

Analysis on the Development Direction of Internet Finance in Rural China

Hecheng Zhao

XI'AN TIEYI HIGH SCHOOL
woshizhaohecheng@163.com

ABSTRACT

With the rapid development of Internet technology in China, the state further proposes that the promotion of rural financial results should be closely combined with the Internet to promote the development of the rural economy. Therefore, by analyzing the connotation of rural Internet finance, this paper summarizes three types of practical innovation modes of rural Internet finance, outlines the restrictive factors of China's rural Internet development, and provides the policy path for the sustainable and healthy development of China's rural Internet finance. I hope this paper can provide a reference for the development of rural Internet finance.

Keywords: *Internet finance, Rural finance, Development model.*

1. INTRODUCTION

According to the survey of relevant Chinese departments, ordinary Internet users spend 6 hours and 43 minutes online every day. Each Internet user spends an average of more than 100 days online every year. This data shows that the Internet and social media have become an essential part of people's life. The subsequent Internet finance is reconstructing the world financial service pattern, becoming the latest and most convenient way to innovatively implement the concept of "Inclusive Finance" in the new era and alleviating the pressure of rural finance in practice. However, as a new thing, it still faces some severe challenges in practice [1]: On the one hand, some farmers have insufficient awareness of Internet finance, and rural residents are worried about their information leakage and capital security; On the other hand, other potential risks represented by rural Internet Finance constantly disclosed by the media are also emerging [2]. Therefore, the sustainable and healthy development of rural Internet finance is significant, which is related to the financial rights and interests of individual farmers and families and related to the improvement of "financial inclusiveness" of the country and even the world. Therefore, based on the current situation at home and overseas, comprehensively analyzing relevant research results at home and overseas will help sort out and optimize the development direction and path of Internet Finance in China [3]. This is of great significance to

rural economic development and the improvement of farmers' well-being.

2. CONNOTATION AND MAIN CHARACTERISTICS OF RURAL INTERNET FINANCE IN CHINA

Rural Internet finance refers to the new financial model of "Internet plus Finance + rural market," which is based on mobile communication, big data, search engine and other technologies, aiming at the relevant subjects in the rural market, realizing the mobile payment, financial services and capital circulation. In practice, rural Internet finance can add vitality to the rural economy based on the original financial services [4]. Some scholars pointed out that the development of rural Internet finance has experienced a development process from primary to advanced, from taking rural financial institutions as the core, using Internet technology to provide financial products and services, to focusing on Internet financial enterprises to provide rural financial services [5].

At present, the development of China's rural finance is still dominated by the basic settlement business of rural credit cooperatives and China's state-owned banks. Customers are affected by many factors, such as the level of education of customers. Therefore, China's rural financial business is still dominated by offline business. In this context, the development of rural Internet finance is from multiple perspectives.

On the one hand, there are many development restrictions on rural Internet finance. First, the per capita education level of rural residents is lower than that of urban residents. Therefore, rural residents have lower exposure to Internet Finance and slower acceptance speed. Most migrant workers took the lead in contacting Internet Finance and used it skillfully, and then transmitted it to the residents left in rural areas. Second, the development and updating speed of Internet finance is very fast, and the product upgrading is very frequent. In addition to the basic payment and settlement, the lending, financial fund and insurance business based on the Internet is also very comprehensive, and the rural residents have not enough contact with Internet finance.

Even so, with the continuous development of China's overall Internet finance, the development of online payment, online trading platform and the construction of offline logistics network, rural Internet finance is also developing at a faster speed.

First, China's rural Internet finance is based on the mobile terminal payment. With the development of Alipay and WeChat's third party payment, rural residents gradually become familiar with the online consumption process and have a certain degree of trust in Internet finance.

