

The Dilemma and Countermeasures of Rural Financial Development under the Strategy of Rural Rejuvenation

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Abstract

The effective implementation of Rural Revitalization Strategy can not be separated from the healthy and sustainable development of rural finance. Firstly, this paper analyses the current situation of rural finance development in China from the aspects of rural loans and financing, rural financial institutions and rural capital flow, and then, from the function of rural financial services, the demand of rural economic development for rural finance, the support of the state for rural financial development, rural financial development talents and rural finance. This paper analyses the predicament of rural financial development in China from the aspects of law and policy of development. Finally, it puts forward some policy suggestions aiming at the predicament.

Keywords

Rural revitalization; rural finance; predicament and Countermeasures.

1. INTRODUCTION

The document "Opinions of the Central Committee of the Communist Party of China and the State Council on Implementing the Strategy of Rural Revitalization" promulgated by the State Council in 2018 pointed out that under the guidance of Xi Jinping's socialist thought with Chinese characteristics in the new era, the overall plan of implementing the strategy of Rural Revitalization should be closely centered around the 19th National Congress of the Communist Party of China, and the market-oriented operation To motivate, guide by policy support, take risk prevention and control as the bottom line, focus on key areas, deepen reform and innovation, establish and improve the market system, organizational system and product system of financial services for rural revitalization, and promote the return of rural financial resources. At the same time, we should strengthen the ability of risk prevention and control of agricultural-related affairs and improve the sustainability of Rural Revitalization of financial services. The No. 1 document of the Central Committee in 2019 also pointed out that the development of rural finance is the root of solving the problems of agriculture, countryside and farmers and an important measure to realize the strategy of rural revitalization. With the attention of the Party Central Committee, local governments at all levels have also introduced many preferential policies, and the rural financial system has gradually improved[1].On the one hand, a financial system with complementary functions of policy finance and commercial finance is being formed. On the other hand, the participation of micro-loan companies and some innovative financial products will complement and enrich the rural financial system. At present, China has initially formed a policy-based financial, commercial financial, cooperative financial division of labor and cooperation, closely coordinated rural financial service system. However, China's rural financial system is still quite weak, and the demand for rural finance is far greater than the supply. Therefore, it is of great practical significance to analyze the difficulties faced by rural financial development under the strategy of Rural Revitalization and put forward

corresponding countermeasures and suggestions for promoting rural financial development and implementing the strategy of rural revitalization.

2. THE CURRENT SITUATION OF RURAL FINANCIAL DEVELOPMENT IN CHINA

2.1. Rural Loans and Financing

In recent years, Chinese governments at all levels have issued a series of preferential policies in rural areas, which have also achieved certain results. According to the survey data of the Bureau of Survey and Statistics of the People's Bank of China, the average annual growth rate of rural loans from 2007 to 2016 is about 18.7%, which is about 360% year-on-year. As of June 2018, rural loans amounted to 26.07 trillion yuan, an increase of 6.9% compared with 24.39 trillion yuan in 2017. In terms of financing, the number of agricultural-related stocks and bonds is increasing, covering most agricultural products, and the types of financing channels are more diversified, which is conducive to the development of agriculture[2].

2.2. Situation of Rural Financial Institutions

At present, rural financial institutions include the Agricultural Bank of China, the Agricultural Development Bank of China, rural commercial banks, rural cooperative banks, rural cooperatives and so on. There are also some new rural financial institutions, such as microfinance companies, China Postal Savings Bank and so on. However, compared with urban finance, rural financial service institutions are seriously inadequate, and urban financial service institutions are diversified, such as securities companies, trust companies, fund companies and so on. In addition, some rural financial institutions have monopoly status, and their financial services and products are single, which can not meet the needs of modern people, especially in contrast to the city.

2.3. Rural Capital Flows

Agriculture is an important industry of a country, which plays a certain role in the economic development of a country. Moreover, China has a large population, and the development of agriculture is more important to China. Although there are more than 200 million farmers in China, the proportion of agriculture in GDP is less than 10%, which provides employment and income opportunities for 200 million farmers. Therefore, the state should protect and encourage these 200 million farmers. The rural financial system has successfully converted rural idle funds into savings, but rural savings have not been converted into rural loan funds, but most of the funds outflow, resulting in the total amount of rural loans far greater than the total amount of deposits.

