

# *The Internal Mechanism of Inclusive Finance Promoting Common Prosperity and High-quality Development*

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**Abstract:** Common prosperity stands as a shared objective pursued by the entire population. Inclusive finance, serving as a crucial avenue within the financial supply-side reform, aligns with the principles of common prosperity. It is inherently congruent with the rich traditional Chinese values of 'equity' and 'welfare for the people.' Inclusive finance advancement must prioritize people's needs and address existing challenges. As an exemplary zone for showcasing common prosperity, Zhejiang has exemplified the 'Zhejiang experience' through its practical implementation of inclusive finance, notably in digital inclusive finance. This endeavor plays a pivotal role in propelling the high-quality development of common prosperity.

## 1. Introduction

Common prosperity embodies the societal ideal championed by classical Marxist authors. It constitutes a foundational objective of Marxism and serves as the fundamental aspiration of our Party in guiding the populace through the stages of socialist revolution, socialist construction, reform, opening-up, and the evolution into a new era characterized by Chinese-style socialism. As a pivotal component of the financial supply-side reform, inclusive finance has progressively accentuated its significance over a decade of domestic growth.

In the endeavor to establish a comprehensive, moderately prosperous society, to confront the challenges of the second centenary goal, and to realize the vision of constructing a robust socialist and modernized nation, inclusive finance, particularly digital inclusive finance, has increasingly emerged as a key driving force in advancing the high-quality progression of common prosperity.

## 2. The concept of inclusive finance and its development in China

Inclusive finance is a novel financial concept introduced by the United Nations in 2005. It underscores the importance of affording every individual within society, particularly those who are economically disadvantaged, including the poor and low-income individuals, access to a diverse array of financial services. This access is designed to facilitate their gradual economic advancement. The initial objective of financial inclusion was to furnish financial services to all strata and categories of the populace, especially those frequently marginalized and underprivileged, thereby fostering an

economy characterized by inclusivity and growth.

The robust advancement of inclusive finance significantly manifests the financial industry's commitment to fostering a modern economic system, enhancing its capacity to serve the real economy, and operationalizing the people-centered development ideology. It stands as a critical approach to mitigating the disparity between the escalating populace's need for financial services and the prevailing inadequacies and imbalances in financial provisions. Furthermore, it is an inevitable imperative in China's journey towards constructing a modernized socialist powerhouse and achieving collective prosperity for all.

China has proactively responded to and spearheaded the advancement of inclusive finance. In 2005, the People's Bank of China, the China Development Bank, and other entities collaboratively initiated a partnership with the United Nations Development Programme (UNDP) named "Building China's Inclusive Financial System." In 2013, the Third Plenary Session of the 18th CPC Central Committee introduced fresh mandates for robustly fostering inclusive finance and actively fostering financial innovation, culminating in a significant breakthrough in inclusive financial policies. By December 2015, the State Council had issued the 2016-2020 National Strategic Plan for Advancing Inclusive Financial Development. This plan precisely outlined the objectives and trajectory for inclusive financial development, marking the inaugural inclusion of inclusive finance development into the national development strategy.

In September 2016, during the G20 Hangzhou Summit, the topic of digital inclusive finance was prominently featured. During this summit, the G20 High-level Principles for Digital Inclusive Finance were introduced. This marked a significant milestone as the international community issued a high-level guiding document in the realm of inclusive finance, signaling the initiation of the era of digital inclusive finance in global inclusive finance development.

In May 2017, China hosted the inaugural "Belt and Road" Summit Forum. During this event, it was reiterated that 'finance serves as the lifeblood of the modern economy, and true potency in growth is achieved when these financial channels are unobstructed.' The importance of nurturing inclusive finance and enhancing the financial service network was emphasized. A thriving and stable financial market and a robust and healthy financial sector form the backbone of stable and rapid economic progress. In this symbiotic relationship, finance and economic development mutually support and reinforce one another.

In October 2020, the Proposal of the Central Committee of the Communist Party of China regarding the Formulation of the Fourteenth Five-Year Plan for National Economic and Social Development, along with the Long-Range Objectives Through the Year 2035, put forth the objective to "elevate the level of financial technology and bolster financial inclusion," infusing deeper significance into the concept of financial inclusion.

In March 2021, the State Council's Government Work Report explicitly highlighted the imperative to "enhance the modern financial system with a high degree of adaptability, competitiveness, and universality, while reinforcing financial inclusion." By the end of 2021, China's inclusive finance had gained substantial traction, evident in the balance of inclusive small and micro-loans reaching RMB 19.23 trillion, marking a 27.3% year-on-year increase, with the growth rate being three percentage points lower compared to the previous year's end. The number of households receiving credit under inclusive small and micro initiatives amounted to 44.56 million, reflecting year-on-year growth of 38%.