Second, the prerequisite for the development of rural Internet Finance in China is the increasing number of Internet transactions. Only when the use scenarios of Internet finance are enriched and strengthened, can rural Internet finance become a flowing transaction River and the transaction channels of rural finance be widened step by step. In the development of many online shopping platforms, rural and remote areas can also enjoy products closer to first tier cities, and the price is also cheaper. Therefore, the development of rural Internet Finance in China benefits from the comprehensiveness of the whole shopping platform and logistics network to a great extent.

Third, China's rural Internet finance has been supported and guided at the policy level. For example, many Chinese banks have proposed agriculture related loans and green credit, and these special loan channels are often through two-way publicity offline and online. Rural residents benefited from online financial services, saw financial products related to their vital interests, and gradually liberalized their acceptance of Internet finance. Internet finance has seen China's vast rural market, and has gradually developed an appropriate product and service system in this process, step by step to solve the financial difficulties encountered by rural residents and meet the most urgent needs of rural residents for finance. Therefore, China's rural Internet finance has walked out of a unique development path.

3. PRACTICE MODEL OF INTERNET FINANCE IN RURAL CHINA

According to the participants in rural Internet finance, the rural Internet finance model is divided into three categories.

3.1. Rural Internet financial model represented by Internet e-commerce giants

The main service objects of these e-commerce platforms are rural e-commerce platform users. Its essence is that the e-commerce platform collects farmers' information with the help of Internet technology, uses its advantages of managing information flow, logistics and capital flow, establishes a risk control system, and provides small loans and supply chain financing for rural areas, such as Jingdong's "Beijing rural loan" [6].

With the popularity of a large number of clients, such platforms attract rural users, especially self-employed operators, to help such users open stores and operate online, and then intelligently approve the rural loan amount through the transaction data and financial data accumulated online, so as to help rural users obtain a faster and stable small loan. Such loans have successfully solved the financial difficulties faced by rural self-employed households. In the past, such customers had a very single channel in the process of seeking funds. If the qualification of rural self-employed households is not good enough, they can only borrow from relatives and friends, and even seek high-risk high interest loans. Rural self-employed households with good qualifications will seek loans from banks, but the standardization of bank loans is very high, they need to provide complete financial statements and other information, and the approval time is longer, which undoubtedly improves the threshold and cost of obtaining funds for rural users. Therefore, the emergence of e-commerce platform has solved the difficulties in the operation of such users at the initial stage and helped them expand their transaction volume. With the development of e-commerce platform, in the face of users' capital needs and the improvement of users' trust, e-commerce platform began to prepare to build financial service subsidiaries to provide financial service products for these users. The main characteristics of rural Internet finance of e-commerce platform are small, fast and highly bound to the platform account information.

3.2. Crowdfunding model of rural Internet Finance

The feature of the crowdfunding model is to determine the price before the transaction and remit it to the project investors to effectively solve the problem of

capital chain rupture during the production and processing of agricultural products [7]. In this mode, the final product can be used to repay the principal and interest directly, eliminating the sales link, reducing the cost and reducing the time of capital realization.

What they have in common is the use of Internet communication technology for financial services, but each has its own characteristics. Among them, the network credit consumption mode has less loan funds and limited service scope, while the supply chain financing mode has a large scale and amount of funds due to the cooperation with business entities related to leading enterprises. P2P mode classifies it according to whether there is mortgage and guarantee. Compared with the unsecured and unsecured model, the unsecured and secured model has stronger risk control ability, but the income is relatively low. The current P2P model has completely returned to zero because of its own defects. Crowdfunding model can be divided into incentive model and investment model according to different purposes of investors. The incentive model will get symbolic gifts or finished products in return after the project financing is successful, or even a donation behavior; The investment model is divided into two forms: loan model and equity model. The loan model promises that investors will get certain interest as compensation, and the equity model will get the equity of start-up enterprises.

