



Research on the Development of Inclusive Finance in Heilongjiang from the Perspective of Supply Side Reform

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Abstract. The purpose of supply side reform is to promote reform and optimize China's existing economic structure problems, so as to optimize allocation, save resources and promote healthy economic development [1]. Inclusive finance itself has the characteristics of social security, and its smooth implementation is inseparable from the help of government policies. The core of supply side reform is to optimize resources and rational distribution. The two aspects are highly coordinated, integrated and promoted each other. Based on the understanding of supply side reform and the research on Inclusive Finance at home and abroad [2], this paper expounds the development status of Inclusive Finance in China, and probes into the reasons for the low coverage of Inclusive Finance in China. Then, taking the inclusive financial system of Heilongjiang Province as an example, this paper makes an in-depth analysis, finds out its existing problems and the causes of the problems, and puts forward constructive suggestions suitable for China's current situation in combination with China's development situation and relevant policies on the supply side, so as to promote the comprehensive construction of China's inclusive financial system and the healthy and orderly development of the national economy.

Keywords: Supply side reform · Inclusive financial system · Development path

1 Introduction

1.1 Concept

Supply side reform refers to optimizing the investment and financing structure, property right structure, product structure, distribution structure, circulation structure, consumption structure and other economic structures, so as to realize the optimal allocation of various economic elements and improve the quantity and quality of economic growth, promoting the healthy and sustainable development of the national economy and improving people's living standards. In short, supply side reform is to promote structural optimization through reform. The above proposed by General Secretary Xi Jinping was put forward on November 10, 2015 and emphasized at the twelfth meeting of the Central Financial and Economic Leading Group on January 26, 2016.

Inclusive Finance was put forward by the United Nations when promoting microfinance in 2005. Its significance is to provide effective financial services for the poor and low-income groups such as small enterprises while providing corresponding financial services for the rich and large enterprises, so that all sectors of society can also enjoy the opportunity of financial services.

Relying solely on the free development of market economy, it is difficult to achieve the development of Inclusive Finance. Because this kind of investment without profit space or huge risk cannot be implemented by financial institutions independently. Therefore, the realization of Inclusive Finance with security characteristics must depend on the implementation of policies [3]. Supply side reform provides new opportunities for promoting Inclusive Finance. The policy of supply side reform can readjust the economic structure, optimize resources, and allocate labor, capital, technology and other factors to rural poor areas. With these basic elements, poor rural areas can rapidly develop the economy, establish financial service outlets required by Inclusive Finance, cultivate professionals required by Inclusive Finance, improve the overall knowledge and cultural level of poor areas, and actively participate in Inclusive Finance.

1.2 Development Status of Inclusive Finance Under China's Supply Side Reform

(1) Farming village to be mainly borrowed by residents

By the end of 2015, China's rural population had reached 220 million, including more than 2.7 million large industrial households with operations of over 100 mu, 877,000 family farms of various types, more than 900,000 agricultural cooperatives and 308,700 agricultural industrialization organizations, including more than 100,000 leading agricultural industrialization enterprises at all levels and 2,087 leading agricultural industrialization enterprises nationwide. And there are tens of millions of rural small and micro enterprises and individual industrial and commercial households. It can be seen that there are many rural residents in China, and the demand for loans is also huge. The main way of their loans is through informal financial channels—personal friendship loans. With the gradual expansion of agricultural production scale, its productive loans have gradually become one of the needs of rural residents. Therefore, the demand for formal financial loans has gradually increased. However, in the past, due to the complex loan requirements and procedures of financial institutions, it was difficult for farmers' fields, housing and other fixed assets to become effective mortgages, and it was more difficult for rural residents to obtain loans.

