Dean&Francis
ISSN 2959-6130

The Practical Logic of Chinas Fintech Planning and Governance and Global Mirror: A comparative study based on China, Europe and the United States

Yimeng Chao[1,*]

[1] School of Business, PSB Academy, Singapore
*Corresponding author: 9809GBOK@psba.edu.sg

Abstract:
In the era of digital economy, fintech, as a deep integration of finance and technology, is reshaping traditional financial landscapes and playing a pivotal role in fostering financial innovation and economic growth. However, existing studies lack a comprehensive analysis of its ecological synergy and differential impacts across institutions and regions. Through literature review and case analysis, this study examines the driving forces, economic effects, and influencing factors of fintech development. The findings reveal that while fintech—propelled by technological advances, policy guidance, and market demand—enhances financial efficiency and promotes economic growth, it also introduces challenges such as data security risks and regulatory adaptation. The study further identifies distinct governance models in China, the U.S., and the EU, highlighting China's planning-led approach with its phased evolution and central-local coordination. Future efforts should focus on strengthening technological integration, improving regulatory frameworks, and fostering cross-border cooperation to support the high-quality development of fintech in a global context.

Keywords: Fintech; Governance; comparative study.

1. Introduction

In the current era of rapid digital economic development, fintech—a product of deep integration between finance and technology—is profoundly transforming traditional financial landscapes. From everyday mobile payments to intelligent investment advisory services, fintech has permeated all aspects of economic life. It not only significantly enhances financial service efficiency and expands service boundaries but also gives rise to numerous emerging financial models. As a key driver of financial innovation and economic growth, fintech exerts far-reaching impacts on financial stability, economic restructuring, and social welfare improvement.

Existing research has yielded fruitful results in the application of fintech technologies and business

ISSN 2959-6130

model innovation, focusing on the application of big data, artificial intelligence and other technologies in the financial sector, as well as the analysis of business models such as platform-based operations. For example, Arner et al. From a global perspective, this study examines the evolutionary logic of fintech and emphasizes its role in institutional restructuring during the post-financial crisis era [1]. Gomber et al. revealed fintechs dual impact on business model innovation and regulatory challenges [2]. Philippon highlighted from an economic standpoint that fintech has significantly enhanced financial efficiency and competitiveness [3], while Frosts cross-border empirical research further demonstrated that fintech adoption is driven by different national economic and institutional environments [4]. Although these studies have enriched our understanding of fintech development pathways, there remains a notable gap regarding the overall synergy within fintech ecosystems and their differentiated impacts on financial institutions across regions and scales – a gap that Xu et al. In line with the research, they revealed the planning-driven logic behind Chinas fintech strategy from the perspective of policy science theory [5]. Few studies have examined the role and competitiveness of fintech in regional economies for small and medium-sized financial institutions, nor has there been a systematic discussion on cross-regional and cross-sector regulatory coordination mechanisms.

Building on this foundation, this study focuses on the development of financial technology (Fintech), integrating literature review and case analysis. By systematically examining authoritative domestic and international research, this paper analyzes current trends and frameworks; dissect typical implementation cases to distill best practices and challenges. The work aims to reveal the underlying logic, key drivers, and future trajectories of Fintech evolution, providing insights for its sustainable growth and regulatory policymaking, thereby supporting high-quality development in the financial sector.

2. Chinas Local Practices in Fintech Planning and Governance: Evolutionary Pathways and Mechanisms

2.1 Four stages of local evolution

2.1.1 Starting stage (around 2015): Internet financial risk prevention and control and planning embryonic form

Around 2015, Chinas internet finance experienced explosive growth, with new business models such as P2P online lending and crowdfunding expanding rapidly. However, this period was also accompanied by risk incidents like platform failures and illegal fundraising. During this time, the Peoples Bank of China and ten other departments jointly issued the “Guidelines on Promoting the Healthy Development of Internet Finance”. This document was one of the earliest comprehensive planning texts in China covering multiple business formats, marking the initial formation of financial technology planning governance. The guidelines clarified regulatory responsibilities for various internet finance businesses, proposed basic norms for internet payments, online lending, equity crowdfunding, and other activities, aiming to balance risk prevention with industry guidance [6].