In November 2022, the China Inclusive Finance Development Report (2022) was officially launched, centered around the theme of "Safeguarding Financial Well-being." The report's analysis indicates that China's inclusive finance has transitioned into a phase of high-quality development. Integrating the concept of financial well-being into the national policy framework is deemed essential, as it better encapsulates the political, societal, and professional aspects of inclusive finance. This

approach will also enhance societal awareness regarding safeguarding the rights and interests of financial consumers and foster the sound functioning of financial systems. Furthermore, it will propel the nation's inclusive finance initiative from merely emphasizing financial accessibility to a holistic aspiration of enhancing the financial well-being of inclusive communities.

General Secretary places significant emphasis on financial matters and has repeatedly provided crucial insights into financial work. These insightful discussions have effectively charted the course for advancing inclusive finance. During the 13th collective study session of the Political Bureau of the CPC Central Committee, he underscored the significance of "deepening structural reform of the financial supply side," fostering the establishment of a "multi-level, extensive, and diverse banking system," and enhancing "financial services for small and micro enterprises as well as the financial services for rural revitalization." Similarly, at the Fifth National Financial Work Conference, there was a clear emphasis on the need to "strengthen financial services for small and micro enterprises, rural areas, and remote regions," underlining the importance of these sectors in financial development.

During the 10th session of the Central Financial and Economic Commission, there was a distinct focus on enhancing "development equilibrium, coordination, and inclusivity," as well as lending support to the growth of "small and medium-sized enterprises." This emphasis on balanced growth and nurturing smaller businesses highlight their importance in the economic landscape.

At the 2021 Central Economic Work Conference, a concerted effort was directed towards "boosting the financing capabilities of small, medium, and micro enterprises" to augment their access to funding, expanding their reach, and reducing associated costs[1-2].

During the 24th meeting of the Central Committee for Comprehensively Deepening Reform, the imperative to consistently adhere to the "people-centered development ideology" was underscored. The message emphasized advancing the high-quality evolution of inclusive finance and enhancing the modern financial system to incorporate a heightened level of adaptability, competitiveness, and inclusivity.

### **3. Philosophical interpretation of the concept of "inclusive finance"**

Marxist political economy inherently opposes the alienation of capital while remaining receptive to its proper utilization. Financial inclusion embodies the correct use of capital, and the bolstering of inclusive finance directly responds to and corrects capital's alienation. It represents an institutional framework that embodies "sharing" to guide and regulate capital's functioning. Under the guidance of General Secretary 's economic thought, China's development of inclusive finance remains aligned with the people-centered development ideology. It accentuates the politically and socially-oriented nature of financial endeavors. The fundamental principle and objective of financial endeavors are to serve the people, particularly micro and small enterprises, the rural populace, individuals with lower incomes, and other marginalized groups. Catering to essential "human needs" propels the financial sector's advancement in a way that fosters high-quality development, thereby furthering the enhancement of collective prosperity.

In the present day, amidst a century-defining transformation, the notion of universal benefit has evolved into a necessity, a concept, a mindset, and a mode of action. Concomitantly, inclusiveness has ascended to the stature of a philosophy aptly termed the philosophy of inclusion. The philosophy of universal benefit fundamentally constitutes a philosophy with a national essence. The philosophy of inclusion aspires to co-creation, mutual enrichment, sharing, collaborative governance, consensus building, symbiotic relationships, and more. Financial inclusion is a quintessential manifestation of the philosophy of inclusion within the financial realm.

Traditional Chinese culture presents an abundant repository of ideological and cultural reserves to advance financial inclusion. The core essence of financial inclusion and its associated developmental

ideals extend beyond mere functional commercial considerations. Instead, it encompasses a universal value framework encompassing collective prosperity, harmony, equity, and communal sharing principles. These values have progressively taken root over the course of our extensive cultural history. The criteria for evaluating values and the conceptual frameworks found in philosophical and sociological theories and systems, including concepts like Confucianism's vision of a Cosmopolitan Society, Plato's "Ideal State," and principles from scientific socialism, all find expression within inclusive finance.

