



The Mechanism and Development of Internet Finance Promoting Rural Economy

Liping Zhu^{1,*} Xubiao Yang²

^{1,2}School of Air Transportation, Shanghai University of Engineering Science, Shanghai, 201620

*Email: zlp_sues@126.com

ABSTRACT

With digital information technology, internet finance provides financial support for rural areas, agriculture and farmers and promotes rural economy. This paper summarizes the characteristics of the development of Internet finance in China, analyzes the mechanism of internet finance to promote rural economy, and puts forward suggestions for internet finance development.

Keywords: Internet finance, Rural economy, Mechanism

1. INTRODUCTION

Rural economy is an important part of national economic development, which cannot be separated from the demand for finance. In different periods, rural finance has made important contributions to agricultural development, farmers' income increase and rural prosperity. Since the reform and opening up, the rural financial reform has been promoted in depth and the coverage of rural financial services has been continuously expanded. However, the special development mode of rural economy restricts the expansion of financial services in rural areas. Internet finance, with digital information technology as the carrier, provides financial support for rural areas, agriculture and farmers, and will have a profound impact on various areas of rural social and economic development. The popularization and application of Internet has opened up a new path for the development of financial services in rural areas. Many financial institutions with the help of the Internet began to gradually penetrate into the rural financial field.

2. LITERATURE REVIEW

Scholars have studied how to make use of the advantages of Internet finance to promote the development of rural economy.

Wei LiuLing (2021) argues that with the help of information technology, internet finance can promote financial business to rural areas, provide financial services for rural innovative entrepreneurs, solve the

problem of rural economic capital.^[1]Huang Xiaowen et al. (2020) believe that rural internet finance, as an important part of China's rural financial system, still has problems such as unbalanced services, dislocated suppliers and unsustainable institutions.^[2]Deng Bin et al. (2020) believe that due to the weak foundation of China's rural economy, the development of rural internet finance still has problems such as information lag, data loss and oversight failure. Internet finance should be developed from four aspects: rural internet finance law construction, rural financial consumer rights and interests protection, regulatory innovation, credit system construction.^[3]Zhang Shuangmei (2020) believes that a legal system should be established with the Internet finance Promotion Law as the main body, the Rural Revitalization Promotion Law as the auxiliary, and relevant administrative regulations and departmental regulations as a complement.^[4]Feng Shuaishuai and Zhang Jin (2020) analyzed the financing needs of rural e-commerce and the advantages of internet finance, and believed that the advantages of internet finance could solve the problems encountered by rural e-commerce financing.^[5]Wang Weiquan (2020) sorted out the role of internet finance in rural economy and put forward relevant policy suggestions.^[6]Luo Xinyu (2019) analyzed the current situation of the development of rural finance and rural internet finance, discussed the challenges faced by the development of rural internet finance, and put forward countermeasures and suggestions for the development of rural Internet finance from the four dimensions of finance, science&technology, talent and industry.^[7]Zhang Yan (2019) believes that the implementation of rural

revitalization strategy is an important way to solve the problems of "agriculture, rural areas and farmers", which is inseparable from the support of Internet finance, and studies the current situation and difficulties of rural Internet finance.^[8]Li Qi and Niu Ping (2019) believe that internet finance, as a major measure to practice inclusive finance, plays a great role in promoting rural economic development with its convenience, inclusiveness and availability.^[9]Yu Lingyan (2018) believes that rural financial development mode should be innovated under the guidance and norms of policies, and the advantages of internet finance and traditional finance should be effectively integrated to jointly build a rural financial ecological system.^[10]

3. THE CHARACTERISTICS OF CHINA'S INTERNET FINANCE DEVELOPMENT

Internet finance is developing very fast in China. Various product models are becoming increasingly mature. Internet banking, third-party payment, P2P online lending, crowd funding and big data finance have become mainstream products. The transaction scale and number of institutions are also increasing. The development of Internet finance not only meets the differentiated financial needs of market subjects, but also increases the overall social welfare. It promotes employment and increases the activity of finance in economic development. With the application of advanced technologies such as smart phones, mobile Internet, big data and cloud computing and the upgrading of hardware platforms, customer participation will be higher and higher, and the market will have a vast space for development. Internet finance has greatly changed the operation mode of traditional finance. On the basis of maintaining the core characteristics of finance, the object, institution, mode, scheduling mechanism and market control of finance have been reconstructed. A new internet finance mode has emerged at the historic moment.