3. THE DILEMMA OF RURAL FINANCIAL DEVELOPMENT IN CHINA

3.1. The Function of Rural Financial Service System Is Not Fully Developed

Like enterprises, financial institutions aim at maximizing profits. Agriculture is a high-risk and low-income industry. Most financial institutions dare not involve in agriculture, and most of them transfer to cities. The function of financial institutions in supporting rural areas has not been fully developed. At present, rural credit cooperatives are the main body of rural financial capital supply, but rural credit cooperatives have a high ratio of non-performing assets, fewer types of business and insufficient funds, which make it difficult to meet the needs of farmers' loan [3].

3.2. Fewer Financial Products and Services to Meet the Diversified Needs of Rural Finance

With the development of rural economy, the main body of rural economy needs more and more funds, and puts forward higher requirements for financial products and services to support agricultural development. There are fewer financial products and services to meet the diversified needs of rural finance. On the one hand, the lack of grass-roots credit team, the lack of relevant knowledge and quality of credit personnel are relatively low, and the backward equipment of grass-roots financial institutions can not meet the needs of providing diversified products and services. On the other hand, the variety of rural financial products is single. Rural financial institutions provide a relatively single variety of financial products, mainly concentrated in the traditional lending business, and can choose few types of loan business.

3.3. The State's Support for Rural Financial Development Is Insufficient

For rural areas, the state has issued many No. 1 central documents, which have certain effects on rural financial development. However, it is far from enough to speed up the development of rural finance and solve the "three rural" problems. The city's financial service system can meet people's diversified and multi-level financial needs, because there are some financial institutions in cities, on the contrary, few financial institutions in rural areas. There is a big gap between urban and rural development, and financial institutions aim at maximizing profits. Compared with the two, the profits brought by cities are much larger than those in rural areas. Therefore, most financial institutions turn to cities and reduce the number of sites set up in rural areas. Similarly, high-end talents are reluctant to develop in rural areas. Farmers are in urgent need of funds to support their production. However, rural loan business is difficult to meet the needs of farmers. Firstly, rural savings are transferred to cities, and the total amount of rural loans is much larger than the total amount of deposits. Secondly, because of information asymmetry, farmers have a shallow understanding of loans, and there is a greater risk in carrying out loan business. Finally, most of the farmers are middle-income and low-income people, and nothing can be used as collateral. Generally speaking, rural financial institutions are "unwilling to lend" and "afraid to lend". There are fewer targeted rural credit guarantee institutions. Agricultural development, rural economic development and farmers' operation and production need a lot of financial support. Most of the farmers are middle and low-income people, and there are few things that can act as collateral. If peasants can't borrow money, they don't have enough funds, which will directly affect the development of rural economy.

3.4. The Serious Shortage of Talents for Rural Financial Development

Talents are the motive force of economic growth and the motive force of economic development. Finance is a means for professional talents to use existing resources to seek greater benefits in a specific environment. Therefore, the development of rural finance can not be separated from the support of funds, but also needs financial talents. Nowadays, high-end talents are working in first-and second-tier cities, like high-end talents in third-tier cities do not want to stay, let alone in the countryside. Because people prefer first-and second-tier cities, rural areas are not attractive enough and financial services are not popular in all aspects. Moreover, most college students or professionals will choose to work in cities, and students from rural areas seldom return home to support the construction of their hometown, resulting in a lack of financial personnel in rural areas[4].

3.5. Imperfect Laws and Policies

Good laws and policies are the guarantee of normal economic development. Because the development of rural finance is an important problem in our country at present, there are many policies issued in this regard, but there is no legal and regulatory system for rural finance, the credit system is not perfect, the risks of both farmers and financial institutions are not

guaranteed, farmers are difficult to borrow, and financial institutions are unable to do so in the countryside. Develop related business. In some rural areas, the implementation methods of urban finance are largely used to deal with financial problems, which can not be adapted to local conditions. Local governments lack powerful administrative means. Local governments and relevant departments can not effectively stop corruption by their superiors, or fraud, debt reliance and debt evasion in rural finance. Although there are many policies for rural financial development, they are scattered and there is no unified rural financial law, so it is difficult to further develop rural finance.

4. COUNTERMEASURES AND SUGGESTIONS

4.1. Improving the Rural Financial Service System

Our country has initially formed a rural financial service system consisting of policy finance, commercial finance, cooperative finance, division of labor and cooperation, and close cooperation. There must be many loopholes in the development of rural finance. We can refer to the construction of urban financial system, but we can not copy them completely. We also need to build different rural financial service systems according to different regions. It is indispensable to guide financial institutions such as state-owned banks, four major commercial banks and rural credit cooperatives to actively participate in the construction of rural financial system and to encourage the establishment of more outlets in rural areas. The ultimate goal of these financial institutions is undoubtedly to maximize profits. The state can promulgate corresponding preferential policies and give appropriate preferential treatment in financial subsidies, taxation and other aspects. Reduce the contraction of financial institutions in rural areas, on the contrary, attract financial institutions to rural construction and investment, and give full play to the functions of financial institutions[5].

