



Difficulties and Development Path of China's Rural Green Finance System

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Abstract. China's economic development has entered a new stage, focusing on coordination and balance between the economy and the environment. How to construct the rural green financial system has become an important issue. This paper analyzes the positive impact of the development of China's rural green financial system, discusses the difficulties faced by China's rural green financial system, and puts forward development suggestions.

Keywords: Green finance · Rural finance · Green credit

1 Introduction

As China's overall economy enters the new stage, more and more emphasis is placed on sustainable economic development, especially on the coordinated balance between economy and environment. Green finance is bound to become an irreversible trend in China's financial development. Unlike cities with a complete set of environmental protection supervision system, rural villagers generally lack awareness of environmental protection and are more vulnerable to environmental pollution. The establishment of a green financial system can protect the rural living environment. Therefore, compared with cities, rural areas may need more support from green finance. In 2018, China put forward the rural revitalization strategy, and how to build a rural green financial system has become an important development trend. The development of green financial system in rural areas will help rural areas to give priority support to the development of organic agriculture, ecological agriculture and related industries in terms of resources and environment, ecological protection, energy saving and efficiency enhancement, resource recycling and utilization.

2 Review

The research on green finance originated from abroad. Green finance is initially analyzed from the perspective of economic growth and risk management. After the 19th National Congress of the Communist Party of China, more and more studies have been conducted on the green financial system in rural China. The main research results are as follows:

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Chang Yongjia [1] believes that green finance provides sufficient funding guarantee for the high-quality development of rural economy, which is also a new opportunity for the high-quality development of rural economy. How to give full play to the role of green finance in supporting the high-quality development of rural economy and choose the realistic path in line with the actual situation will become the focus and difficulty in the new era. Ma Jun et al. [2] believe that the coordinated development of green finance and inclusive finance can effectively promote the development of green agriculture and improve the financial availability of agriculture, rural areas and farmers while improving the environment and reducing carbon emissions. At present, China faces some obstacles in financial support for green agriculture development, which requires the cooperation of agricultural authorities, financial regulators, financial institutions and local governments. Chen Yanyan [3] believes that green finance is guided by the concept of green development and plays a direct guiding and motivating role in the green development of agricultural enterprises. Under the influence of green finance policies, green industries in rural areas develop rapidly, and enterprises engaged in green production face new development opportunities. Green finance not only changes the external environment of rural enterprises, but also promotes the transformation of their internal management mode, which is reflected in the introduction of green financial management concepts and methods and the enhancement of risk management awareness, which has a positive impact on improving the core competitiveness of rural enterprises. Zuo Zhenglong [4] believes that the dynamic mechanism of green financial innovation serving rural revitalization fits the general theme of green development. Green financial innovation can effectively promote industrial prosperity, brew civilized local customs, realize effective governance and create livable ecology, and ultimately achieve prosperity. Wang Sichun and Xu Xuefang [5] believe that in the process of rural revitalization, the contradiction between supply and demand of financial resources is acute due to the influence of various factors. It is not only the lack of total amount, but also the lack of integration and synergy of existing products. Financial institutions should enhance their awareness of green services, optimize the allocation of financial resources and strengthen government guarantee measures so as to effectively connect green finance with rural revitalization. Wang Jinyi [6] believes that green finance has become the new direction of current financial reform. The government must take the first step by implementing mandatory institutional changes, planning top-level design, setting up green assessment platforms, and promoting villagers' participation in environmental protection to ensure that the green finance system is fully implemented in rural areas. Yang Lin and Zou Jiang [7] explored the internal mechanism of green finance promoting rural revitalization from three perspectives: sustainable prosperity of rural industries, rural ecological environment governance and improvement of rural financial system. Solve the problems found in the study, such as the absence of policy guidance for rural green finance, the failure of financial institutions to innovate and form green finance product lines from the perspective of industrial chain, and the coexistence of supply and demand exclusion of rural green finance. Wang Bo and Zheng Liansheng [8] believe that the scale of rural green industry in China is huge, but the supply of green finance is obviously insufficient. Against the backdrop of vigorous implementation of the rural revitalization strategy and the growing trend of green development, it is timely to develop green finance. As an