2.1.2 Transformation phase (2019-2021): “Four beams and eight pillars” top-level design and carrier construction

From 2019 to 2021, Chinas fintech entered a transformation phase, initiating the construction of a “four beams and eight pillars” top-level framework and advancing the development of physical infrastructure. During this period, Beijing, Shenzhen, and other cities successively established fintech demonstration zones. Taking the Beijing Fintech Demonstration Zone as an example, it focused on promoting the application of cutting-edge technologies in the financial sector, attracting numerous enterprises and research institutions to settle in, gradually forming an ecosystem that integrates technology R&D, achievement transformation, and industrial application [7].

2.1.3 Deepening phase (2022-2025): Data element development and ethical governance

Since 2022, the Peoples Bank of China and multiple government departments have jointly issued the “Fintech Development Plan (2022-2025)”, prioritizing data governance and ethical development as key tasks. The plan explicitly proposes to improve the data governance system, strengthen personal information protection, while establishing ethical constraints to prevent risks such as algorithmic discrimination and data misuse [8].

2.1.4 Focus stage (2024-present): coordinated development of digital finance

Since 2024, with the continuous deepening of the digital economy, Chinas fintech governance has placed greater emphasis on collaborative development. Relevant departments have introduced the “Digital Finance Collaborative Development Plan” to promote the integration of fintech with multiple fields such as intelligent manufacturing, e-commerce, and government services. The governance philosophy at this stage resonates with the internationally advocated concept of “inclusive growth,” aiming to expand the coverage of financial services through digital finance collaboration, reduce the digital divide, and facilitate inclusive socio-economic development. This goal aligns with the global direction of pursuing inclusive sharing in the development of the digital economy.

2.2 Analysis of the core mechanism of local governance

2.2.1 Central-local division of labour

Chinas fintech governance has gradually formed a central-local collaboration mechanism characterized by "central authorities setting the framework and local governments supplementing details". At the central level, it is responsible for formulating national development plans and core regulatory rules to clarify overall objectives and basic requirements. Local governments, based on regional realities, issue specific implementation plans and supporting policies to refine and implement the central framework. Taking Shanghai and Guangzhou as examples, Shanghai leverages its advantages as an international financial center to introduce multiple concrete policies in fintech application scenario innovation and cross-border cooperation. Meanwhile, Guangzhou focuses on the development of the Guangdong-Hong Kong-Macao Greater Bay Area, implementing distinctive measures in areas such as coordinated fintech development and empowering the real economy.

2.1.2 The "development-stability" balance mechanism

In fintech governance, China has innovatively implemented a regulatory sandbox mechanism to achieve a balance between "development and stability" through central-local coordination. As Chen and Zhang (2022) pointed out, Chinas fintech regulatory framework is deeply rooted in its political economy and institutional structure. This institutional background effectively supports the formation of a central-local coordination mechanism and dual-objective balancing system [9]. The regulatory sandbox provides enterprises with a controllable testing environment to experiment with innovative products and services, while regulators dynamically adjust policies based on test results, thereby accommodating innovation while controlling risks.

2.1.3 Planning and evaluation mechanisms

China has established a closed-loop mechanism for planning evaluation centered on "ledger management + assessment and accountability". The tasks in the fintech development plan are broken down into specific ledgers, clarifying responsible entities, timeframes, and assessment indicators. Implementation progress is regularly evaluated, with accountability enforced for those failing to meet the standards.

3. Comparison of International Fintech Governance Models and Chinas Positioning

3.1 Core characteristics of governance models in typical countries and regions

3.1.1 United States: "Principled + post-facto accountability"

The United States primarily adopts a "principle-oriented + post-facto accountability" model in fintech governance, exemplified by the regulatory principles issued by the Office of the Comptroller of the Currency (OCC). This approach focuses on providing enterprises with general guidelines rather than detailed rules, aiming to foster greater innovation space [10]. Meanwhile, regulators emphasize post-facto accountability, imposing strict penalties when fintech companies violate regulations or trigger risks. This dual mechanism not only encourages market-driven innovation but also controls potential risks through robust legal constraints, demonstrating a balance between market autonomy and risk prevention.