(2) Other needs such as insurance and financial management increased

With the development of social economy, rural residents are closer and closer to the economic development outside the city, have more and more contact with financial affairs, and begin to contact capital investment such as insurance and financial management. In the past, the main working income of rural residents was relatively single. However, with the understanding of residents' financial knowledge and the increase of residents' income under the preferential agricultural policy, rural residents began to pay attention to the preservation and appreciation of funds and the capital income other than labor income, which increased the demand of rural residents for financial projects. Rural residents have insurance needs for crop sowing and output value. From 2010 to 2015, the annual growth rate of China's agricultural insurance was 23%. In 2015, the premium

income of agricultural insurance reached 30.7 billion yuan, ranking second in the world. However, the insured main agricultural crops still account for only 42% of the sown area of main crops in China, and the amount of risk guarantee accounts for only about 12% of the total output value of agriculture, forestry, animal husbandry and fishery, which is still a large gap compared with developed countries [4].

(3) Increase in outlets of rural inclusive financial institutions

Since the United Nations advocated microfinance and put forward the concept of Inclusive Finance, China has also been developing Inclusive Finance. In October 2009, the national township blank financial service promotion meeting of financial institutions was held in Guizhou. The CBRC clearly pointed out that it is necessary to continuously promote the integration of deposit, withdrawal, delivery, agency and loan of relevant financial services, realize the service of financial services to all levels, and solve the financing difficulties of small and medium-sized enterprises.

(4) General financial services have been continuously improved

China has made clear the relevant policies of the inclusive financial system. China has increased relevant outlets of Inclusive Finance in rural areas, which has promoted the development of Inclusive Finance. On this basis, rural inclusive financial services have been added to facilitate farmers' production and life. Relevant rural financial services not only increase ATM and other convenient withdrawal equipment, but also actively use network technology to provide villagers with safe and convenient new methods such as mobile client related services, online banking and mobile banking, and assign relevant staff to carefully and patiently explain relevant use methods and precautions to customers, so as to provide farmers with safe, reliable and high-quality financial services [5].

(5) Mutualinclusive Finance under the Internet

Today, with the Internet sweeping thousands of households, the so-called 365 banks are taking the Internet as an opportunity to seek development, and the financial industry is no exception. In 2014, there were more than 800 P2P platforms, with an annual total transaction volume of more than 250 billion, a year-on-year increase of 150%. It can be seen that P2P is developing rapidly. On June 10, 2015, the rookie of Internet Finance held a press conference and established the industry's first fund after bad debt, with a scale of 100 million yuan, which more comprehensively protected the rights and interests of investors and reduced overdue losses.

2 Development Status of Inclusive Finance in Heilongjiang

2.1 The Rural Payment System that Has Been Gradually Improved

Heilongjiang Province, as the focus of China's rural inclusive financial development, has a certain universality and representativeness, and the rural payment system has been gradually improved. Taking Qiqihar City, Heilongjiang Province as an example, rural credit cooperatives have invested 12.99 billion yuan in agricultural loans from 2012 to 2015. About 500,000 farmers in the city have received loans from credit cooperatives. In 2015, the province invested 1.67 billion yuan in rural microcredit loans, 10.37 billion yuan in household joint guarantee loans, including 369 income farmers in the province.

In addition to a large amount of capital investment, the means of payment in rural areas are also gradually improving [6].

2.2 Preliminary Development of Rural Credit System

From 2010 to 2015, the total amount of financial loans in the province was 769.65 billion yuan, including 38.46 billion yuan of rural loans, accounting for 5% of the total, amounted to 8.53 billion yuan, accounting for 1.11%. It can be seen that rural loans are relatively difficult. One of the important reasons for the difficulty of rural loans is that there is no perfect credit evaluation system, and financial institutions cannot determine the credit degree of repayment. The promotion of Inclusive Finance is bound to promote the establishment of rural credit system. At present, with the support of various departments and the government, Heilongjiang's rural credit system has been preliminarily developed [7].

