

Development of Rural Finance in China

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Abstract: China's rural areas are vast, and the process of rural financial development is relatively slow. Opportunities and challenges coexist in the development process. In addition, it also faces problems such as unreasonable structure, inaccurate service, and uncontrollable interests. This paper aims to analyze the opportunities and challenges faced by my country's rural financial development under the rural revitalization strategy, and put forward corresponding countermeasures and suggestions. The study found that commercial banks and other financial institutions need to actively undertake social responsibilities and seize the opportunities of the times. Provide financial services for farmers, promote and support the construction of agriculture, rural areas and farmers and the strategy of rural revitalization.

Key words: Rural finance, Rural china, Financial Services

Introduction

Rural finance refers to the provision of financial services to rural households and enterprises, such as credit, savings, insurance and payments. Which also refers to the activities of providing financial services in rural areas, including rural financial institutions, rural financial markets, rural financial products, and rural financial supervision.

Rural finance plays an important role in promoting agricultural modernization, promoting rural revitalization, ensuring food security, increasing farmers' income, and narrowing the gap between urban and rural areas. The overall effect of rural financial development on rural poverty alleviation is significant, and the direct effect and intermediary effect of rural finance coexist in the process of promoting rural poverty alleviation. The sustainable development of rural finance has important strategic significance for farmers' poverty reduction.

My country's rural finance has undergone the transition from a planned economy to a market economy, and has formed a multi-level rural financial system with rural credit cooperatives and rural commercial banks as the main body and other rural financial institutions.

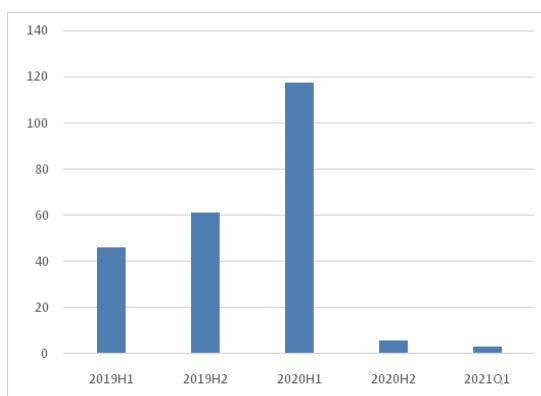
2. Opportunities for Chinese rural financial development

The Party Central Committee believes that it is necessary to comprehensively promote rural revitalization as a major task to realize the great rejuvenation of the Chinese nation, and mobilize the power of the whole party and society to accelerate the modernization of agriculture and rural areas, which pointing out that the development of "three rural areas" will provide new opportunities for financial support.

Relevant policy documents have added input to the central and local finances for "agriculture, rural areas and farmers" on the basis of the previous period, tilted towards agriculture and rural areas in the fiscal budget, and pointed out the arrangement of special bonds to support the construction of ex situ poverty alleviation and rural revitalization projects through local government general bonds. Financially provide financial support to rural areas. At the same time, it is also proposed to strengthen the positive incentives of monetary, fiscal and taxation, and regulatory policies for "agriculture, rural areas and farmers" credit, and provide low-cost financial support. In order to help rural small and micro enterprises to carry out low-cost financing and investment activities. Comprehensive financial services with finance and taxation, credit and comprehensive services as the main body will provide more comprehensive financial support for "three rural" services.

1. Support the issuance of special bonds for rural construction and revitalization. Since 2019, Chinese local governments have issued more than 23.3 billion yuan of special bonds for rural revitalization, and a total of 86.5 billion yuan of government special bonds for supporting agriculture and rural areas have been issued. Sichuan, Hubei, Jiangxi, Henan, Fujian, Liaoning, Hebei, Shandong, etc. The scale of local distribution is at the forefront. As of now, the main investment areas of this special bond include rural infrastructure improvements such as roads and health facilities, agricultural product planting (breeding), rural education and medical care, and rural tourism projects.

