

Review of Rural Finance Research from the Perspective of Supply-side Reform

Wenshuang Bao^{1,*} and Xin Zhang¹

¹ Shandong Management University, Jinan, Shandong 250300, China

*Corresponding author. Email: bws@sdmu.edu.cn

ABSTRACT

The research idea of this thesis is to analyze the theoretical problems from the theoretical basis and literature review and summarize the experience according to the analysis of existing practice. Based on the use of the methods of literature induction, historical analysis and investigation and research, this thesis puts forward some suggestions on the supply-side structural reform of rural finance to realize the balance of supply and demand of rural finance, develop innovatively, improve the quality and efficiency of agricultural production, and to promote the development of rural agriculture.

Keywords: *supply-side structural reform, rural finance, inclusive finance, fintech*

1. INTRODUCTION

For a long time, problems concerning agriculture, rural areas and farmers have been the focus of our government's great attention and solving problems. In 2016, the No.1 Document of the CPC Central Committee clearly put forward the agricultural supply-side structural reform. For supply-side structural reform to reach the agricultural sector, we must adjust the agricultural structure to improve the effectiveness of agricultural product supply, enhance the allocation of agricultural resources in the market, promote the quality and efficiency of agricultural production, and solve the difficulties in China's agricultural development. To promote agricultural supply-side structural reform, the core is to focus on market demand, optimize resource allocation, expand effective supply, enhance the adaptability and flexibility of the supply structure, so that the supply of agricultural products is more suitable for consumer demand, and more conducive to the play of resource advantages (Wang Shuguang, Yang Min, 2016[1]). According to the general theory of economic growth and development economics, rural agricultural supply side structural reform needs the input of various factors of production, the financial capital elements is the most basic and one of the biggest vitality elements, rural finance is the key to rural development, to provide effective financial support, financial products and services, to actively deepen the reform of rural financial supply side structure, build the financial support system of rural revitalization.

2. PRESENT SITUATION AND ANALYSIS OF RURAL FINANCE

2.1. Development Status of Rural Finance

2.1.1. Deficiency of effective supply of financial services

In the process of achieving targeted poverty alleviation, tackling poverty alleviation, and completing the building of a moderately prosperous society in all respects, rural finance, especially inclusive finance, has developed rapidly. Except the original rural banks, rural development banks, rural credit cooperatives, and postal savings institutions, large commercial banks, joint-stock banks, and private banks will take root in rural areas to carry out financial business. But Huang Jingchen, Shang Xiaolin, Song Li (2016) [2] pointed out that financial institutions (regular financial institutions such as bank institutions) provided by the financial supply can only meet nearly one third of the demand of financial market, in addition, the supply risk, higher supply cost, market risk rising factors have intensified the supply institutions diversification and effective supply. Wang Shuguang (2016)[3] Started from the degree of competition in rural financial market. He pointed out the disadvantages of rural finance. The competition subjects are not rich enough and the market competition degree is insufficient, leading to a large part of the credit demand in rural finance has not been fully met.

2.1.2. The problem of "difficult and costly to obtain financing" is difficult to solve

The focus of the national supply-side structural reform is to solve the problem of "difficult and expensive financing" for small and micro enterprises and private enterprises. And the financing difficulties of small and micro enterprises and private enterprises in rural areas are even more difficult. Lu Minfeng, Xu Bohuan (2019)[4] only for small and micro enterprises and private enterprises, from the perspective of risk, small micro enterprises and private enterprises themselves have the possibility of high default, reality micro and micro non-performing loan ratio is higher than the average non-performing loan ratio of commercial banks, which makes financial institutions are not willing to provide credit services for small micro enterprises. At the same time, small and micro enterprises in rural areas are limited by their scale and technology, with poor mortgage capacity and risk tolerance, which further aggravate the risk of default. In addition, most of the collateral of agricultural business entities is of agricultural appliances, with low value and easy to realize, and should not be effective collateral. In lending, it is guaranteed based on neighbors, relatives and friends. Therefore, because the overall economic level is limited, the mortgage mechanism has not been promoted, and the financing difficulties of agricultural subjects have not been alleviated.

