

Research on Rural Financial Development under the Background of Rural Revitalization

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Abstract

Rural revitalization is a major strategy put forward by General Secretary Xi Jinping in the report of the 19th National Congress of the Communist Party of China. It is the general starting point of China's "three rural" work. Its essence is to fundamentally solve the problems of China's countryside, farmers and agriculture. In the process of economic and social development, capital is not only an important resource, but also an important carrier of finance. As the core of modern economic operation, finance plays a vital role in the efficient allocation of resources. If we want to comprehensively promote the implementation of the rural revitalization strategy, we must have strong financial support. Therefore, it is of great practical significance to study how financial services innovate and change to help realize the goal of agricultural and rural modernization. At present, digital inclusive finance has become an important starting point to realize the great blueprint of rural revitalization. Financial institutions should actively explore how to give full play to the advantages of financial science and technology, and use digital technology to help rural financial infrastructure construction and improve the efficiency and convenience of rural financial services.

Keywords

Rural Finance, Rural Revitalization, Economic Development.

1. Introduction

Without the modernization of agriculture and rural areas, there will be no modernization of the country. The current situation of the development of agriculture and rural areas is the biggest obstacle to the modernization of our country. General Secretary Xi Jinping pointed out in the party's Report to the 20th CPC National Congress: "The most arduous and arduous task of building a socialist modern country in an all-round way is still in the countryside". In 2023, the first document of the central government laid stress on keeping the bottom line, promoting the revitalization and strengthening the security, and made arrangements for comprehensively promoting the key work of rural revitalization. Finance is an important guarantee and strong support to comprehensively promote rural revitalization. Whether it is to stabilize food production or comprehensively promote rural revitalization, it needs to solve the capital problem and requires a large amount of credit investment.

2. The current situation of financial support for rural revitalization

2.1. The financial institution system is becoming more and more perfect

At present, China's rural financial institution system is becoming more and more perfect. Rural commercial banks, rural credit cooperatives and village banks are the backbone of rural financial institutions. According to data from official website, China Banking and Insurance Regulatory Commission, China, as of the end of June 2022, there were 3,883 rural financial institutions in China, including 1,600 rural commercial banks, 572 rural credit cooperatives

(including 24 provincial credit unions), 23 rural cooperative banks, 1,649 village banks and 39 rural mutual funds cooperatives.

Judging from the scale of assets, in recent years, the total assets of China's rural financial institutions have continued to grow, accounting for an increasing proportion of the total assets of banking financial institutions. By the end of 2022, the total assets of rural financial institutions in China amounted to RMB49.88 trillion, accounting for 13.6% of the total assets of banking financial institutions. At the end of 2020, end of 2021 and end of 2022, the growth rate of asset size was 11.60%, 9.87% and 9.31% respectively as compared with that at the end of the previous year, with a decrease in growth rate.

From the perspective of debt scale, the debt scale of rural financial institutions has kept growing, accounting for an increasing proportion of the total debt of banking financial institutions. The debt growth rate is higher than that of other types of banking financial institutions. In recent years, the total debt of China's rural financial institutions has kept growing, accounting for an increasing proportion of the total debt of banking financial institutions. By the end of 2022, the total debt of rural financial institutions in China was 46.36 trillion yuan, accounting for 13.8% of the total assets of banking financial institutions. At the end of 2020, end of 2021 and end of 2022, the growth rate of debt scale was 12.10%, 9.83% and 9.94% respectively as compared with that at the end of the previous year, with the overall growth rate declining.

2.2. The agricultural credit to increase efforts

Agriculture-related loans refer to loans related to farmers and rural areas, including loans for farmers, loans for rural enterprises and various organizations, loans for urban enterprises and various organizations. From 2018 to 2022, the balance of domestic and foreign currency agriculture-related loans increased steadily throughout the country. As of the end of 2022, the balance of domestic and foreign currency agriculture-related loans amounted to RMB49.25 trillion, representing an increase of RMB6.04 trillion over the previous year, representing a year-on-year increase of 14%, representing a year-on-year increase of 3.1 percentage points.