The criteria for value assessment within inclusive finance, hinging upon equity and communal sharing principles, closely align and harmonize with the Confucian notion of commonwealth values. This harmony is evident through various historical texts. For instance, the "Book of Shang Shu" highlights that "the people are the foundation of the state, and stability of the foundation leads to state tranquility." The "Book of Rites" emphasizes that "the world forms a commonwealth through the practice of the Great Dao" and underscores the support extended to widows, widowers, orphans, those living in solitude, and individuals with disabilities. Meanwhile, in the text "Da Xue," it is articulated that "the state's purpose is not driven by profits, but rather by the welfare of its citizens." The universal essence encapsulated in this concept has significantly contributed as a theoretical wellspring and a source of spiritual strength in pursuing a distinctively Chinese path within the domain of inclusive finance.

The value concept of seeking equity and justice within a nation and notions of equal rights and responsibilities, as articulated by the ancient Greek philosopher Plato in "The Ideal State," resonates closely with the foundational intent of inclusive finance. Similarly, in the 1840s, the scientific socialist theoretical framework presented the alignment of efficiency and fairness as the crux of a market economy. This framework underscored that altering modes of production and exchange could rectify the disparities and imbalances inherent in the evolution of private systems, thus enabling the equitable distribution of the benefits of progress for all. The fruits of development could then be universally shared.

The advancement of inclusive finance is grounded in the fundamental principles of distributing the benefits of progress equitably among all members of society. It addresses social justice issues, ensuring a balanced distribution of economic resources and developmental opportunities. Through the intricate finance mechanism, inclusive finance aims to overcome developmental quandaries and steer towards a trajectory of collective sharing and shared prosperity.

Simultaneously, it is crucial to recognize that financial inclusion embodies a deeply philosophical and humanistic ethos, reflecting genuine care and consideration for the well-being of all individuals.

General Secretary 's economic thought represents a vision that strives for progress and prosperity for all of humanity. It embraces the spirit of being a global leader and contributing positively to the world—a philosophy characterized by the notions of "making oneself a leader" and "benefiting the world." This perspective exemplifies the ideals of "sending charcoal in snowy weather" and "helping each other in the same boat," signifying an earnest commitment to extending help when needed.

Exploring poverty alleviation practices within the financial realm, guided by the goal of universal betterment, provides a comprehensive response to China's challenges, global concerns, and contemporary demands. Stakeholders within the decision-making echelons and the financial industry as a whole should profoundly reflect upon the underlying reasons for China's financial sector development. The objective transcends mere profit maximization—it infuses the principles of sharing and universality into the very essence of China's financial landscape, seamlessly integrating these principles into policy formulation and business initiatives. This approach fosters a heightened level of fairness, effectiveness, and inclusivity within the development process, ultimately paving the way for mutually beneficial cooperation and shared prosperity among humanity.

Inclusive finance is inherently intertwined with the framework of the new development paradigm.

The core of this new development approach encompasses the notion of "people-centered co-creation, sharing, and co-governance." While the terms "co-creation," "co-advancement," "symbiosis," "win-win," and "sharing" each holds distinct meanings, they collectively encapsulate the essence of universal benefits when viewed from varying perspectives and dimensions. This idea of universal benefit carries both profound philosophical significance, elevating it to the realm of human nature, and global significance, offering China's unique wisdom to the world's progress.

It is important to acknowledge that "sharing" is not directly interchangeable with "universalization." Rather, sharing constitutes one of the constituent elements embedded within the broader concept of universalization.

General Secretary has underlined that the notion of "common values for all of humanity" and the aspiration to forge a "community with a shared future for mankind" are tangible expressions of the universal concept. These concepts closely align with the spirit of diversity, mutual understanding, consensus, tolerance, mutual respect, cooperation, and sharing inherent within the universal concept. The fundamental philosophical essence, core, and spirit of these shared values embody the notion of inclusion[3-4].

Inclusive finance underscores the universality and impartiality of financial services, catering to all strata of society. This endeavor realizes the overarching objectives of collective prosperity and equitable development across the entire society. Financial inclusion is a structural framework within the financial sector designed to foster shared prosperity for all individuals. Both inclusion and sharing signify the essence of universal benefit and the equitable distribution of developmental gains.

#### **4. Principles that must be adhered to in the development of inclusive finance**

The financial sector's evolution has undeniably demonstrated its favorable impact in objectively propelling economic growth. However, as we progress towards a phase of pursuing high-quality development, the unregulated expansion of finance, fueled by capital pursuits and marked by profit-centric motives, does not align with the broader goal of societal well-being. This is particularly true for achieving shared prosperity across the entirety of society. Financial inclusion, in contrast, represents a holistic and structured financial reform. It intersects with the trajectory of financial reform, the stability of the economy, and the imperative for coordinated development. Its significance cannot be overstated and must be given the utmost priority.

