, fundamentally addressing the financing bottleneck caused by "lack of collateral and credit history." Second, promote scenario-based integration and differentiated customization of financial products. Encourage financial institutions to innovate based on the production and living characteristics of different groups: for farmers, promote comprehensive financial services such as "agricultural production loans + weather index insurance," and leverage blockchain technology to empower agricultural supply chain financing; for the elderly, advance the adaptation of digital services to senior needs, implementing "senior modes" while retaining necessary human assistance; for small and micro enterprises, innovate the "off-core chain lending" model, providing pure credit support

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based on actual operational data, shifting from "asset-based" to "credit-based" lending. Finally, solidify principal responsibilities and enhance service effectiveness and adaptability. Strictly regulate the boundaries of technology platforms' financial businesses, clarifying their obligations regarding information disclosure and risk warnings during traffic monetization to prevent inducive lending. Additionally, guide financial institutions to establish routine mechanisms for researching the needs of disadvantaged groups, using in-depth field surveys and user profiling to precisely identify pain points, avoiding "homogenized" or "floating" product designs, and ensuring financial services are genuinely grounded, practical, and problem-solving.

5.3. Bridging the digital capability gap in a comprehensive manner

Based on Amartya Sen's capability approach, digital and financial literacy constitute the key "capabilities" enabling disadvantaged groups to access inclusive financial dividends. Therefore, it is necessary to establish a three-dimensional enhancement system led by the government, supported by schools, and coordinated by society. First, leverage government leadership by integrating literacy enhancement into the public service system. At the top-level design, digital financial literacy should be incorporated into national planning, with clear phase targets for areas such as rural revitalization and age-friendly services. In terms of channels, a "15-minute literacy service circle" can be built around communities and agricultural support points, staffed with tutors providing "accompanied guidance." In terms of content, a tiered knowledge base should be constructed: fun science popularization for youth, fraud-prevention content for the elderly, and financing guides for small and micro enterprises, while utilizing AI technology to expand the reach of educational campaigns. Second, strengthen the educational front to achieve systematic integration of literacy education. In basic education, financial knowledge should be incorporated into courses such as information technology, using initiatives like "simulated banks" to cultivate early literacy. In higher education, elective courses and volunteer programs can guide students in delivering "knowledge downflow" support to rural areas. In vocational education, focus on migrant workers and new professional farmers by developing "hands-on" courses that integrate payment applications, credit knowledge, and production skills, constructing a full-cycle chain from "campus enlightenment" to "professional empowerment." Finally, activate diverse social forces to build a "multi-stakeholder" service ecosystem. Financial institutions should collaborate with tax and other government departments to conduct targeted outreach, breaking policy bottlenecks; technology companies should open technical resources, optimize age-friendly interfaces, and provide intelligent guidance to lower usage thresholds; industry associations should establish unified training standards and certification rules; media should strengthen both "popularization and supervision" functions, promoting knowledge while exposing predatory lending cases, thereby improving public risk resilience and jointly eliminating "digital capability deficits" and the "financial literacy gap."

6. Conclusion

This study delves into the intrinsic logic connecting digital inclusive finance and common prosperity, systematically explicating the profound connotation of "dual abundance in material and spiritual life" in the pursuit of common prosperity, as well as the characteristics of digital inclusive finance as "inclusive and multi-actor ecosystem." The findings indicate that digital inclusive finance is not merely a technical application but an important driving force for promoting common prosperity. Through three core mechanisms—income creation, equal opportunity, and resource allocation—it effectively activates the factor endowments of low-income groups, breaks the physical

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and institutional exclusion inherent in traditional finance, and optimizes resource allocation efficiency across urban and rural regions. These mechanisms provide crucial institutional and technological support for consolidating the material foundation of common prosperity and promoting equitable development opportunities. However, this study also dialectically highlights the dual nature of technological dividends. Without effective intervention, structural risks such as the "digital divide" and "algorithmic discrimination" may transform into new social barriers. The non-neutrality of technology may exacerbate the Matthew effect, concentrating financial resources excessively in the hands of digitally literate advantaged groups, which potentially conflicts with the fundamental goal of common prosperity—to "narrow gaps and share benefits with all."

Based on these conclusions, this study proposes three-dimensional policy recommendations to establish a long-term mechanism. First, at the top-level institutional design, establish a comprehensive framework of "negative list + bottom-line regulation + risk-sharing," balancing financial innovation vitality with systemic risk control. Second, on the supply-side reform, guide market actors to move beyond purely traffic-driven thinking and develop scenario-based, customized financial products that precisely meet the differentiated needs of disadvantaged groups. Third, in capability building, strive to bridge the capability gap by constructing a literacy enhancement system led by the government, grounded in schools, and coordinated by society, comprehensively strengthening disadvantaged groups' ability to benefit from digital finance and ensuring that technological dividends are truly translated into public welfare.

Regarding the limitations of existing research, future studies could be expanded in two directions. First, deepen empirical analysis at the micro-level, shifting from macro-mechanism exploration to long-term tracking of individual subjects (e.g., farmers, low-income urban residents) to precisely quantify the heterogeneous effects of digital inclusive finance across different lifecycle stages. Second, focus on algorithmic ethics and governance research, empirically examining the impact pathways of data bias on disadvantaged groups within the black-box models of specific financial products, thereby providing solid theoretical and data support for building a fairer and more inclusive framework of "algorithmic justice."

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