4.2. Establishing and Improving the Security System for Rural Financial Development

First, the state should promulgate targeted local policies and regulations to regulate the relevant content of insurance; second, the state should introduce preferential policies to support the risk reserve, tax and other aspects, attract relevant insurance companies to rural construction and investment, increase their coverage in rural areas; third, use the Internet, mobile phones and so on. Information dissemination tools, publicity of relevant insurance knowledge, can bring entertainment for farmers to learn, improve insurance awareness.

4.3. Increasing the Government's Support for Rural Financial Development

There is a big gap between rural and urban areas, financial institutions can not see the benefits in rural areas, and high-end talents prefer to urban areas. Therefore, in order to develop rural finance, the government needs to increase support, attract investment and construction of financial institutions through effective macro-control, and promote rural economic development.

One is to introduce preferential policies. According to the situation of different regions, the state can use funds to support and allocate special funds for different regions and different needs. Rural economy is relatively backward compared with urban economy. Enterprises, banks and financial institutions focus on cities. The same is true for high-end talents. Cities bring much more benefits to them than rural areas. If we want to realize the strategy of Rural Revitalization and promote the development of rural finance, the state needs to promulgate corresponding preferential policies in order to attract enterprises and silver. Construction and investment of banks and financial institutions will attract high-end talents to build rural areas.

The second is to improve the loan mechanism and guarantee mechanism. Rural loan mechanism is not mature, there are complex processes, high loan rates, farmers' loans are more

difficult, and there are greater risks. On the one hand, the four major commercial banks and financial institutions have shifted their focus to cities. The total amount of rural deposits is far less than the total amount of loans, and there are fewer rural loan channels and single related financial products. On the other hand, in rural areas, low social credit, asymmetric information and farmers' shallow understanding of loans lead to rural financial institutions not to dare to lend, but do not want to lend. The construction of guarantee mechanism is to guarantee the healthy development of rural finance. Most of the farmers are middle-income and low-income people. There are fewer assets that can act as collateral when lending loans. Financial institutions should consider other collateral, such as homestead and woodland, to increase the scope of collateral, to stimulate farmers' interest in financial products, and to help. Loans can help farmers obtain funds for production and operation[6].

The third is to introduce incentive policies. Now the urban financial system is relatively sound, and the state responds to innovation, micro-loans, online loans and other businesses are becoming more and more convenient, more and more popular and applied. The state should introduce encouraging policies to build a "bridge" for the countryside, attract enterprises, banks and financial institutions to build and invest in the countryside, attract high-end talents to join the construction of the countryside and the development of rural finance, so that the rural people can also enjoy diversified financial services. It also encourages people to innovate in the development of rural finance, reward the innovation of individuals or enterprises, stimulate people to actively innovate and join the Rural Revitalization array, promote the development of rural finance and promote rural economic development.

4.4. Attracting and Training High-end Financial Talents in Rural Areas

The development of rural economy can not be separated from people, especially high-end talents, financial aspects, but also need high-end talents. Because of the gap between rural and urban areas, people are inclined to urban development, let alone high-end talents. The development of rural finance needs to highlight key problems, innovate and give corresponding countermeasures. High-end talents are the key to the development of rural finance. If high-end talents can be attracted to rural areas and join in the development of rural finance, they will play a catalytic role, accelerate the development of rural finance and accelerate the rural economy. The state needs to train rural financial talents. On the one hand, it arranges financial experts to train and exercise local talents, and through the performance incentive system, attracts and motivates them, intensifies training efforts, improves financial professional literacy, and promotes them to become successful as soon as possible. On the other hand, it encourages and attracts urban funds through some preferential policies.

4.5. Perfecting Laws and Regulations

Rural financial development is still scattered sand, which requires the state to promulgate laws and regulations suitable for rural areas to form a good legal environment for rural finance. First of all, the state needs to promulgate unified laws and regulations in rural areas, strengthen the awareness of the rule of law of rural law enforcement personnel and improve the level of enforcement of law, so that the process of rural financial development can be legally based, consolidate the economic status of rural finance, protect the interests of both sides of financial transactions, mutual trust, equality and fairness between the two sides. Then, policy-based financial institutions should take the lead in self-discipline, supervision and protection. Finally, all regions need to establish their own laws and regulations to improve the local rural financial policy environment. For example, in view of the problem of farmers' non-credit, we need to formulate relevant penalty system.

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