2.1.3. The pattern of rural financial service products and service model is single

With the continuous development of rural economy, the transformation and upgrading of economic structure, as financial institutions should be new, change the original financial service products and service mode, strive to create diversified service products, multi-level service mode. Adapting to the development of the new rural economy, they form a good interactive relationship, complement each other. With the rural economic development, explore the development of rural financial institutions, so as to achieve a win-win situation. However, the fact is not the case. Song Yinong (2017) [6] pointed out that the main problem existing in the rural financial system is that the rural financial products are not innovative enough, which is difficult to meet the objective needs of modern agricultural development. The innovation of financial institutions is not enough. local rural financial institution still adopts the traditional service products and patterns. Farmers have financing difficulties, which lags behind the development of rural economy to a certain extent, and is not conducive to the supply-side structural reform of the rural market, thus hindering the development of rural economy.

2.2. Existing Problems of Rural Finance

To carry out the supply-side structural reform of rural finance, we should clarify the deficiencies of the supply side and the demand side, clearing the matching obstacles between the two sides.

2.2.1. Agriculture and Agricultural Operators—Farmers as demanders have shortcomings

China's agriculture management mode that implements the family joint production contract responsibility system will have various problems in the process of operation. Agricultural operation is unstable, which leads to the poor guarantee ability of agricultural management entities, and rural financial assistance to agriculture has the characteristics of high risk. Zhao Yuxuan (2019) putted forward that the construction of rural credit system is seriously insufficient. And it is difficult for financial institutions to identify rural users with credit. In the face of the high-risk and low-yield problems of rural financial services, commercial banks often only increase the conditions of credit loans and strictly control the business process, resulting in an obvious lack of credit support, and a prominent difficult financing, slow financing and expensive financing. Although the government attaches great importance to rural agricultural development and introduces a variety of supporting policies. In order to ensure that agricultural development will increase financial subsidies, increase interest discounts, and guide financial assistance to agricultural development, the rural supply-side structural reform still develops slowly.

2.2.2. Rural finance as a supply side has many deficiencies

Firstly, competition among various financial institutions has intensified, in the case of fierce competition, did not create new help agricultural products, but the traditional business model problems, rural supply side structural reform. secondly, Although the government has introduced policies to promote agricultural development, in financial policy is not perfect and not formed system. Some areas are deficient or even blank. Moreover, communication between farmers and financial supply subject, information asymmetry, farmers lack of financial knowledge, unable to enjoy financial services, financial institutions enthusiasm is not high.

3. THE WAYS OF RURAL FINANCE SUPPLY-SIDE REFORM

3.1 Innovate and Promote the Rural Financial System

At the beginning, to encourage the diversification of rural financial competitors, Wang Shuguang and Kong Xinya (2013) [1] believed to encourage more innovation in rural financial institutions to enter rural finance, constantly increase the supply of rural finance. To fully absorb external resources, enrich rural financial market organization system, cultivate and develop multi-level rural capital markets, led by local governments, commercial banks and private capital, enhance the stability of characteristic agriculture. The next is to accelerate the rural land confirmation work and to innovate mortgage guarantee mechanism. The government should promote land contract right, forest rights and agricultural inventory mortgage, comprehensively promoting the establishment of related party, relating party guarantee mechanism, expand, pledge loans, alleviate the plight of agricultural main financing difficulties. Local government with financial funds to establish guarantee compensation mechanism, prevent default risk, when liquidated damages after a certain amount of proportional compensation for financial institutions, for financial institutions.

