



The Development Path of Rural Industry Integration Driven by Fintech

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ABSTRACT

Rural industry integration is a complex and systematic project, which needs strong financial support. Fintech has broken the business model of traditional finance, increased the selectivity of financial services, and played an increasingly important role in the integration of rural industries. The paper analyzes the positive role of fintech in rural industry integration, discusses the problems faced by the development of rural fintech, and puts forward development suggestions.

Keywords: Fintech, Industrial integration, Rural finance

1. INTRODUCTION

The integration of rural industries expands the possibility boundary of agricultural production. It is the primary choice of agricultural modernization in developed countries in the world. Under the background of coordinated development between urban and rural areas, it is a strong starting point and an important driving force for China to break through the constraints of agricultural resources and environment. Industrial integration includes vertical integration of major links such as grain production, deep processing of agricultural products, brand building and modern marketing, and horizontal integration of fine agriculture and tourism ecological agriculture by introducing advanced management mode and new and high technology. It is conducive to the scale and modernization of China's agriculture and improve agricultural comparative benefits. Moreover, it is conducive to the upgrading of agricultural production and consumption demand, the better connection between small farmers and the large market. Under the background of deepening division of labor and rapid progress of information technology, fintech plays an increasingly important role in rural industry integration to promote high-quality integrated development of rural industry.

2. LITERATURE REVIEW

Scholars have studied the characteristics, difficulties and paths of rural industry integration. The main achievements are as follows:

Zhang Yue (2021) found that there was a significant positive correlation between the development level of digital inclusive finance and the integration level of rural industries. The development of digital inclusive finance promoted the integration process of rural industries.^[1]Zhang Lin and Zhang Wenqing (2021) believe that the integrated development level of inclusive finance and rural industry in China is generally low. The coupling coordination degree of inclusive finance and integrated development of rural industry in most provinces is barely coordinated or moderately coordinated. The coordination state of the two systems is mainly reflected in the relatively lagging of inclusive finance.^[2]Hao Yuchen (2021), from the perspective of rural financial science and technology innovation, discusses the influence mechanism and promotion mechanism of rural financial science and technology innovation on the integrated development of rural three industries in combination. Then it provides development suggestions for accelerating the construction of China's rural three industry integration system.^[3]Fu Qiong and Guo Jiayu point that the application of fintech in rural inclusive finance also faces difficulties: the threshold effect caused by the lack of network infrastructure, market environmental and institutional constraints, ceiling effect caused by limitations such as application scenarios, customer scope and business tolerance and multiple risk effects such as technology, data and network, as well as systemic risk and diffusion, etc.^[4]Fang Yixia (2020) believes that with the transformation of economic development mode and the continuous upgrading and optimization of industrial structure, the traditional integrated development mode of

rural industries shows its disadvantages. The main task under the current situation is to eliminate its disadvantages so that the integrated development of rural industry to show vitality again. Through the analysis of its current financial difficulties, we should find out the innovative way of its current development. ^[5]He Hongqing (2020) believes that due to the limitations of traditional finance and the imperfection of digital finance, new financial difficulties arise in the integrated development of rural industries. Therefore, it is necessary to strengthen the construction of rural digital finance infrastructure and improve the coverage of rural digital finance. We should promote the digital transformation of commercial banks and increase support for the integration of rural industries, build a digital financial credit investigation platform to create a good rural industry integration financial ecology, attach importance to digital financial supervision, effectively prevent and control financial risks in rural industry integration, and strengthen digital financial education and enhance the financial literacy of rural industry integration subjects. ^[6]Li Xiaolong and Ran Guanghe (2020) found that regional differences in rural financial deepening degree. Rural human capital level and transportation infrastructure level are important reasons for regional differences in the impact of rural financial deepening on the integrated development of rural industries. ^[7]Wang Jiao et al. (2020) explored new ideas of financial support for the integrated development of rural three industries according to the actual situation of rural Liaoning province. He proposed the establishment of township collective joint-stock enterprises through crowdfunding, the innovation of traditional agricultural insurance operation service mechanism, and the innovation of fund precise positioning service mode of inclusive finance. ^[8]Taking Suzhou city as an example, Wang Sibing (2017) made a study and summarized the existing problems and put forward relevant countermeasures and suggestions based on the in-depth analysis of the practice of financial support for the integrated development of industries in Suzhou rural areas. ^[9]Luo Xiao (2014) conducted an empirical study on rural financial innovation in the central region based on the basic data of six provinces in the central region and obtained the relationship between rural financial innovation, financial support and agricultural industry development in the central region. On this basis, he proposed the path selection for the connection between rural financial innovation and agricultural development in the central region. ^[10]

3. THE MECHANISM OF FINTECH DEVELOPMENT ON RURAL INDUSTRY INTEGRATION

3.1 Fintech reduces the cost of rural industrial integration.

With the continuous improvement of financial technology innovation, the transaction cost of industrial integration has been greatly reduced. All kinds of production resources can reach rural areas directly through fintech channels, which is conducive to giving full play to the effects of rural industrial integration of economies of scope and scale and improving the integration efficiency. Through the fintech platform, participants in agricultural operation contract, prepayment financing application, interest distribution and other businesses can greatly reduce the storage and circulation time of agricultural products. Transaction costs such as search for agricultural products and return and exchange costs have been greatly reduced.

