Fiscal Incentives and the Cultivation of New Productive Forces under Regional Differentiation

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Abstract: New productive forces, characterized by technological innovation, factor reallocation, and industrial upgrading, have become a key driver of high-quality economic development. Their cultivation plays a critical role in improving the modern industrial system and fostering new growth momentum. Given the pronounced heterogeneity in regional development foundations, industrial structures, and innovation capacities, the formation of new productive forces requires development paths that are closely aligned with local conditions. Fiscal incentives, as an essential instrument of public economic governance, exert significant influence on innovation activities, capital allocation, talent mobility, and the stability of industrial and supply chains. Through mechanisms such as fiscal subsidies, tax incentives, and expenditure optimization, fiscal instruments can guide resources toward regionally advantageous sectors and mitigate the inefficiencies arising from homogeneous development strategies. However, in practice, the effectiveness of fiscal incentives is constrained by issues including insufficient precision, incentives homogenization, mounting local fiscal pressure, and low efficiency in fund utilization. This paper systematically analyzes the internal mechanisms through which fiscal incentives promote the cultivation of new productive forces under regional differentiation. It further identifies key challenges in current implementation and proposes targeted optimization paths aimed at improving incentive accuracy, strengthening differentiated support, enhancing fiscal sustainability, and increasing governance efficiency. The study provides a theoretical framework and practical reference for promoting the coordinated and sustainable development of new productive forces across regions.

Keywords: New Productive Forces; Regional Differentiation; Fiscal Incentives; Industrial Upgrading; High-Quality Development

1. Introduction

Amid the accelerating global technological revolution and industrial transformation, productivity development has entered a new stage characterized by rapid innovation and structural upgrading. New productive forces, driven by breakthroughs in science and technology as well as the reconfiguration of production factors, have gradually become a central engine of high-quality economic development. Their development is not only essential for enhancing total factor productivity but also for reshaping industrial structures and fostering new economic growth points [1].

However, regional development conditions differ significantly in terms of resource endowments, industrial bases, innovation capabilities, and fiscal capacity. Uniform development strategies often fail to accommodate these differences, leading to inefficient resource allocation and homogeneous competition. In this context, development approaches tailored to local conditions have become increasingly important for unlocking regional comparative advantages and fostering diversified paths for the cultivation of new productive forces [2].

Fiscal incentives play a crucial role in this process. As a core tool of public economic governance, fiscal instruments influence enterprises' innovation behavior, investment decisions, and factor allocation through subsidies, tax incentives, and targeted expenditures. Properly designed fiscal incentives can reduce innovation costs, mobilize social capital, attract high-quality talent, and enhance industrial and supply chain resilience. Conversely, poorly targeted incentives may result in resource misallocation and fiscal inefficiency [3].

Against this background, this paper explores how fiscal incentives can effectively promote the cultivation of new productive forces under conditions of regional differentiation. By examining internal mechanisms, identifying existing challenges, and proposing optimization paths, the study aims to provide a systematic analytical framework for improving the effectiveness of fiscal incentives and supporting coordinated regional development.

2. Internal Mechanisms of Fiscal Incentives for New Productive Forces

The cultivation of new productive forces relies on sound institutional support, among which fiscal incentives play a fundamental role. By combining guidance and incentive functions, fiscal instruments facilitate the concentration of innovation resources, capital, talent, and industrial factors in key development areas, thereby supporting region-specific development paths.

2.1 Enhancing Innovation Vitality

Innovation is the core driver of new productive forces and the primary source of productivity improvement. Through technological, product, and buiness model innovation, enterprises can achieve breakthroughs that enhance competitiveness and promote industrial upgrading. However, innovation activities are typically characterized by high uncertainty, long cycles, and substantial upfront investment, which often leads to underinvestment by market mechanisms alone.

Fiscal incentives can effectively address this issue by reducing innovation costs and sharing risks. Measures such as research and development subsidies, tax deductions for R&D expenses, and preferential treatment for innovative enterprises directly lower the financial burden of innovation [4]. Moreover, differentiated support can be provided based on regional characteristics. Regions with strong innovation foundations can focus on supporting frontier technologies, while regions dominated by traditional industries can emphasize technological transformation and upgrading.

In addition, fiscal incentives can promote the transformation of scientific and technological achievements into practical applications. By supporting pilot projects, technology transfer platforms, and risk compensation mechanisms, fiscal instruments reduce uncertainty in the commercialization process and accelerate the formation of new productive forces.

2.2 Leveraging Social Capital

Social capital is an indispensable force in the early stages of cultivating new productive forces. Innovative industries often face financing constraints due to information asymmetry and high risk, making it difficult to rely solely on traditional financial channels [5].

Fiscal incentives can exert a leverage effect by guiding private capital toward innovative sectors. Through mechanisms such as fiscal subsidies, investment guidance funds, and risk-sharing arrangements, public funds send positive signals that reduce information asymmetry and enhance investor confidence. This not only expands financing channels for innovative enterprises but also improves capital allocation efficiency.