From 2018 to 2022, the balance of loans in rural areas (at and below the county level) increased steadily. By the end of 2022, the balance of loans in rural areas (at and below the county level) was RMB41.02 trillion, an increase of RMB4.87 trillion or 13.5% year-on-year, or 1.4 percentage points higher than that at the end of the year.

From 2018 to 2022, the loan balance of farmers increased year by year. As of the end of 2022, the loan balance of farmers reached RMB14.98 trillion, an increase of RMB1.51 trillion or 11.2% year-on-year, but the growth rate in 2022 decreased by 2.8 percentage points lower than the end of the previous year.

In 2022, the balance of agricultural loans was RMB5.06 trillion, up RMB0.49 trillion or 10.7% year-on-year, 3.6 percentage points higher than that at the end of the year.

2.3. The availability and convenience of rural digital inclusive finance services are continuously improving

The epidemic in COVID-19 in the past three years has caused people to travel inconveniently, increasing people's demand for online financial services. In the vast rural areas, the demand for online financial services has also increased significantly. Financial technology based on new technologies such as 5G, the Internet, big data and artificial intelligence is beginning to emerge. Financial technology is playing an increasingly important role in rural financial services, helping banking financial institutions to reach a wider geographical area and a wider population. In 2022, banking financial institutions and non-bank payment institutions handled 17.37 billion and 576.56 billion mobile payment transactions in rural areas, representing year-on-year growth of 22.2% and 23.5% respectively. The banking and insurance institutions have optimized the operation mode of traditional financial business, provided diversified and

efficient financial services suitable for use in internet scenarios, and increased the supply of financial services to farmers and new agricultural operators. The "credit through train for agricultural operators" has created a new model of efficient rural financial services with "direct reporting of demand by the operators, guarantees provided by agricultural companies and bank credit support". By 2022, 27,496 credit lines had been completed, with credit lines exceeding RMB20 billion.

3. Problems Existing in the Process of Financial Support for Rural Revitalization

3.1. The total supply of financial funds for rural revitalization is insufficient, and the investment structure is unreasonable

Financial supply is not only the most important part of the investment and financing guarantee mechanism for rural revitalization, but also the main source of funds needed for rural revitalization. However, the total supply of credit funds is obviously insufficient compared with the increasingly vigorous demand for funds for rural revitalization. Judging from the balance of RMB loans from rural financial institutions and the proportion of loans invested by financial institutions for "agriculture, countryside and farmers" in recent years, although the total amount has continued to grow year by year, the proportion of RMB loans from rural financial institutions in the balance of RMB loans from all financial institutions has been declining continuously since 2014. The proportion of loans from financial institutions in rural areas (at and below the county level) and the proportion of agricultural loans have also decreased significantly in the same period. The year-on-year growth rate of agricultural loans and the year-on-year growth rate of loans to farmers have been declining significantly for 10 years, while the proportion of agricultural loans has kept a downward trend in a low level.

From the perspective of investment and financing structure, the long-term large credit supply in agricultural credit is seriously insufficient and the structure is unreasonable. With the overall promotion of the rural revitalization strategy and the integration and development of rural primary, secondary and tertiary industries, the capital requirements of various types of rural business entities are increasingly diversified and multi-tiered. New types of agricultural business entities, such as large professional households, family farms, farmers' cooperatives and agricultural enterprises, have increasingly strong demand for long-term large-sum credit. However, at present, the supply and demand of agricultural credit funds cannot be effectively connected. Among the loans granted to agricultural enterprises, short-term loans accounted for 80% of the total loans, while medium-and long-term loans accounted for only 20%.

3.2. The financial institutions system is not perfect, rural financial products innovation is insufficient

The profit-driven nature of financial institutions makes them focus their development on cities, with fewer branches set up in villages and towns, while there are few other financial institutions such as insurance and financing guarantee, especially agricultural insurance, which is slow in development and not targeted enough to meet the diversified insurance needs of farmers. Although rural commercial banks, postal savings banks and other financial institutions dominate the financial institutions in rural areas, they do not make full use of their own advantages to form complementary differentiation strategies. At the same time, due to the scattered residential areas of the villagers, the distribution of business outlets is less centralized. For example, the rural commercial banks adopt the "one village, one point" network model, while the village banks adopt the "one village, one point" network model. The established network has many problems, such as small number, uneven distribution, single sales channel,

close cooperation among financial institutions, difficult cooperative development, and insufficient convenience of financial services.