Rural internet finance, with the advantage of internet technology to cross boundary barriers, realizes the exchange of rural financial resources and information, accelerates the transfer rate of rural financial information flow and capital flow, and plays a decisive role in the rapid development of rural economy. With the help of internet technology and internet thinking, rural internet financial services can provide customized rural financial services to farmers or small and micro enterprises. Rural internet financial services are diverse, which can provide more financing ways for rural financial demanders. Rural financial customers can use computers for financial transactions or mobile devices for financial transactions, which are no longer limited by the network layout of financial institutions. With big data, cloud computing, cloud storage and other modern Internet technology mature, the rural financial business internet can collect

all financial transaction data. It greatly cuts the cost of financial information, and reduces farmers' financial barriers to entry. In traditional financial institutions, the initial purchase amount of financial services and insurance services is relatively high, starting from 1,000 or 10,000 yuan. However, some financial products purchased through the internet only need 10 or 100 yuan, which is more appropriate to the actual situation and needs of rural areas.

4. MECHANISM OF INTERNET FINANCE PROMOTING RURAL ECONOMY

4.1 Internet finance can ease the financing constraints of rural enterprises, avoid the development risks of rural industries, and realize the prosperity of the industry.

Industrial prosperity is the primary goal and important foundation for rural vitalization, which includes agricultural modernization and the integrated development of the primary, secondary and tertiary industries in rural areas. In the process of industrial prosperity, there are many actors involved, including farmers, family farms and farmer cooperatives, leading enterprises, leisure agriculture, agricultural processing industry, returning entrepreneurs and new farmers. Traditional financial institutions are difficult to meet the diversified financial needs of these subjects. And the overall proportion of agriculture-related loans is low. Internet finance makes use of its advantages of low cost, low threshold and convenience to innovate financial service models, which can improve the pertinence and universality of financing in rural areas. In addition, internet financial services can also provide channels for the development of rural industries to avoid risks and ensure the stable development of rural industries by promoting insurance products and financial derivatives.

4.2 Internet finance can combine the concept of green finance and establish a green, low-carbon and circular rural industrial system.

Green finance is an activity that realizes environmental protection through financial innovation. Under the rural revitalization strategy, rural green finance can issue green bonds, green insurance, green funds and other products in terms of loan policies, types, objects and conditions, giving priority to supporting green and low-carbon agriculture and promoting rural environmental protection. The environmental pollution in rural areas of China is serious, and there is a lack of ecological environment infrastructure, especially the construction of garbage and sewage treatment facilities. Internet financial can be combined with the concept of green finance, promoting rural infrastructure construction, ecological environment effective

governance of agricultural pollution. It will promote the development of ecological circular agriculture, and build the rural industries in the development of green low carbon, circulation system.

4.3 Internet finance can provide more convenient and diversified channels for investment and financial management, raise the income level of rural residents, and achieve prosperity.

Internet finance provides more convenient and richer channels of investment, financial management, insurance and credit through wechat client, mobile phone APP, business and government cooperation APP and other channels, which can help rural residents break through the single financial management method of savings deposit. Current research results show that internet finance can improve the wealth level of farmers, reduce the income gap between urban and rural areas, and promote the upgrading of rural consumption.

5. PROBLEMS FACED BY THE DEVELOPMENT OF INTERNET FINANCE IN RURAL AREAS

5.1 Internet financial facilities is insufficient.

Due to insufficient financial subsidies, the construction of rural internet financial infrastructure is slow, which is difficult to meet the basic needs of farmers. China has basically achieved full coverage of the Internet, but in some remote areas and some rural areas, the internet is still not fully covered. Although internet coverage is available in some areas, the number of users is not up to the requirements. For rural people with relatively difficult family conditions, the cost of using the internet network is also a considerable cost, making many farmers unable to open the communication network. Even though the internet infrastructure has been covered in some rural areas, their internet awareness is not strong and they have not seen the many conveniences of the Internet and have not opened the Internet. At the same time, the government failed to improve the access mechanism of Internet finance in a timely manner, and lacked clear provisions on the access standards of institutions, businesses and employees. Due to the lack of financial information service platform, farmers' information is difficult to effectively feedback to financial institutions, and the communication between financial institutions and non-financial institutions is not smooth.

5.2 Enthusiasm of farmers in using Internet finance is insufficient.

As some farmers in rural areas rarely use financial services, credit information has not been timely input into the credit investigation system. This makes it impossible for Internet financial enterprises to carry out credit evaluation on users, which increases the difficulty of handling rural financial services. At the same time, the knowledge level of farmers is low, and the complex operation process of financial enterprises makes farmers back. In addition, farmers have weak ability to identify illegal Internet finance and are easy to be deceived, which greatly reduces the enthusiasm of farmers to use Internet finance.