3.2 Fintech helps reduce information asymmetry.

Fintech enhances information transparency through technologies such as blockchain, big data, cloud computing and artificial intelligence. Participants of industrial convergence can grasp financial information in a timely, accurate and effective manner. Blockchain's distributed accounting, multi-node consensus mechanism, asymmetric encryption and smart contract technologies are distributed, untrusted, immutable, value transferable and programmable. In the integration of agricultural planting and breeding, harvesting and processing, logistics and storage, sales supervision and other industries, digital technology can solve the difficulties of low reliability, information asymmetry and difficult benefit distribution that restrict the improvement of quality and efficiency of traditional industry integration, which is beneficial to reshape the trust relationship of industrial integration.

3.3 Fintech increases the diversified supply of capital.

Rural industry integration development has different financial needs. Due to the extension of complementary industries and the continuous penetration and integration of high and new technologies, various development subjects will have diversified financial demands. The traditional rural loan business variety is single and the loan is difficult, which cannot meet the capital needs of the integrated development of rural industries. Fintech uses mobile Internet, big data, block chain and other technologies to ease the credit constraints in rural areas and increase the diversified supply of funds for the integrated development of rural industries.

4. DIFFICULTIES IN THE DEVELOPMENT OF RURAL FINTECH

4.1 There is insufficient information technology infrastructure in rural areas.

The development of fintech should be supported by a strong information foundation. The lack of rural information management platform support, modern financial technology is difficult to promote. Especially in the rural areas of economically backward areas, the investment in rural information technology infrastructure is insufficient. Farmers not only lack information awareness, but also lack necessary scientific and technological awareness, and their acceptance and recognition of financial big data technology and other new things are low.

4.2 It is lack of financial product innovation in rural areas.

There are great differences in the financial demands of the integrated development of rural industries, which determines that financial institutions should constantly innovate rural financial products. The characteristics of scale, specialization, intensification and marketization of new agricultural operation subjects are increasingly prominent. There are new demands on financing amount, financing term and financing prescription. The short-term small loans provided by the existing financial institutions with single varieties and harsh loan conditions can hardly meet the needs of the development of the new agricultural operating subjects.

4.3 The cooperation efficiency of financial institutions is low in rural areas.

Banking financial institutions lack connections with other financial institutions, which restricts the development of agricultural industry integration. At the same time, credit risks affect the enthusiasm of guarantee institutions. Financial institutions related to the integrated development of agricultural industry do not form effective cooperation on risks and benefits.

4.4 There is insufficient financial infrastructure in rural areas.

Rural fintech development depends on rural financial infrastructure. In view of the reality of China's rural development, there are widespread problems such as unbalanced distribution of financial institutions' outlets and inadequate competition in financial services in rural areas, especially in the central and western regions. As a result, rural fintech lacks the way and carrier of product innovation and is difficult to promote the development of industrial integration.

4.5 The rural credit system has not been perfected.

The backward development of China's rural credit system leads to the lack of credit support in the integration of rural industries. Without perfect relevant laws, the construction of rural credit system cannot be guaranteed by law. Due to the backward development and inadequate education level in rural areas, farmers' credit consciousness is weak. As an important part of the construction of rural credit system, the lack of credit rating standards has caused great obstacles to the construction of the whole credit system.

5. CONCLUSIONS

After many years of development, China's rural credit system has achieved obvious results and accumulated a lot of experience. However, due to the particularity of rural economy, China's rural credit system is still facing many shortcomings. In the future, China's rural credit system should focus on the following aspects:

Rural industry integration is a complex and systematic project, which needs strong financial support. It breaks the business model of traditional finance and increases the selectivity of financial services. In order to better play the positive role of fintech in rural industry integration, it should be strengthened as follows.

(1) We should improve the coverage of rural fintech. With the development of network and information technology, the application of information technology in the integration of rural industries is becoming more and more extensive. We should accelerate the digital and intelligent transformation of rural infrastructure to lay a solid foundation for the integrated development of rural industries. We should enhance the sharing of digital financial infrastructure, accelerate the development of broadband communications networks, mobile Internet and digital television networks in rural areas, and significantly upgrade the level of digital financial network facilities in rural areas. We should develop information terminals, technical products and mobile Internet application software to adapt to the integrated development of industries, and constantly improve information terminals and service supply.

(2) We should speed up the construction of rural credit system. To promote the integrated development of rural industries, we must speed up the construction of rural credit system. We should strengthen rural credit system related system construction. Under the framework of credit investigation laws and regulations, the government should formulate relevant rules and regulations for rural credit system construction, so that the collection, processing, management, use, disclosure and credit rating of peasant household information can be standardized according to law. We should strengthen

the publicity of rural credit. Relevant departments should carry out various forms of financial basic knowledge and credit knowledge publicity in rural areas to enhance farmers' credit awareness. We should establish a scientific and reasonable peasant household credit evaluation mechanism and reward and punishment mechanism, carry on a reasonable evaluation of peasant household credit status, and organically combine positive credit incentive with punishment for dishonesty.

(3) We should establish a multi-tiered financial service system. Since there are many small, medium and micro enterprises related to agriculture, the national policy should be inclined to small and micro enterprises related to agriculture. We will make full use of fintech, break restrictions such as asset mortgage and inventory mortgage, innovate financial derivatives, and lower the financing threshold for agriculture-related enterprises. We will encourage policy banks, commercial banks, insurance companies, fund companies, trust companies, small loan companies, financial leasing companies and other financing entities to enter the agricultural sector through interest and tax subsidies.

(4) We should improve farmers' financial literacy. Farmers lack basic financial knowledge, digital technology knowledge and intelligent equipment operation ability. This seriously hinders the integrated development of agricultural industry. Commercial banks may, in conjunction with county and township governments, organize various digital technology basic knowledge and financial basic literacy training at all levels to publicize the characteristics and possible risks of fintech to farmers and small and micro agriculture-related enterprises.

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