

The Study of Functional Mechanism and Transmission Path of Rural Finance Supporting to “Agriculture, Countryside & Farmers”

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Abstract. Rural finance is an important part of modern finance, and it is also the basic element of advancing agricultural supply-side structural reform and realizing agricultural high-quality development. This paper firstly analyzes the functional mechanism of rural finance supporting “agriculture, countryside & farmers”, and then expounds the transmission path of rural finance supporting “agriculture, countryside & farmers”.

1. Introduction

Rural finance refers to the activities of organizing, adjusting and managing monetary funds for the service of farmers, agriculture and rural economy in countryside and fields closely related to agriculture. Compared with finance, rural finance only limits the operation of funds to the rural environment, and its manifestation is still the activity of credit as a means, capital as an entity and monetary fund financing as the main activity. In the process of deepening the supply-side structural reform of agriculture, the development of agriculture and rural economy cannot be separated from the support of rural finance, and the promotion of high-quality development of agriculture cannot be separated from the support of rural finance. What is the mechanism of rural finance supporting “agriculture, countryside & farmers”, and how to conduct transmission between the main bodies of the function, this paper carries on the theoretical explanation here.

2. Subjects and Objects of Rural Finance Supporting to “Agriculture, Countryside & Farmers”

China's rural financial providers can be divided into formal financial institutions and informal financial institutions: (1) China's formal rural financial institutions include policy-based financial institutions, rural cooperative financial institutions, and new rural financial institutions (Che Lihua, 2012;Shao Chuanlin, 2011).(2) China's informal financial institutions include: Mutual Aid Societies (or “cooperative societies”), private banks, savings and loan associations, foundations, pawn shops,etc. (Sun Yukui, 2014;Tian Guangning,etc., 2010).

The rural financial support subjects discussed in this paper are all formal financial subjects. The objects of rural financial support include micro agricultural subjects (farmers, etc.), medium agricultural industry and macro regional agricultural economy, etc.The main tools of rural financial support include agriculture-related financial policies, agriculture-related loans, the number of financial service institutions and agriculture-related insurance.

3. Functional Mechanism of Rural Finance Supporting to “Agriculture, Countryside & Farmers”

The research on the inner relationship between rural finance and “agriculture, countryside & farmers” is the application and extension of the relationship theory between financial development and economic growth. Existing studies show that the mechanism of financial development affecting

economic growth is mainly reflected in the following three aspects: first, according to the financial deepening theory based on traditional neoclassical economics, financial development plays a major role in transforming savings into investment and optimizing resource allocation; Secondly, based on the endogenous economic growth theory, financial development mainly achieves economic growth by promoting technological progress and human capital accumulation. Thirdly, based on the theory of division of labor, it is believed that the effective operation of finance can save transaction costs, promote the division of labor, and thus promote economic growth. Financial support refers to the behavioral process of transmission, feedback, influence and support between financial support subjects and financial support objects through financial objects (Song Botao, 2018;Chen Zhiguang, 2018;Xue Yonggang, 2013).

This paper holds that the main mechanism of rural finance supporting “agriculture, countryside & farmers” is as follows: rural finance promotes material capital accumulation, human capital accumulation and technological progress through saving effect, investment effect and resource allocation effect, so as to promote agricultural modernization, rural economic growth, farmer income growth and ecological sustainability. The financial support under the background of agricultural supply-side structural reform has its particularity. That is to say, rural financial support subjects use certain financial support tools to provide input to “agriculture, countryside & farmers” from different paths and get efficient output, thus promoting the process of realizing the reform goal. Conduction mechanism of the rural financial support of “agriculture, countryside & farmers” is a dynamic mechanism of organic connection, the rural financial support subject to choose appropriate financial support tool to financial support, and then get financial support object feedback or financial support for the initiative to obtain relevant feedback information, further adjustment or to select financial support tools, and continue to affect and support the development of the “agriculture, countryside & farmers”, so as to adapt to and facilitate supply-side structural reform in agriculture.(see figure 1 below)