3.2 Enhance the Leading Role of Credit in Rural Finance Supply, and Use Credit to Cultivate New Business Forms

Shen Yudi, Lu Meiying and Gui Tingwei (2017) analyzed the development means of rural financial institutions in developed countries, guided bank institutions and other credit institutions to invest more funds in the field of "agriculture, rural areas and farmers", believing that China can learn from its practices, so that more financial institutions have enough resources and lower cost to support agricultural development. Man Mingjun (2017) [5] proposed to strengthen credit support for key agricultural areas, such as increasing credit support for the construction of "three districts and one park", and focus on supporting the supply of high-quality agricultural products and new agricultural business entities. 2020 is known as the first year of e-commerce outbreak in the industry, the influence of the outbreak more promotes the development of electricity. In addition to taobao, jingdong old Internet platform. The emerging electricity platform such as spell, TikTok, fast hand in active drainage cultivation electricity. As the market sinking speed, the number of active users increases, it provides the opportunity for rural economic development, more and more agricultural anchors live sell goods. Establish an Internet-based "rural e-commerce + credit" financial

service model, accumulate user data and information through the Internet platform, and seek the future development direction.

3.3 Innovate Products and Services of Rural Finance, and Expand Financing Channels

Huang Jingchen, Shang Xiaolin and Song Li (2017) proposed to take concept innovation as the guidance, providing differentiated and comprehensive products and services, taking business innovation as the core, innovating settlement means, and opening up diversified financing channels for new agricultural business entities. In addition, the modernization of agricultural enterprises is to realize the vertical industrial chain integration. Agriculture financial institutions should explore the industrial chain service mode, and reduce the risk and cost of financial services, and improve the efficiency of financial services. To realize the vertical industrial chain services and horizontal many kinds of services of comprehensive, systemic financial services, promote the development of rural economy. Liu Haiyan and Yang Shiyang (2018) believed that due to the weak quality of agriculture, the agricultural loan period should be appropriately extended. Agricultural production is seasonal, For the economic cycle of different entities, innovate short-term, medium-term, and long-term financial service products. Establish a floating interest rate system according to the time period. In view of the relatively advanced agricultural technology, large production scale and large financing demand, the new portfolio financing methods such as debt financing and financial leasing will be innovated. Encourage the use of futures and other financial derivatives for hedging. Expand the coverage area of agricultural insurance and the expansion of agricultural insurance varieties. To meet the needs of agricultural subjects for diversified and characteristic insurance types. Based on the 15 types of central financial subsidy insurance. Strengthen the insurance guarantee mechanism for the more fragile industries such as flowers and aquaculture.

3.4 Fintech Will Help Build a Scientific and Perfect Financial Prevention System

With the help of the innovation of Internet finance to prevent rural financial risks. Rural financial demand subjects are relatively scattered, rarely complete information mechanism was established. There are many high numbers of risk points. Agricultural-related financial institutions should make full use of Internet finance to innovate technology, improve the rural financial and credit mechanism, reduce risk control costs and bad debt risks, overcoming the information asymmetry problems. The administrative supervision of regulatory departments and industry self-regulatory management go hand in hand, innovating regulatory means, doing both safety and

efficiency, clearing regulatory responsibilities, enhancing the awareness of service. And maximize the encouragement of financial innovation, accelerating the regulatory transformation/Focus more on the nature of the business, with risk supervision as the core, Huang Jingchen, Shang Xiaolin and Song Li (2017) proposed to form a complete risk supervision system for rural financial risk identification, monitoring, assessment, early warning and control. In addition, we will appropriately reduce the market entry threshold, and establish a sound market exit mechanism. To create an orderly competitive market environment for all kinds of market entities, we will encourage private capital to carry out banking financial business in rural areas through capital increase, share expansion, and equity transfer. Lin Peng, Meng Nana, Lu Zhen (2017) improved the regulatory system, which ensure that effective regulation will really play a decisive role in the financial resource allocation of the financial mechanism and change the financial resource allocation of financial resources, truly achieve survival in fair competition, prevent the occurrence and spread of systemic and regional risks, ensure the healthy and stable development of rural finance.

4. CONCLUSION

The above theory expounds the perspective of the supply side structural reform of rural financial development in the future. In real work also need to take measures to local conditions, creating multi-level financial service model. Diversified financial service products, improve customer viscosity and recognition. Taking the Internet, big data, digital financial fast lane, promote the rural financial supply side structural reform, helping rural economic development. For the traditional financial industry also means new opportunities and challenges, and to inject the rural financial supply-side reform in an innovative way to promote the development of rural digital inclusive finance.

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