

Is Fintech Inclusive?

Evidence from China's Household Survey Data

Xun Zhang
Beijing Normal University
Email: zhangxun@bnu.edu.cn

Jijia Zhang
Beijing Normal University

Zongyue He
Beijing Normal University

This paper represents an early attempt to investigate whether Fintech development reduces disparity and contributes to inclusive finance and inclusive growth in China. Over the past decade, with the rapid expansion of Fintech, China has seen a transformation in the accessibility and affordability of financial services, particularly for formerly financially excluded populations. Linking the index of digital inclusive finance with China Family Panel Studies (CFPS) data, we initially find that Fintech development has a positive effect on household income, and the positive effect comes from rural households, suggesting that Fintech development helps narrow urban-rural income gap in China. We further analyze the mechanism underlying the Fintech-disparity relation and find that Fintech has significantly increased the probability that rural residents become entrepreneurs, while the effect on urban households is not significant. A decomposition of Fintech development shows that financial depth, which measures the development of the paying, lending, insurance, and investing sectors, and digital service provision, which measures the accessibility of financial services, are the two factors that contribute to entrepreneurship. Additionally, households with lower incomes or social capital have a higher probability of becoming entrepreneurs with the help of Fintech, which is also consistent with inclusiveness.