The innovation of rural financial products is insufficient. The service methods and service methods of rural financial institutions are much the same. Rural commercial banks are the main ones. Compared with other commercial banks in cities and towns, rural commercial banks are relatively small in scale and have too few types of products. In addition, the innovation cost of financial products in rural areas is high, and the market is very fragmented. Local sub-branches do not have the right to innovate on their own. They cannot tailor-made special mortgage credit products according to the actual conditions of their respective regions. As a result, they cannot meet the diversified demands of finance in the development of rural revitalization strategy and the growing investment demands of farmers. In the loan business, local rural financial institutions are unable to effectively meet the financing needs of rural small and medium-sized enterprises due to the complicated approval process and slow lending speed in the credit approval process, which has a negative impact on farmers' long-term industrial investment. In addition, due to the low cultural level of ordinary farmers, they are most likely to give up when facing the complicated business processes of financial institutions.

3.3. The rural credit guarantee environment is weak

Weak social credit awareness and unsound credit guarantee system will lead to credit problems for rural residents. As the rural residents involved in less financial activities in their daily lives and generally have a low level of understanding of the credit investigation industry, it is easy to provide information that is incorrect and the information is not updated in a timely manner, which results in less personal credit records of the rural residents, or due to the incomplete collection of rural information, the information of the farmers cannot be recorded in a timely manner. The unsound credit system of farmers is difficult to meet the credit requirements of financial institutions on the loan subject, which can not guarantee the accuracy of financial institutions' judgment on the credit level of farmers, and can not meet the basic requirements of the rural revitalization strategy.

Educational background and income are all important factors that affect the financial literacy of rural residents. Rural population has a large proportion of illiterate people with no systematic education. The general income level is not high. Most farmers have weak credit concept, financial awareness, weak legal awareness and lack of credit. Therefore, it is extremely easy to cause farmers to lose their credit. In addition, agricultural production is susceptible to the influence of nature and climate, and has the characteristics of long cycle and great uncertainty. The poor harvest of agricultural production will reduce the income level of farmers and the income of farmers, which will objectively lead to the weakening of their debt paying ability and the reduction of their credit reporting performance. Therefore, compared with the general business, the rural financial business has significant characteristics, such as greater potential risks and relatively poor profitability. To a certain extent, it will also increase the risks of financial institutions. The low level of financial knowledge of rural residents restricts the effective demand for rural finance, and in some areas there is still the problem of insecurity and failure to protect the interests of financial institutions, which in turn leads to difficulties in financing for rural residents, affecting agricultural production and ultimately hindering the economic and social development in rural areas.

4. Financial Measures to Support Rural Revitalization

4.1. Promote the digital development of rural finance

For banking financial institutions, supporting rural revitalization is not only a response to the needs of national policies, but also a major opportunity for their own transformation and

development. By strengthening the application of financial science and technology, financial services can reach rural areas and farmers effectively. At the same time, we should adhere to the idea of integrating the primary, secondary and tertiary industries in agriculture, provide diversified financial services for agricultural subjects, and help to extend the industrial chain, enhance the value chain and improve the interest chain. Rural financial institutions should continue to push forward the financial intensive operation reform of "agriculture, rural areas and farmers", continuously improve the effectiveness of customer managers, reduce operating costs, achieve simpler processes and better control of risks, deepen cooperation with government, guarantee, enterprises and other platforms, embed financial services into more agricultural and rural scenes, and establish a multi-party linked rural revitalization service ecosystem. With the continuous breakthroughs in key areas such as digital villages, the digital development of rural finance will become a new direction for the development of agriculture-related financial service models. At present, banking institutions are actively exploring ways to obtain customers in batch, accurately paint images, and automatically approve based on big data and specific scenes under the premise of compliance with the law and controllable risks, and adopt a combination of online and offline methods to improve the service efficiency and service radius of long-tailed customers in rural areas.