important innovation force and driving force of green and sustainable development in rural areas, green finance can help the implementation of rural revitalization strategy to a great extent by coordinating and mobilizing social capital to support green industries in rural areas. Zhang Li [9] believes that China's current economic development has entered a new normal and its development model will also enter a transition stage. The construction of ecological civilization depends on green finance to provide assistance. With the acceleration of the construction of ecological civilization, the development of green finance will also usher in new opportunities. He Guangwen [10] explained the concept of green finance, analyzed the origin of green finance and the development of green finance at home and abroad, discussed the demand and supply subjects of green finance, and put forward suggestions on the construction of green financial service mechanism [10].

3 The Positive Influence of China's Rural Green Financial System Development

3.1 Green Finance Contributes to the Development of Rural Industries

For a long time, the rural financial market is seriously lacking, the market effective supply is insufficient, the business type is primary, "financing is difficult, financing is expensive, financing is slow" problem has become an important bottleneck restricting the development of rural economy. Green finance can help alleviate the problem of insufficient investment in agriculture. Green finance not only requires capital to flow to the fields of ecological friendliness and environmental protection, but also requires that in the process of using capital for production, attention should be paid to the consumption of resources and the improvement of overall benefits. Therefore, green finance is needed for the rapid growth of emerging agricultural forms such as ecological agriculture, smart agriculture and low-carbon agriculture, which can effectively promote the development of rural industries and facilitate the innovation of rural enterprises.

3.2 Green Finance Contributes to the Improvement of Rural Ecological Environment

At present, the pollution caused by the extensive traditional agricultural production and the transfer of foreign polluting industries in the vast rural areas has gradually highlighted the rural ecological environment problems, and caused huge economic losses and potential health risks. Rural areas lack ecological infrastructure, especially garbage and sewage treatment facilities. Farmers' awareness of ecological environmental protection and governance is still relatively weak. Green finance is conducive to strengthening rural environmental governance. For example, green finance can promote the construction of rural ecological environment management facilities, effectively control farmland pollution and breeding pollution, promote the development of ecological circular agriculture, and promote the effective utilization, protection and sustainable utilization of cultivated land resources.

3.3 Green Finance Contributes to the Improvement of Rural Financial System

Because of the low level of rural economy and the scattered production organization, rural finance is still facing great development difficulties after several reforms. Compared with the level of urban financial development, it is obviously backward. Under the guidance of central policy, the future competition and cooperation of rural financial market will revolve around green financial market. Green finance is expected to become a new growth point of rural finance. Through the implementation of green financial policies, promote the transformation of agriculture-related financial institutions, which is conducive to the improvement of rural green financial system.

4 Difficulties in the Development of China's Rural Green Financial System

4.1 The Contradiction Between Supply and Demand of Rural Green Finance Is Prominent

There is still a large funding gap for green ecological development in rural China. Rural financial ecological infrastructure construction, ecological circular agricultural infrastructure construction and rural scientific and technological development need a large amount of funds, resulting in a strong demand for green finance. However, the fund supply of rural financial institutions is difficult to meet the corresponding demand. The main reasons are as follows: (1) rural financial institutions are small in scale and characterized by implementing small-scale loans. However, the existing domestic green financial products are generally large in scale, which is inconsistent with the existing business characteristics of rural finance. New energy vehicles, green transportation and other business items are difficult to develop in rural areas. Green bonds involve national underwriting and issuance, and generally can only be undertaken by large agricultural financial institutions such as Agricultural Bank of China, Postal Savings Bank of China and Agricultural Development Bank, while ordinary rural commercial banks and credit cooperatives cannot get involved. As for carbon finance business, rural financial institutions are even more difficult to carry out. Therefore, the existing green financial products are difficult to adapt to the rural financial environment. Rural green finance business needs innovation. (2) A large proportion of deposits in rural financial institutions come from farmers. Farmers have strong seasonal characteristics when using funds. Therefore, rural financial institution loans have obvious short-term characteristics. However, green finance projects tend to be long-term loans, and rural financial institutions are difficult to adjust the term structure of funds, facing the risk of capital mismatch between short deposit and long loan.