3.1.2 EU: "Rules first + data sovereignty"

The EU has implemented a governance model combining "rule-first" principles with data sovereignty, exemplified by the General Data Protection Regulation (GDPR) and Digital Financial Strategy. The GDPR establishes stringent regulations governing the collection, storage, and use of personal data, emphasizing data sovereignty protection. Meanwhile, the Digital Financial Strategy outlines development pathways and regulatory frameworks for digital finance from a top-level design perspective. This model prioritizes compliance over innovation, effectively safeguarding data security and consumer rights. However, its overly restrictive rules may to some extent stifle technological innovation vitality [9].

3.2 The main differences and common points between Chinese, European and American governance models

This paper analyzes and sorts out the main differences and common points between Chinese, American and European governance models, as shown in Table 1.

3.2.1 The differential aspects

Different governance drivers: China primarily promotes fintech governance through policy planning, relying on a series of central and local planning documents to clarify development directions and regulate industry order. The United States relies more on market-driven approaches, emphasizing corporate independent innovation; while

ISSN 2959-6130

the EU tends to be rule-driven, leveraging mature legal systems to guide industry development. As Thilina et al. (2022) pointed out, Chinas fintech governance not only represents a technical management approach but also embodies algorithmic governance under authoritarian capitalism. This institutional logic significantly distinguishes it from the market-driven model in the United States and the rule-driven model in the EU [11].

Risk response approaches differ: China places greater emphasis on proactive prevention and control, intervening through planning and regulation at various stages of fintech development to prevent potential risks. In contrast, Europe and the United States rely more on post-incident handling, addressing risks through legal accountability and regulatory measures after they emerge.

3.2.2 Common ground

All of them pay attention to balanced innovation and risk: China, Europe and the United States are aware that innovation and risk coexist in the development of fintech, and try to control risks while encouraging innovation, so as to promote its healthy and sustainable development.

All attach great importance to data security and consumer protection: As fintech increasingly relies on data, all three have strengthened requirements for data security and personal information protection in their governance frameworks.

Regulatory technology (RegTech) is increasingly being used across the region: To address the complex regulatory challenges posed by fintech, regulatory technology tools are widely adopted across Central and Western Europe to improve regulatory efficiency and accuracy.

Table 1. Differences and common points of European and American governance models

Country	Difference		Common ground
	Drivers for governance	Risk response approaches	
China	Policy planning and promotion	Preventive measures	Emphasis on innovation and risk balance, focus on security and data protection, and promote RegTech applications
EU	Legal guidance	Remedies after the fact	
America	Market drivers	Remedies after the fact	

4. The relevance of Chinas practices to global fintech governance

4.1 The Implications of Chinas Experience for Global Governance

4.1.1 For emerging markets: forward planning helps reduce "technology leapfrogging risk"

Many emerging market countries have relatively weak fintech foundations and limited regulatory capabilities, making them prone to "technological leapfrogging risks" —— where the speed of technology adoption far exceeds regulatory and risk control capacities, triggering systemic risks. China, through forward-looking planning and governance, can anticipate development trends and identify potential risks in advance, thereby promoting orderly industry development through scientific strategic arrangements. Take some Southeast Asian countries as an example: they once saw a surge in illegal financial platforms due to lagging regulation, while China effectively avoided similar issues through early planning. This experience provides crucial references for emerging markets to maintain stability during rapid development[11].

4.1.2 In terms of transnational coordination: The central-local coordination mechanism provides inspiration for the three-level governance of "global, regional and national"

Global fintech governance currently faces challenges in cross-border coordination, such as significant regulatory differences among EU member states and difficulties in collaboration. China has achieved vertical and efficient coordination through a central-local division of labor mechanism characterized by "central coordination and local implementation". This mechanism can provide a practical reference for the international community: establishing universal principles and frameworks at the global level, promoting collaboration and integration at the regional level, while advancing implementation at the national level based on local realities, thereby enhancing the coordination and operability of the global governance system.

4.2 Strategies for Chinas governance under global challenges

4.2.1 Regulatory compatibility: Strengthening the link with European and American regulatory frameworks

With the increasing frequency of cross-border fintech operations, China needs to promote the alignment of domestic regulations with EU data standards and US regulatory principles. The EUs GDPR imposes strict restrictions on cross-border data flows, while the US emphasizes market freedom and post-facto accountability. China can draw on the EUs stringent protection philosophy in data governance and cross-border regulation, while also referencing the US inclusive attitude toward innovation. For instance, establishing mechanisms such as “whitelist” systems could facilitate compliant data flows, enhance institutional compatibility, and promote international fintech cooperation.