Given regional differences in industrial structure, fiscal leverage should be applied selectively. Regions with strong innovation capacity can focus on attracting venture capital and private equity, while less-developed regions can emphasize risk compensation and basic support to encourage initial investment in emerging industries [6].

2.3 Attracting Professional Talent

Talent is a critical resource for the development of new productive forces, particularly in technology-intensive and knowledge-driven industries. Fiscal incentives influence talent mobility by affecting income expectations, research conditions, and living costs.

Through measures such as tax relief, housing subsidies, and research funding support, fiscal instruments can enhance regional attractiveness and promote the agglomeration of high-quality talent. This is particularly important for regions facing talent outflow pressures. Differentiated incentive arrangements can help narrow regional gaps in talent distribution and support balanced development [7].

At the same time, fiscal incentives can support talent cultivation in strategic emerging and future industries by reducing operating costs for enterprises and enabling them to allocate more resources to human capital investment [8].

2.4 Strengthening Industrial and Supply Chain Resilience

The resilience of industrial and supply chains provides a stable foundation for the sustainable growth of new productive forces. Fiscal incentives can enhance coordination among upstream and downstream enterprises, promote technological upgrading, and reduce vulnerability to external shocks [9].

By supporting collaborative innovation, green transformation, and infrastructure improvement, fiscal instruments help strengthen industrial linkages and improve overall system resilience. This is particularly important for regions undergoing industrial transformation, where fiscal support can facilitate the transition toward higher value-added and environmentally sustainable production.

3. Practical Challenges in Fiscal Incentives

Despite their important role, fiscal incentives face several challenges in practice that limit their effectiveness in cultivating new productive forces.

3.1 Insufficient Precision of Tax Incentives

Current tax incentive arrangements often adopt inclusive approaches that lack precision. While such measures provide broad support, they may fail to address the specific needs of emerging technologies and region-specific innovation activities. In addition, incentives for digitalization and green transformation remain limited in scope, constraining the development of key components of new productive forces.

3.2 Homogenization of Fiscal Arrangements

Significant differences exist among regions in terms of development stages and industrial structures. However, fiscal arrangements often exhibit homogenization, with similar incentive measures applied across regions. This “one-size-fits-all” approach weakens the alignment between fiscal incentives and local development needs, reducing overall effectiveness.

3.3 Rising Local Fiscal Pressure

The cultivation of new productive forces requires sustained fiscal input, particularly in infrastructure, innovation platforms, and industrial upgrading. At the same time, local governments face increasing fiscal pressure, which constrains their ability to provide long-term support. Excessive debt levels further limit fiscal flexibility and increase financial risks.

3.4 Inefficient Use of Fiscal Funds

Low efficiency in fiscal fund utilization remains a persistent problem. Issues such as unscientific budget management, overly broad support targets, and insufficient supervision reduce the effectiveness of fiscal incentives and weaken their impact on the formation of new productive forces [10].

4. Optimization Paths for Cultivating New Productive Forces

To improve the effectiveness of fiscal incentives under regional differentiation, it is necessary to adopt targeted and systematic optimization strategies.

4.1 Refining Tax Incentive Arrangements

Tax incentives should be designed with greater precision to align with regional industrial structures and innovation stages. Enhanced support should be provided for frontier technologies, digital transformation, and green development. At the same time, differentiated personal income tax incentives can be used to attract high-quality talent to key regions and industries [11].

4.2 Implementing Differentiated Fiscal Support

Fiscal incentives should reflect regional heterogeneity by supporting locally advantageous industries. Regions with strong innovation capacity can focus on high-tech sectors, while regions undergoing transformation can prioritize upgrading traditional industries. Cross-regional cooperation should also be encouraged through fiscal coordination mechanisms.

4.3 Strengthening Fiscal Sustainability

Optimizing debt structure and improving debt management are essential for ensuring fiscal sustainability. Fiscal resources should be directed toward projects with long-term benefits, particularly in innovation and industrial upgrading. At the same time, market-oriented mechanisms can be introduced to reduce fiscal pressure and enhance efficiency.

4.4 Enhancing Fund Utilization Efficiency

Improving budget management, strengthening performance evaluation, and enhancing supervision mechanisms are critical for increasing the efficiency of fiscal fund utilization. Transparent and standardized management can ensure that fiscal incentives effectively support the cultivation of new productive forces [12].

5. Conclusion

The cultivation of new productive forces is a fundamental requirement for advancing high-quality economic development and industrial transformation. This study demonstrates that fiscal incentives, when aligned with regional characteristics, play a vital role in stimulating innovation, mobilizing capital, attracting talent, and strengthening industrial and supply chain resilience.

However, challenges such as insufficient precision, homogenized arrangements, fiscal pressure, and low efficiency constrain the effectiveness of fiscal incentives. Addressing these issues requires a governance framework that emphasizes differentiated support, fiscal sustainability, and efficient resource allocation.

By refining incentive structures and improving implementation mechanisms, fiscal incentives can better support region-specific development paths and promote coordinated regional growth. The analytical framework and incentives implications presented in this study provide a useful reference for enhancing the effectiveness of fiscal incentives in cultivating new productive forces.

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