2.3 Remarkable Achievements in Information Construction

With the continuous improvement of rural income in Heilongjiang and the promotion of relevant government departments in Heilongjiang, its information construction has achieved remarkable results. First, the number of fixed telephone, mobile phone and Internet broadband users of rural residents in Heilongjiang Province is increasing. In 2016, the fixed investment in rural communication industry in Hegang City, Heilongjiang reached 809 million yuan, an increase of 31% compared with 2015. The number of optical cable kilometers and 10,000 telephone traffic have increased. Second, the investment in hardware facilities of radio and television network platform is large, which enriches the information knowledge of farmers and residents. Thirdly, the construction of rural information network platform has developed to a certain extent, and information consulting stations have been established in villages and towns. Each station has a person in charge of relevant information, and they has realized distance education and training to continuously improve the level of relevant technical knowledge. In short, with the joint efforts of relevant departments in Heilongjiang, the achievements of rural informatization construction in Heilongjiang are very remarkable [8].

3 The Development Dilemma of Inclusive Finance in Heilongjiang from the Perspective of Supply Side Reform

3.1 Demand Side

1. Rural residents with no collateral

From 2012 to 2015, the rural credit cooperatives in Qiqihar City, Heilongjiang Province invested 12.99 billion yuan in agricultural loans. About 500,000 farmers in the city got loans from credit cooperatives. In 2015, the province invested a total of 1.67 billion yuan in rural microcredit loans and 10.37 billion yuan in household joint guarantee loans. However, due to the lack of qualified collateral for rural residents, many farmers still did not enjoy financial services, and the fixed assets of rural residents are

generally rural houses Land, which can not become an effective collateral stipulated by financial institutions. Once rural residents need large expenditures such as marriage and funeral, children's education expenses and building houses, it is difficult to obtain loans from financial institutions. Therefore, rural residents have no repayment collatera like personal estate, and low credit hinders the development of Inclusive Finance [9].

2. Residents lacking financial knowledge

From 2010 to 2015, the total amount of financial loans in Heilongjiang Province was 769.65 billion yuan, including 38.46 billion yuan of rural loans, accounting for 5%; Loans to township enterprises amounted to 8.53 billion yuan, accounting for 1.11%. It can be seen that rural loans are relatively difficult to get. The reasons include the lack of financial knowledge of rural residents, the inconvenient transportation and information of rural residents due to their geographical location, scattered living places, and their dependence on fields for production and life, and the inability of rural residents to popularize higher culture and education to all villages and towns. Therefore, the cultural level of rural residents is generally low and it is not easy to try new things. As the main body of inclusive financial services, rural residents do not recognize Inclusive Finance, let alone financial institutions provide relevant financial services, which is a problem that can not be ignored when inclusive finance goes deep into rural areas.

3. Financing difficulties of small and medium-sized enterprises

As we all know, financial institutions have many evaluation mechanisms in terms of housing loans, and have detailed evaluation criteria for the financial reports, credit conditions and guarantee conditions of the lending objects. However, in the fierce market economy, due to the small assets and poor guarantee ability of small and medium-sized enterprises, the amount of loans in various financial institutions is not large, or are unable to obtain loans. For some financial institutions with imperfect qualifications, they are willing to take greater risks to lend to small and medium-sized enterprises, but at the same time, their loan interest rate is very high, which makes the small and medium-sized enterprises that are already short of funds bear a more moderate financial burden. Today, in the capital era, the development path of small and medium-sized enterprises is very narrow and difficult. Therefore, the problem of difficult loans and high interest rate for small and medium-sized enterprises has become a major obstacle to their further development.

3.2 Supply Side

1. Single payment, settlement of financial institutions and lacking of outlets

In 2016, the fixed investment in the rural communication industry in Hegang City, Heilongjiang Province reached 809 million yuan, an increase of 31% over 2015. Rural areas do not have the hardware infrastructure required by financial institutions to provide financial services, and their bank outlets can not cover every village and town. Therefore, in order to realize inclusive finance and provide financial services for poor areas, it is necessary to invest new funds, which is a huge expenditure and burden for financial institutions to calculate costs. In short, the single payment and settlement method and the lack of bank outlets are one of the difficulties in realizing Inclusive Finance.