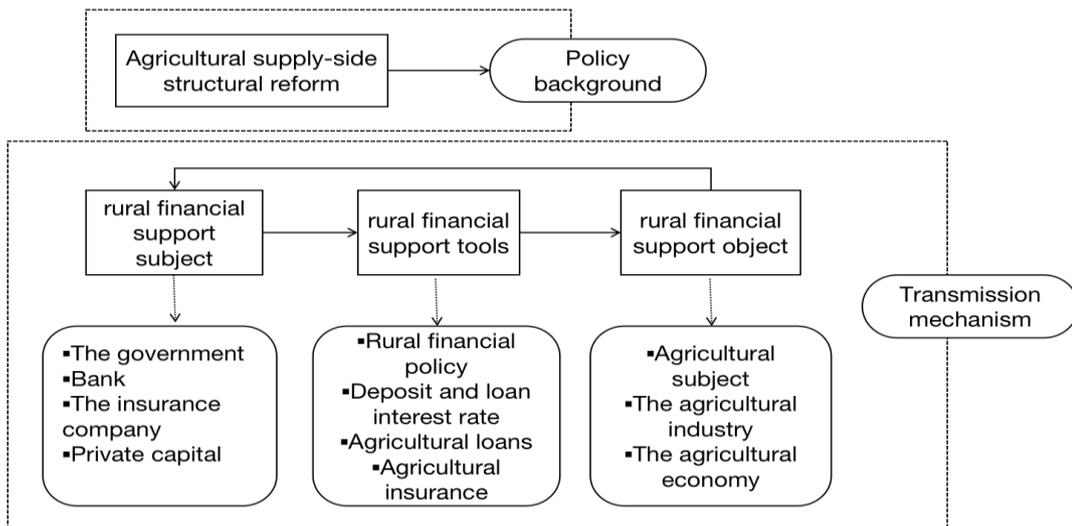


Fig.1 Transmission mechanism of rural financial support

4. The Transmission Path of Rural Finance Supporting to “Agriculture, Countryside & Farmers”

The transmission path of rural financial support for “agriculture, countryside & farmers” is shown in figure 2 below. Among them, the government, banks and insurance companies are the main supporting bodies. The specific transmission path is as follows: Firstly, the government supports the development of “agriculture, countryside & farmers” by establishing policy-based financial institutions and formulating relevant fiscal policies to support agriculture development.

For example, policy-based financial institutions support modern agricultural subjects through guarantee, loan, discount interest, fiscal appropriation and other tools, and the government formulates relevant financial policies to guide funds to support agriculture and so on. Secondly, financial institutions represented by the banking sector support agriculture, countryside & farmers mainly through such tools as deposit and loan interest rate. Including farmers, agricultural enterprises and other agricultural subjects to deposit funds in the bank and get interest on the deposit; Banks provide loans to relevant agricultural projects or subjects; It also includes investment in agricultural infrastructure and research and development of agricultural science and technology etc. Thirdly, insurance financial institutions reduce the risks of agricultural production and operation by providing agricultural insurance to agricultural subjects, so as to guarantee agricultural benefits and play the role of insurance as a compensation base. In general, the further optimization and improvement of rural financial institutions can improve the growth rate of rural economy and effectively solve the problems in “agriculture, countryside & farmers”. In addition, the rapid development of rural economy further promotes the optimization of rural financial institutions, the two are interdependent, inseparable relationship.

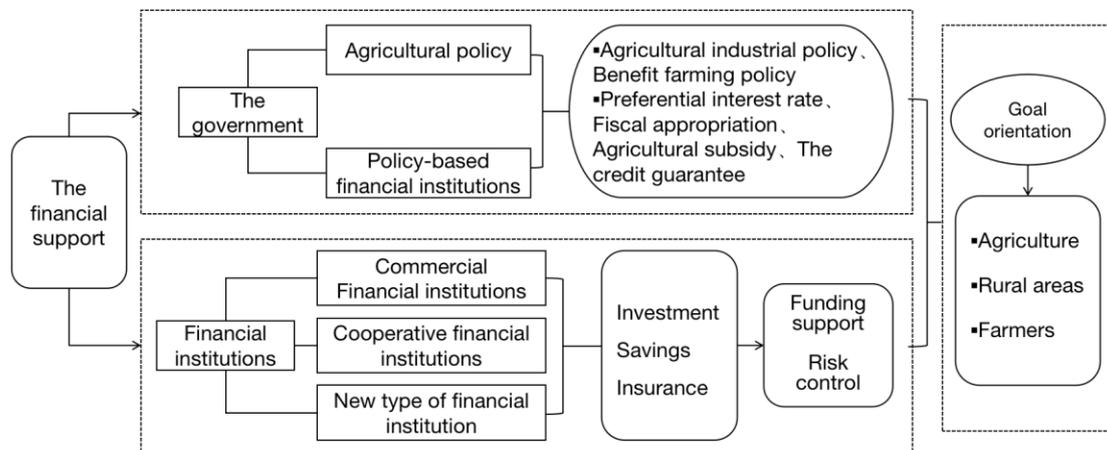


Fig. 2 Conducive path of rural financial support

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