

The Development of China's Rural Finance under Rural Revitalization Strategy

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ABSTRACT

Under the rural revitalization strategy, rural financial demand has undergone new changes. The structural problems of rural finance have become more prominent. This paper analyzes the current situation of rural finance in China and discusses the shortcomings of rural finance. In order to promote the implementation of rural revitalization strategy, this paper puts forward suggestions on rural financial innovation and development.

Keywords: Rural revitalization strategy, Rural finance, Inclusive finance

1. INTRODUCTION

As the core of modern economy, finance is an indispensable key factor in China's agricultural and rural modernization. Finance is an industry that provides services for economic and social development. It is the essence and purpose of rural finance to serve the economic development of agriculture, rural areas and farmers. To realize the rural revitalization strategy, strong capital investment is needed. However, there is a big difference between urban and rural financial services. The capital gap in rural areas is still very huge. The difficulty of financing for rural residents and small and micro enterprises has not been effectively resolved. Therefore, how to take rural financial reform as a breakthrough, explore effective ways to stimulate rural financial vitality, and effectively promote agricultural supply-side structural reform, is the key problem to be solved urgently in the development of rural finance in China.

2. LITERATURE REVIEWS

There are many literatures on rural financial development in China. The research is also very comprehensive. Du Xin (2019) [1] believes there still exists some issues such as weak financing ability of agribusinesses, imperfect rural financial system, information asymmetry in rural financial market, etc. Wang Xiaoyin(2020) [2] thinks our country is in the transitional period from consolidating the effectiveness of poverty alleviation to fully implementing the rural revitalization strategy in the post-poverty era, generally

facing problems such as insufficient endogenous motivation for rural governance, urban capital repelling rural finance, and weak rural financial system. Xiao Ping, Zhang Yang(2019) [3] believe the government should provide more support for agricultural leading enterprises, strengthen their financial connectivity, solve the demand of rural economic development for financial capital, and optimize the efficiency of the resources allocation. Gong Guan(2021) [4] points out the crux of many problems in China's rural finance can be attributed to the fact that cooperative finance can't really be established. The fundamental reason lies in the contradiction between the independence of the grassroots cooperatives based on democratic management emphasized by the cooperative system and the government's dominance and control. Yu Chunmiao, Ren Changqing (2021)[5] think the policy implementation-led financial arrangement brings about obvious problems of whether the industry can develop sustainably, and demand-oriented financial support can ensure a smooth transition from poverty alleviation to a rural revitalization strategy. Liu Shijia, Wei Yafei(2020) [6] analyze the current situations and outstanding problems of rural financial development in Hei Longjiang province, and puts forward several countermeasures and suggestions. Cai Jinsong(2020) [7] points out the predicament of rural financial reform derives from the conflict of reform logic. Fan Fangzhi (2018) [8] thinks it is necessary to construct a differentiated supervision system of rural finance from the aspects of supervision objectives, supervision subjects and objects, supervision basis, rules and methods. Guo Lianqiang(2020) [9] believes it should seek a strategic approach to rural financial development based

on an accurate grasp of the changing trends in the rural financial development environment and situation in the new era and an organic combination of the spontaneous functional recovery of the market and government regulation.

3. THE PRESENT SITUATION OF RURAL FINANCE IN CHINA

Since the founding of the People's Republic of China, China's rural finance has experienced a tortuous process, and is developing continuously in the process of reconstruction and adjustment. It provides a media platform for capital circulation and exchange for rural economic development. With the development of rural commodity economy, the demand for rural finance is increasing day by day. The fifth Plenary Session of the 18th Central Committee of the Communist Party of China proposed to deepen the reform of rural finance and improve the financial institution system which consists of commercial finance, development finance, policy finance and cooperative finance.

The policy finance institutions include China development bank, Agricultural development bank of China. Commercial finance institutions include pawn shops, usury, microfinance institutions, Postal savings bank of China, Agricultural bank of China, the new financial institutions and other commercial banks. Cooperative finance institutions include rural credit cooperatives, family and friends leasing, co-insurance groups, non-governmental cooperatives and bidding associations, among which pawnbrokers, loan sharks, micro-credit institutions, family and friends leasing, co-insurance groups, non-governmental cooperatives and bidding associations belong to informal finance. Since the reform and opening up, the continuous adjustment and reconstruction of rural financial system has promoted the development of rural financial market. By the end of 2017, China's banking financial institutions had a total of 227600 commercial outlets, an increase of 8.5% compared with the end of 2013. The coverage rate of rural areas reached 95.99%. About 173 million rural households have established credit records. We have approved a total of 595 billion yuan worth of special financial bond issuance applications from 69 commercial banks.^[10]

4. THE CHANGES OF RURAL FINANCIAL DEMAND UNDER RURAL REVITALIZATION STRATEGY

4.1 Bigger financing scale is needed.

In recent years, large specialized households, family farms, farmer cooperatives and leading enterprises are growing into major forces in agricultural production. Compared with traditional farmers, they input more

factors of production. It will require greater amounts of financing from financial institutions. With the accelerated development of rural secondary and tertiary industries, more and more people in rural areas are engaged in agricultural products processing, commerce and trade circulation, leisure tourism and supporting services. The scale of their financing needs will be larger. Therefore, it is urgent to strengthen the strength of rural financial institutions through organizational innovation and provide more financial support for rural revitalization.