2. Risk prevention, control of financial institutions and lacking of credit system

Due to the restrictions of production and life, the income source of rural residents is single and extremely unstable. Houses and land with fixed assets cannot become effective collateral. Therefore, once the financial institutions provide financial services for loans, their financial institutions cannot ensure that rural residents can repay in time and effectively. Once rural farmers escape due to natural and man-made disasters, financial institutions will bear huge financial risks. Therefore, the lack of relevant technology and data to establish a credit system, and the inability to establish an effective credit system is also a stumbling block to the development of Inclusive Finance. In short, the lack of risk prevention and credit system is a problem that must be solved in the development of Inclusive Finance.

3. Regional and conditional restrictions of the country

Due to the biased geographical location, poor areas have relatively single income source, poor income-generating capacity, relatively small number of consumers, and poor consumption capacity. Simply put, poor residents have no money in their hands, and the funds of government departments are not enough. To achieve the development of Inclusive Finance, funds are indispensable. Due to geographical constraints, financial institutions cannot invest more funds in densely populated areas, leading to low profit margins, increased costs and waste of funds. Due to the limitations of their own conditions, poor areas do not have enough electronic equipment and science and technology, and rural residents do not have enough knowledge to deal with financial services, leading to the stagnation of Inclusive Finance. All in all, due to the geographical and condition constraints in poor areas, the next step in the development of Inclusive Finance cannot be realized.

3.3 Financial Resources Cannot Be Allocated in Time

The timely allocation of financial resources by relevant government departments is the basis for the establishment of inclusive financial system. First of all, although China has clearly defined the strategy of supply-side reform, there is still no specific policy for the specific implementation of Inclusive Finance, and financial institutions cannot actively complete the strategy of high cost, low profit and high risk. The realization of Inclusive Finance will help to improve China's comprehensive national strength and achieve common development. This system with security characteristics needs the full support of the national government to develop. Secondly, the rural credit guarantee system, rural insurance system and other systems suitable for rural development are not perfect, there are no relevant regulation. Market development is chaotic, hindering the development of inclusive finance. In short, the development of Inclusive Finance lacks the standardization and guarantee of relevant government financial resources.

4 Policy Suggestions on the Development of Inclusive Finance in Heilongjiang from the Perspective of Supply Side Reform

4.1 Residents and Small and Medium-Sized Enterprises

1. Enhance the ability of financial participation

Rural residents live under great pressure and blindly earn money to support their families. For rural residents, it is necessary to spread their knowledge in place, provide them with interest-free loans temporarily, and help them find projects to get rich. Only when they feel that the income of economic leverage brought by funds can they be recognized by rural residents, so as to actively understand and learn relevant financial knowledge. For small and medium-sized enterprises, we can lower the tax rate and provide loans, so that they can have enough funds and energy to invest in product innovation while developing production, so as to promote the next step of expanding reproduction of small and medium-sized enterprises.

2. Strengthen credit awareness

When participating in financial activities, rural residents and SMEs should continue to emphasize and promote the importance of credit. For rural residents, we should publicize and pay attention to the legal nature of the contract. Once they breach the contract, the corresponding liability for breach of contract should be assumed and repaid the loan in time. If they fail to repay or escape the loan on time, credit rate in the credit rating will be reduced and the corresponding legal liability will be assumed. For small and medium-sized enterprises, we should also strengthen their credit awareness. When facing capital turnover in the development, small and medium-sized enterprises can rely on good credit loans to help them tide over the financial crisis and develop healthily and orderly. However, if there are credit problems, they may not be able to raise funds for their future development, which will affect the next round of expansion of reproduction and even lead to bankruptcy and liquidation of enterprises for the shortage of operation fund [10].

4.2 Financial Institution Level

1. Increase the coverage of financial infrastructure in rural areas

The in-depth development of Inclusive Finance is inseparable from the establishment of financial institutions. At this stage, the main problem is the low coverage of rural financial infrastructure, but financial institutions pursue profit space. Setting up too many financial service institutions in rural areas violates the characteristics of profit-making. Therefore, expanding the coverage of rural financial infrastructure depends on the support of policy banks.