Table 1 Issuance of special bonds for rural revitalization (unit: 100 million yuan)



2. Participate in the rural revitalization fund and participate in the construction of rural revitalization projects in the form of primary market investment. Actively guide social capital to participate in rural revitalization construction, and through the partial financial support of local governments, the Rural Revitalization Fund will help give full play to the “leverage” role, increase support, and reasonably control project risks. In the future, rural revitalization funds may be issued in the primary market and traded in the secondary market. While improving the popularity of the Rural Revitalization Fund, it can also improve the ability of financing and investment, and flow funds from the society to the countryside. At present, some financial institutions have actively participated in the initiation, establishment and custody of rural revitalization funds.

3. Innovate new mortgage models such as agricultural equipment mortgages to support new industries and formats. It reduces loan risk because farm equipment is a valuable and easily regulated collateral. If farmers cannot repay their loans, financial institutions can auction or sell their equipment to recover the debt. It also makes lending more efficient because financial institutions don't need to go through complicated credit assessment or review processes.

3. Challenges for Chinese rural financial development

While China's rural finance faces opportunities, it also faces many challenges. After years of development, my country's rural financial services have made great progress. Especially in recent years, large state-owned banks have continued to sink services, which has greatly improved the availability and convenience of rural financial services and provided strong support for rural agricultural development. At the same time, it must also be noted that with the deepening of rural revitalization, the shortcomings of rural financial services have become increasingly prominent.

1. The system of rural financial institutions is not perfect. My country's financial institutions have a lot of development experience in big cities, and have many successful cases in credit rating, securitization, equity conversion, and listing. But in rural areas, financial institutions have less experience to draw on. In addition, in order to maximize their own interests, financial institutions sell relatively single financial products, and the financial services that can be provided in rural areas are also restricted by relevant policies and demand markets. Therefore, the power of financial institutions to support the development of rural areas is relatively weak.

2. The environment for rural financial development is harsh. As mentioned above, the introduction of many national policies and financial support has shown support for the development of “agriculture, rural areas and farmers”, that is, supporting the development of agriculture, rural areas and farmers at the national level. However, certain policy preferences and support have not been given in terms of rural public services, infrastructure construction, and agricultural technology assistance. People in rural areas have a relatively low level of education, low income, and weak awareness of investment and savings. Many of them have not yet realized the advantages of financial institutions, so when they face a crisis and urgently need borrowing, it is difficult to find a suitable financial institution for borrowing and lending, and some still choose to ask their relatives and friends for borrowing. In addition, because of weak legal awareness and credit concept. Failure to stick to a good credit concept during borrowing and lending may lead to debt evasion.

3. Distance and traffic issues. The distribution of rural areas in China has gradually become more dispersed with the progress of urbanization. In order to save costs and maximize benefits, financial institutions cannot set up an outlet in every village to facilitate the development of financial services for rural people. In most cases, an outlet is set up in an area, but the transportation in many rural areas of China is still inconvenient, and the elderly stationed in most rural areas cannot obtain convenient financial services. This has also caused a major obstacle to the smooth operation of rural finance in rural areas. Some financial institution outlets in rural areas even chose to withdraw their outlets because they could not earn greater profits, which in turn hindered the development of financial services for rural people.

4. Recommendations and conclusions

Commercial banks can actively increase their support for the economy in rural areas, grasp rural revitalization, and create opportunities. Overall planning and coordination of internal and external resources of the bank, combined with its own development status and resource constraints, selectively expand services in rural areas, improve and form a unified strategic goal and implementation path. With the extension of information infrastructure such as 5G and the Internet of Things to rural areas, credit data at the city, county, township, and rural levels are expected to form an information integration platform, which will provide a sufficient credit foundation for large financial institutions and non-localized financial service providers.

Commercial banks should actively use this platform to improve financial inclusion and precision in rural areas, and provide more financial support and services for the rural revitalization strategy. At the same time, commercial banks should also strengthen risk management and supervision in rural areas, prevent the spread and spread of financial risks, and ensure financial stability and sustainable development.

Rural finance is the core of the modern economy and an important support for the rural revitalization strategy. After years of development, my country's rural financial services have achieved remarkable results, but they are also facing problems such as imbalance between supply and demand, service shortcomings, and weak infrastructure. In order to better serve the rural revitalization strategy and realize agricultural and rural modernization, it is necessary to improve the rural financial service system and open up the “last mile” of financial services for rural revitalization.

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