4.2.2 Technology ethics: introducing algorithmic transparency and improving international standards for ethical review

The widespread application of technologies such as artificial intelligence in the financial sector brings ethical challenges. The EUs Artificial Intelligence Act imposes clear requirements on algorithmic transparency for high-risk AI systems. When building a fintech ethics governance framework, China can draw lessons from the EUs experience to promote the establishment of international review standards, requiring enterprises to disclose algorithmic logic and accept social supervision. This will enhance the compliance and credibility of technology applications and improve the international recognition of Chinas governance framework.

5. Conclusion

This study focuses on the practical logic of Chinas fintech planning governance, drawing comparative analyses with China, the United States, Europe, and ASEAN to draw the following conclusions. First, Chinas fintech governance has formed an evolution path centered on planning-driven approaches, progressing from early-stage risk prevention and control to top-level design and demonstration zone construction, then to data element development and ethical governance, culminating in coordinated digital financial development. This has gradually established a governance framework characterized by “central-local collaboration and steady progress.” This model has demonstrated significant effectiveness in regulating market order, enhancing fintech efficiency, and preventing risks. Compared with the U.S. approach of “principle-oriented + post-facto accountability” and the EUs “rule-first + data sovereignty,” Chinas path exhibits more distinctive features in foresight and comprehensiveness.

Secondly, the findings of this study have both academic and practical implications. At the academic level, it fills the gap in comprehensive research on fintech governance models and provides a comparative framework for understanding policy logic under different governance models. At the practical level, Chinas experience can offer lessons for emerging markets to mitigate “technological leapfrogging risks” and provide references for exploring global “multi-tiered governance,” particularly the vertical coordination mechanism of central-local division of labor, which demonstrates strong replicability.

Finally, this study also has limitations: the data mainly focus on policy texts and cases, and further empirical verification is needed. Future research can be deepened in two aspects: First, quantify the economic and risk effects under different governance models to enhance the empirical nature of comparisons; Second, strengthen discussions on cross-border regulatory coordination and data governance to promote the compatibility and alignment between Chinas solutions and international rules.

References

[1] Arner, D. W., Barberis, J., & Buckley, R. P. Arner, D. W., Barberis, J., & Buckley, R. P. . The evolution of fintech. Georgetown JIL, 2016,47(4), 1271–1319.

[2] Gomber, P., Kauffman, R. J., Parker, C., & Weber, B. W. On the fintech revolution. JMIS, 2018,35(1), 220–265.

[3] Philippon, T.. The fintech opportunity. 2016,NBER Working Paper No. 22476. http://www.nber.org/papers/w22476.pdf

[4] Frost, J.The economic forces driving fintech adoption across countries. Review of International Political Economy,2020, 27(4), 748–775.

[5] Xu, J., Ren, Z., & Li, Z. How does China build its fintech strategy? A perspective of policy science theory. 2023, Sustainability, 15(13), 10100.

[6] People’s Bank of China, et al.2015. Guiding Opinions on Promoting the Healthy Development of Internet Finance. https://www.cac.gov.cn/2015-07/18/c_1115966431.htm

[7] People’s Bank of China. 2019. FinTech Development Plan (2019–2021). https://www.gov.cn/xinwen/2019-08/23/content_5423691.htm

[8] People’s Bank of China.2022. FinTech Development Plan (2022–2025). https://www.gov.cn/zhengce/2022-01/07/content_5666817.htm

[9] Chen, X., & Zhang, Y.The political economy of fintech regulation in China and its institutional dynamics. 2022,Journal of Financial Regulation and Compliance. (Ahead of print / check latest volume).

[10] Office of the Comptroller of the Currency (OCC). White Paper on Supporting Responsible Financial Innovation in the Federal Banking System. 2016, March31. From https://if.cri.cn/20160415/95d4ac4a-16cb-7d4f-8bcb-8b161a03b266.html

[11] Thilina, H., et al.Financializing authoritarian capitalism: Chinese fintech and the institutional foundations of algorithmic governance. Finance and Society. 2022, 8(2), 45–62.