4.2 The Supporting Policy Mechanism of Rural Green Finance Is Not Perfect

Rural credit system is the bottleneck restricting green financial investment. The reason is that the rural business subjects lack the consciousness and ability to repay debts on time, resulting in a high bad debt rate of rural investment projects for a long time, which makes financial institutions have investment concerns and appear the phenomenon of

“reluctance to lend”, which seriously affects the breadth and depth of green finance. In terms of credit investigation, commercial banks directly collect relevant information of environmental protection departments and incorporate it into the credit investigation system of the Central Bank. This kind of sharing is cheap, but the information is not effective enough. Because the assessment process of environmental protection departments will be subject to the interference of local governments, resulting in information distortion and lag. Moreover, the applicable standards of green finance credit audit and environmental assessment of environmental protection department are different. The credit investigation in rural areas is more complicated than that in cities, and the cost of credit investigation is difficult for small rural financial institutions to bear.

4.3 Rural Subjects Have Insufficient Understanding of Rural Green Finance Development

Farmers are relatively poorly educated and find it difficult to realize the importance of green development. Most rural enterprises are small and micro enterprises. They excessively pursue operating profits and are reluctant to develop and promote green production technology considering cost, income and risk. Rural financial institutions have insufficient understanding of the social value of green finance. Rural finance is originally characterized by high risks and low returns. In addition to the constraints of green finance, rural financial institutions worry that green credit standards will affect their own economic interests, so they are not enthusiastic about introducing green finance.

4.4 Rural Financial Institutions Lack Green Financial Talents

Lack of green finance talents is the main obstacle to the development of green finance in rural areas. The effective development and promotion of green finance needs a large number of complex green finance talents as support. Green finance talents need not only financial knowledge, but also awareness and professional knowledge of environmental protection and green development. Limited by their own strength, rural financial institutions have not yet established professional green finance departments. Environmental assessment is completely outsourced to environmental protection departments, making it difficult to recruit green finance professionals. The scarcity of rural green finance talents directly affects the development process of rural green finance. In the future, cultivating compound talents with green finance knowledge will become an important part of the development of rural green finance system.

5 Conclusions

China's rural green finance system is still in the initial stage of development, facing many difficulties. With the development of green finance in China, the rural green finance system should focus on the following aspects:

- (1) We should improve the policy system for rural green finance development. Guidelines on rural green finance policy, guidelines on rural green credit catalogue, agricultural environmental protection standards, environmental friendly rating standards for rural green projects, etc., and unified definition of green agriculture accreditation standards; At the same time, differentiated interest rate policies and credit policies will be implemented for financial institutions engaged in green financial services to encourage financial institutions to participate in rural green financial services.
- (2) We should accelerate innovation of green financial products in rural areas. We should explore the innovation of green credit products based on rural property rights and improve the proportion of rural green credit. We should expand financing channels for rural green industries and speed up the issuance and listing of green bonds. Also, we should accelerate the development of rural green insurance and carbon finance.
- (3) Financial regulators should strengthen green credit supervision mechanism and mode innovation, and establish differentiated supervision system. The tolerance of green credit risk should be increased, and the assessment standard of business risk should be appropriately lowered. Green financial institutions can also be encouraged to allocate capital and credit to sustainable sectors of the economy through sound and scientific regulatory policies.
- (4) We should carry out extensive green financial education and cultivate green financial consumers. It will be good to improve the understanding of ecological and economic benefits in rural areas. We should promote the construction of rural green finance information platform and cultural public opinion, and cultivate green finance consumers.

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