3.3. online financial services represented by physical banks

The development paths of China's rural Internet Finance and urban Internet finance are similar to a great extent. With the rapid development of third-party payment platforms, physical banks also catch up and take online financial services as the key development direction. The development of rural Internet finance is inseparable from the support of offline physical banks. Especially for some people who are not skilled in online financial service operation, offline physical banks can well assist these customers and divert rural residents from offline to online.

4. DEVELOPMENT TREND, RESTRICTIVE FACTORS AND DEVELOPMENT PATH OF RURAL INTERNET FINANCE IN CHINA

It has developed rapidly and is still in the period of scale expansion. By December 2020, the Internet penetration rate in China's rural areas was 55.9%, an increase of 9.8 percentage points over March 2020; China's rural Internet users have reached 309 million, accounting for 54.72 million. The gap between urban and rural Internet penetration has gradually narrowed, and the speed of rural informatization is accelerating.

Meanwhile, in 2020, the national rural online retail sales increased from 180 billion yuan in 2014 to 1.79 trillion yuan, expanding 8.9 times. Among them, the online retail sales of agricultural products reached 575.1 billion yuan, a year-on-year increase of 37.9%, driving the rise in farmers' income in 832 poor national counties. More than 30 billion Express items were received and delivered in rural areas, accounting for more than 36% of the total express business in China. With the gradual improvement of rural network equipment, mobile communication and other infrastructure, farmers' awareness of Internet technology has significantly improved. Rural Internet finance will usher in more excellent historical opportunities as an effective way to realize inclusive finance.

The development trend of high quality is remarkable. Rural Internet finance has made preliminary progress at this stage, and the digital economy and informatization have played a significant role in promoting rural revitalization and development. In this way, around the main body of rural financial innovation, various favourable policies will be introduced, revised and improved. China's high-quality rustic Internet finance product has prepared an excellent policy support environment, risk supervision environment, and public opinion environment.

5. RESTRICTIVE FACTORS AND DEVELOPMENT PATH OF RURAL INTERNET FINANCE IN CHINA

The main restrictive factors for the development of Internet Finance in China are as follows: The rural Internet financial supervision system is not perfect. The traditional financial supervision system has been continuously broken through, resulting in more complex financial risk control.

In the past, the main restrictive factors for the development of rural Internet finance were transportation and logistics. If China's rural Internet finance does not have a large number of transactions as the premise, and rural residents do not have a large number of financing needs, then Internet finance is passive water and can not get long-term development. However, with the continuous development of China's transportation network and on this basis, the logistics network is fully spread and mature. Products and services thousands of miles apart are launched through the Internet. Therefore, the main constraints of the Internet have been solved.

But at the same time, the main factors restricting the development of China's network finance are: the rural network financial supervision system is not perfect. The traditional financial supervision system has been broken through continuously, resulting in more complex financial risk control.

The rural credit system is not perfect, while the development of Internet finance is very fast, and the relevant internet financial credit products still lack timely and effective regulatory measures. Due to their environment and conditions, rural residents use less relevant credit products and have less access to Internet Financial platforms. The accumulation of farmers' online transaction data is not enough. Although the popularity of rural Internet transactions has increased year by year, farmers' online transaction data is insufficient. The types of transactions are not rich, and the transaction trajectory cannot be effectively captured. There is a shortage of Internet financial talents in rural areas.

6. CONCLUSION

The development of Internet finance will aggravate the economic exclusion of people without computers and the Internet. It will be more disadvantageous to the vulnerable groups with low and old education. Given the current situation, this paper puts forward the ways to promote the development of rural Internet Finance in China: further, strengthen the supervision of rural Internet finance, strengthen policy support, and provide guarantee to meet the financial needs of farmers [8]; Further, establish a sound rural credit system to provide information support for the healthy development of rural Internet finance; Continuously promoting rural Internet financial publicity is of great significance to effectively promote rural economy; Accelerate the training of rural Internet Finance talents. As a new thing, the development of rural Internet finance needs rural subjects and Internet technology, and more requires compound skills with financial knowledge and Internet technology knowledge.

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