The healthy development of digital villages creates more scenes for financial services. Financial service providers should also continuously improve their own technical and professional service capabilities in this process. Especially in the field of scene finance innovation, they should integrate online and offline to provide financial services for business providers with more "growth value" data, and they should also contribute their own capabilities and resources in the field of rural digital services so as to improve the quality and efficiency of financial services in the environment of digital development. Banks Should Enhance the Inclusive Rural Financial Services. The use of digital technology to promote the financial services to sink to the countryside, to make breakthroughs in service scale, product quality, risk control and cost management; Increase the penetration rate of mobile banking and digital payment in villages; Innovative forms of financial products and services, improved online and offline linkage services for rural economy and finance, and optimized online loan application, loan approval, electronic account opening, loan contract signing and loan lending processes; Increase the development of financial services such as wealth management, investment and settlement, and enhance the availability and availability of rural financial services.

4.2. Improve the financial service system and encourage the innovation of financial products

Vigorously developing township and county outlets is an important channel to improve the rural financial service system. All financial institutions should grasp the development orientation of rural finance, optimize the distribution of business offices in counties, promote the comprehensive coverage of rural financial areas and strengthen the basic financial services in rural areas. Apart from increasing the number of business offices, they can also set up convenient service outlets, provide mobile services and expand other service networks through service facilities such as ATM machines, self-service banks and self-service terminals, so as to truly realize that the financial areas in rural areas are not empty.

In order to promote the development of banking, securities, insurance and other financial institutions, the government should increase its policy preference and support for financial services of the "three rural" financial institutions; Through seeking targeted fee subsidies and appropriate tax relief, they can actively participate in the construction of the local rural revitalization strategy to establish a sound rural financial service system to meet the diversified financial service needs of farmers; We will lower the market access threshold for financial

institutions, encourage and support financial institutions to set up financial outlets in more remote villages and towns, and further expand the outlets of township financial institutions.

Aiming at the problem of single service products of financial institutions, only by strengthening the innovation of financial services can the growing financial demands of farmers be fully and effectively met. Therefore, the government should encourage financial institutions to innovate financial service products and stimulate them to issue some credit policies specifically for the development of rural industries; Strengthen scientific and technological innovation, adjust measures to local conditions, make use of mobile internet, advanced agricultural machinery and other technologies, combine with each region's characteristic industries and development advantages, and develop loan products and services that are suitable for different industries and different subjects and correspond to them, so as to make their forms richer, procedures more convenient, services more quality and channels more diversified.

4.3. Further promote the construction of rural credit system

The imperfect credit system, lack of credit data and insufficient mortgage guarantee measures in rural areas are still the key factors restricting the development of agriculture-related finance. Rural financial institutions should focus on the development of credit loans for farmers, improve the data and information sharing mechanism, deepen the construction of rural credit system, deepen the cooperation between banks and villages, and vigorously promote the "whole village credit".

The construction of credit system and credit environment is an important part of the rural financial mechanism system. To improve the coverage of the rural credit system, it is necessary not only to improve the construction of individual credit system of farmers, but also to bring new agricultural operators such as family farms, cooperatives and leading enterprises into the construction of rural credit system. From a technical point of view, the traditional credit rating based on soft information is combined with the credit rating based on financial science and technology methods such as big data to improve the rating accuracy; Judging from the scope of application, the construction of credit system can be combined with rural governance, rural party building and other multi-subjects, to reduce the cost of rating and improve the scope of application of rating

5. Conclusion

Under the background of the rural revitalization strategy, this paper analyzes the problems existing in the rural financial development, and considers that the current rural financial development is mainly due to the shortage of the total amount of funds guaranteed by finance for the rural revitalization, the unreasonable investment structure, the imperfect financial institution system, the insufficient innovation of rural financial products and the weak rural credit guarantee environment. Aiming at these problems, this paper puts forward some countermeasures such as promoting the digital development of rural finance, perfecting the financial service system, encouraging the innovation of financial products and further promoting the construction of rural credit system.

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