2. Promote the innovation of rural financial products and services

At this stage, the financial products and services that rural residents are exposed to are mainly deposit withdrawal, but such financial products and services are single, wasting too many resources and inefficient. Therefore, in order to allow rural residents to fully enjoy rural financial products and services, financial institutions must continue to innovate financial products and services and establish a more improved and diversified financial service system.

4.3 Government Level

1. Promote the development of rural economy and improve the income level of farmers

The foundation of HP financial system is the growth of rural material level. Only a certain economic foundation can provide corresponding machinery and equipment while HP financial system is established, allowing rural residents to actively understand and enjoy financial services, and retain younger and middle -aged migrant workers in rural areas. Therefore, relevant government departments should promote rural economic development and increase farmers' income levels [11]. First of all, the government can effectively integrate land resources to achieve large-scale, mechanized, and scientific production, thereby improving production efficiency and increasing income brought by land to farmers. Secondly, the government should introduce science and technology, expand the tertiary industry, increase employment and solve the problem of low per capita income caused by too much labor on the land. Third, in order to support agricultural enterprises, in addition to working on land, we should also sell agricultural products smoothly to achieve one-stop services to increase the employment and income of rural residents.

2. Narrow the regional development gap and realize the balanced development of Inclusive Finance

China's rich and developed areas can enjoy financial services in the early stage of development. Therefore, the main class of inclusive financial services is poor and remote farmers. Due to the limitations of geographical location and conditions, the level of economic development in these areas is relatively low. China's eastern coastal areas are developing rapidly, but the economic gap between the central and western regions is still large. Therefore, to realize the balanced development of Inclusive Finance, we should narrow the gap in development among regions.

3. Guide Internet Finance and strengthen technology support for Inclusive Finance

Guiding Internet Finance in rural areas and relatively poor areas can not only reduce the cost of establishing physical financial institutions, but also promote the promotion of financial services. Of course, this requires the government to prepare before guidance. The first is to improve relevant technologies, improve the security and reliability of the website, and constantly optimize security measures such as firewalls to prevent criminals from taking advantage of opportunities [12]. Secondly, formulate an Internet financial regulatory system, such as P2P Internet finance [13]. Therefore, the Internet regulatory system should be formulated to clarify the risks that relevant subjects should bear, and clarify the use of financing projects and capital flows. Only by standardizing the relevant Internet operation processes in detail can rural residents use Internet finance, thereby promoting the establishment of an inclusive financial system.

4. Increase the popularization of rural financial education

The reason why Inclusive Finance is struggling in rural areas is that there are too few service outlets of relevant financial institutions. This comes from the lack of financial knowledge of rural residents. Therefore, we must first make the main body of inclusive financial services, besides, rural residents have a correct understanding of financial services. Government agencies should not only set up sufficient hardware facilities, but also fully publicize and educate the implementation of Inclusive Finance.

5 Conclusions

Through a detailed understanding of the concept and background of supply side reform and inclusive financial system, this paper studies the correlation between supply side reform and inclusive financial system, expounds the development status of Inclusive Finance in China, and takes the universal and representative Heilongjiang Province as an example and the development of its rural financial system as an example to describe the preliminary development of rural credit system, the preliminary development of rural credit system and the gradual improvement of payment system and remarkable achievements in information construction. Then, from the perspective of supply side reform, this paper points out that the difficulties of China's inclusive financial development from the two aspects of demand side and supply side, and also puts forward relevant suggestions on the development of Inclusive Finance from the three aspects of government and supply side reform, including financial institutions and residents' small and medium-sized enterprises.

First of all, the government level should narrow the regional development gap, realize the balanced development of Inclusive Finance, guide Internet finance to strengthen the support of technology for Inclusive Finance Increase the popularization of rural financial education, promote rural economic development and raise the level of farmers' income. Regarding financial institutions, we should increase the coverage of financial infrastructure in rural areas and promote the innovation of rural financial products and services. In terms of residents and small and medium-sized enterprises, we should enhance credit awareness and enhance the ability of financial participation. In short, the establishment of an inclusive financial system from the perspective of supply side reform is very conducive to narrowing the gap between the rich and the poor, reducing class differences and achieving common development.

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