4.2 Longer Credit maturities is needed.

With the development of rural economy and society, the demand for medium-term and long-term credit for agricultural development and rural infrastructure construction increases substantially. The increase of fixed facility investment by large-scale operators has generated more medium-term and long-term financing needs. For example, agricultural leading enterprises need more medium - and long-term credit fund support to expand production scale, update technical equipment and increase storage and logistics facilities. Soil improvement, construction of standardized shelters, purchase of large or new machinery and equipment made by large growers and agricultural cooperatives, also need financial institutions to provide medium-term and long-term capital supply. The rural revitalization strategy has also put forward new requirements for the construction of rural infrastructure and public services, which also generated medium-term and long-term financing needs. China's rural areas will not only build more roads, water conservancy, communications, environmental protection, science, education, culture and health facilities, but also upgrade existing infrastructure and public service facilities. This will require a relatively large amount of medium-term and long-term funds. It is urgent to accelerate rural financial innovation to improve financing supply ability of financial institutions.

4.3 Diversified financial services are needed.

Under the rural revitalization strategy, the operating subjects and their operating scope in China's rural areas are increasingly diversified. Their demand for rural finance is not limited to the single financing, loan of traditional agricultural production. In addition to credit support and account management, they need more financial services such as market information, financial training, financial norms, risk management, investment banking, investment and financing. For example, agricultural leading enterprises market requires financial institutions to provide listing guidance and recommendation services. Agricultural cooperatives and large growers need insurance, futures and other financial services to avoid natural risk or market risk. The export

of agricultural products requires financial institutions to provide guarantee services such as letters of credit.

5. PROBLEMS EXISTING IN RURAL FINANCIAL DEVELOPMENT UNDER RURAL REVITALIZATION STRATEGY

5.1 The supply of rural financial resources is insufficient.

Firstly, there is a lack of credit-related agricultural financial products. Rural credit products are mainly innovated in the form of farmers' pledge and guarantee, and the innovation of small unsecured financial products for farmers' production and life is insufficient.

Secondly, the financial supply of new agricultural operation subjects is insufficient. The supply of financial products for farmers' cooperatives, family farms and other new agricultural economic organizations is seriously insufficient. The supporting system of the mortgage system of land management rights is still not perfect.

Thirdly, the coverage and risk management function of agricultural insurance products are limited, and there is a certain gap between the operation mechanism of agricultural insurance and the agricultural risk management function under the condition of agricultural industrialization and large-scale operation, while the absence of agricultural insurance directly leads to the aggregation of agricultural risks to rural financial risks.

5.2 The outflow of funds from rural financial institutions has inhibited the development of rural economy.

The credit environment in rural areas of China is generally lower than that in urban areas, mainly due to the information asymmetry of borrowers, loan misappropriation in civil society, and insufficient punishment for trust-breaking, which makes it difficult to produce public credit culture and system. Due to the lack of collateral and information asymmetry, farmers are often difficult to meet the mortgage requirements of financial institutions. Financial institutions prefer to invest in industries and regions with higher returns. The outflow of funds from rural financial institutions has inhibited the development of rural economy. So there is a big difference between urban and rural financial services. The capital gap in rural areas is still very huge. The difficulty of financing for rural residents and small and micro enterprises has not been effectively resolved.

5.3 The rural financial ecosystem is inadequate.

Firstly, the construction of rural financial infrastructure lags behind. Rural financial network

coverage is low. Farmers generally have low education level and lack of rural financial knowledge popularization. New payment methods such as mobile payment have been slow to spread.

Secondly, the credit investigation system needs to be improved. Due to the lack of financial information platform construction, credit rating and property information collection channels is not sound. So the rural credit investigation system and credit records need to be improved.

Thirdly, the development of rural financial guarantee system is not sufficient. The low level of agriculture-related financing guarantee is not enough to support the further expansion of rural financial credit scale. These companies that provide financing guarantee for agriculture-related industries generally have problems of weak risk control and high guarantee cost, which further restrict the growth of rural financial financing demand.

Finally, rural financial talents are lacking. Rural finance is generally short of innovative talents, scientific and technological talents and compound talents. At the same time, it also lacks the environment and platform to retain talents and train talents, resulting in the slow pace of innovation of rural financial products and services.

6. CONCLUSION

Under the rural revitalization strategy, China's rural financial reform has a long way to go. We should face up to many problems in the development of rural finance and promote the supply-side structural reform of rural finance.

(1) We should improve the diversified rural financial system. Under the rural vitalization strategy, we will develop new financial service institutions mainly serving rural areas. For example, village banks, small loan companies, rural capital cooperatives and so on. This will help solve the problems of low network coverage, inadequate market competition and inadequate services of rural financial institutions. In addition, non-governmental financial organizations should be standardized and transformed to cooperative finance institutions. We should also lower the entry threshold of rural financial market and promote the diversified development of rural financial institutions.

(2) We should innovate financial products and services meeting the needs of agriculture, rural areas and farmers. Rural financial institutions should adhere to market-oriented principles and innovate financial products and services that meet the needs of agriculture, rural areas and farmers. Firstly, we should expand the current amount of small loans to meet the needs of farmers. Secondly, we should establish and improve the evaluation, management and disposal mechanism of mortgage collateral, and expand the range of effective

collateral in rural areas according to the characteristics of rural areas. Thirdly, we should innovate the agricultural insurance system. To cope with frequent natural disasters, we should actively develop special catastrophe insurance systems and accelerate the establishment of policy-based agricultural insurance funds. Also, we should promote the commercial insurance system and try agricultural reinsurance market system.

(3) We should establish the differentiated rural financial supervision system. According to the financial development in different regions and conditions, we should establish the differentiated rural financial supervision system. Local regulatory authorities are allowed to formulate specific regulatory requirements in light of local conditions. Financial institutions should be regulated according to their size, whether they are involved in agriculture or not, and whether they are policy-based. Rural commercial banks, rural banks and other banking institutions will be subject to differentiated deposit reserve ratios, differentiated re-lending rates and differentiated risk tolerance.

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