Hence, advancing inclusive finance necessitates a steadfast commitment to the Party's financial sector oversight. This commitment is founded upon the principles of financial services for the populace and the promotion of inclusive sharing. By strategically and judiciously deploying capital under the Party's guidance and leadership, we can effectively steer the second centenary's historical trajectory toward achieving socialist modernization and nation-building. This trajectory, in turn, catalyzes propelling high-quality development and, ultimately, fosters the shared prosperity of all members of society.

Upholding the principle of the Party's control over finance is essential. Economic efforts constitute the focal point of the Party's activities, and financial endeavors form a significant component of economic work. Financial tasks across all echelons must maintain adherence to the centralized and unified leadership of Party organizations. This commitment guarantees the appropriate orientation of financial reform and development.

Within the framework of financial reform and development, financial inclusion is an integral aspect of supply-side reform. Guided by the Party's leadership, inclusive finance must diligently cater to the requirements of small and microenterprises and farmers. This approach ensures that financial services are effectively channeled to those needing them.

By prioritizing the well-being of the people, we have effectively alleviated their concerns and

challenges. Inclusive finance predominantly caters to the requirements of small and microenterprises, as well as agricultural entities and individuals needing financial support. Recognizing that the modernization of agriculture is pivotal, achieving China's ambition of becoming a robust socialist modernized nation hinges upon it.

By synergizing digital technology and big data, while upholding the principle of capital for the people, we can accurately identify businesses and farmers necessitating financial assistance. This precision enables the actualization of financial inclusion and the equitable sharing of resources. This approach addresses their immediate concerns, assists them through challenging periods, and fosters swift development. This contributes to a faster realization of shared prosperity, laying a firm groundwork for its acceleration.

Persisting in bolstering the real economy and propelling the swift advancement of small and micro enterprises within the tangible economy is paramount. The tangible economy serves as a nation's bedrock, the fountain of wealth, and the origin of finance. To augment the capability and caliber of financial services, they must be deeply rooted in the forefront, driving the enhancement of the real economy.

Inclusive finance profoundly supports a significant portion of small and micro enterprises and individual households within rural areas. The proactive promotion of inclusive finance should strategically aid small and micro enterprises, the "three rural" sectors, and other individuals with lower incomes. These endeavors should target the resolution of challenges associated with laborious and costly financing, effectively bolstering the development and expansion of the real economy sector. This, in turn, contributes to the broader thrust of modernization.

Championing a problem-oriented and systemic approach is pivotal for fostering shared prosperity. In financial inclusion, particular emphasis is placed on addressing the challenges struggling small and micro enterprises and farmers face. It is imperative to steadfastly identify genuine issues and provide precise aid that effectively targets these issues. Simultaneously, the systemic perspective and comprehensive mindset must be maintained. This entails driving the harmonious advancement of green development, rural revitalization, and rural civilization in tandem with the framework of inclusive finance. By doing so, the overarching goal of promoting shared prosperity and cultivating high-quality development can be effectively advanced.

Inclusive finance stands as a crucial component of supply-side structural reform within the financial sector. It operates by directing financial resources toward the benefit of small, medium, and micro enterprises and assisting financially vulnerable collectives and individuals. This support facilitates their independent development, ultimately contributing to the overarching goal of shared prosperity.

The concept of "benefit" within the scope of inclusive finance encompasses factors such as low-interest rates and efficient services from the perspective of demand but also entails considerations of "capital preservation and sustainable development" from the supply side. This multifaceted approach ensures that the benefits extend beyond mere transactional aspects and encompass broader aspects of financial stability and ongoing growth.

The trajectory of digital inclusive finance represents the most effective route to realizing comprehensive financial inclusion. This avenue holds the potential to break monopolies, reduce costs, offer widespread access, foster synergies, and drive innovation. The empowerment of digital technology serves as the impetus for enhancing innovation within the digital inclusive financial system. Financial institutions can be guided toward expanding their offerings to encompass wealth management, insurance, and other domains. This evolution should encompass the integration and innovation of diverse products such as "health finance," "green finance," and "pension finance," thereby broadening the scope of inclusive financial services[5].

By crafting a product framework encompassing the entire lifecycle of enterprises and individuals,

we foster the development of shared prosperity in a high-quality manner. However, it is equally crucial to resolutely combat illicit fundraising activities that operate under the guise of "digital inclusion," along with behaviors that jeopardize consumer interests. This dedication ensures the healthful and systematic progression of digital finance.

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