5.3 Publicity of Internet financial knowledge is insufficient.

Due to the lack of special financial knowledge popularization and education funds, Internet financial knowledge popularization and publicity in remote villages and underdeveloped areas progress slowly, and farmers' financial consumption awareness and risk awareness are slowly improved. In addition, China's financial knowledge popularization channel is single. In the process of promoting Internet financial knowledge, China's publicity and promotion departments rely too much on traditional publicity and education methods, such as distributing educational manuals, and ignore TV, internet and other promotion methods.

6. CONCLUSIONS

With the advancement of internet finance in China, the coverage of rural financial services continues to expand. The financial services enjoyed by farmers have been significantly improved. The positive impact on rural economy, society and environment is gradually emerging. In order to better achieve the goal of rural revitalization, internet finance also needs to focus on the following aspects.

(1) We should promote the organic integration of Internet finance and rural revitalization strategies. Improving the supply and demand environment of Internet finance is a systematic project, which requires complete Internet finance policies. We should improve the Internet financial organization system and the incentive constraints mechanism led by government departments, which unifies planning rural infrastructure construction, financial ecological improvement and financial education investment. It will promote the balanced development of the Internet financial. We should further accelerate the innovation activities of Internet finance, give full play to the support and guidance functions of policies, and speed up the construction of the Internet financial service system.

(2) We should accelerate the intelligent transformation of traditional rural financial institutions and realize the financial service system combining online and offline. Rural insurance institutions are encouraged to use digital technology to improve the benchmark of rural insurance services. We will support cooperation between rural financial institutions and Internet enterprises, build financial service platforms for assisting farmers to meet the financing needs of farmers and agricultural enterprises, and expand information collection and sharing functions. Also, we should support the digital development of agriculture-related venture capital and solve the financing difficulties of small and micro enterprises in rural areas.

(3) We should further strengthen the construction of rural credit investigation system and improve credit investigation data standards. We can promote the development of rural credit investigation industry associations, and build a credit information sharing platform, encourage financial institutions and third-party Internet enterprises to share information. It will improve the efficiency of Internet financial business, and reduce credit risks caused by information asymmetry.

(4) We should increase the input of teachers in rural areas and improve the education level in rural areas. Regulators, education departments and financial institutions should strengthen cooperation. On the one hand, we should incorporate basic financial knowledge into the compulsory education system as soon as possible, and on the other hand, we should promote farmers' financial literacy and risk awareness through various media channels. To avoid simple propaganda activities, financial institutions can connect with the rural party and government systems and establish regular Internet financial knowledge training courses.

REFERENCES

- [1] WeiLiuLing. Implementation path of rural revitalization Strategy under Internet financial services [J]. Journal of Shanxi University of Finance and Economics, 2021 (11) : 44-46.
- [2] Huang Xiaowen, Xu Ruihua, Lin Qian, Huang Jingyu, Lei Jiajia, Chen YiHeng. Research on regulation problems and Countermeasures of Rural Internet finance -- From the perspective of financial Support for rural Revitalization [J]. Rural Economy and Science and Technology, 2021 (6) : 92-95.
- [3] Deng Bin, Wang Weiqing, Zhang Lezhu. Research on integration and path of rural Internet financial system [J]. Technoeconomics and Management Research, 2020 (4) : 107-111.
- [4] Zhang Shuangmei. Construction of Legal system of Internet finance from the perspective of rural revitalization [J]. Research of Law and Business, 2020 (5) : 144-157.
- [5] Feng Shuaishuai, Zhang Jin. Application of Internet finance in rural e-commerce financing under the background of rural revitalization [J]. E-commerce, 2020 (10) : 19-20+51.
- [6] Wang Weiquan. Internet finance supports rural revitalization [J]. Qinghai Finance, 2020 (2) :21-24.]
- [7] Luo Xinyu. Development status and challenges of rural Internet finance in the context of rural revitalization [J]. Regional Financial Research, 2019 (10) 49-54.
- [8] Zhang Y. Difficulties and solutions of rural Internet finance development under the background of rural revitalization strategy [J]. Time Finance, 2019 (9) : 36-37+50.
- [9] Li Qi, Niu Ping. The function mechanism of Internet finance on rural economy under the background of rural revitalization Strategy [J]. Social Science Journal of Harbin Normal University, 2019 (2) : 61-65.
- [10] Yu Lingyan. Development of Internet finance and construction of rural financial ecosystem from the perspective of rural revitalization Strategy [J]. Journal of Agricultural Economics, 2018 (6) : 109-111.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

