

## REVIEW

# Exploration and Discussion on Rural Financial Innovation in the New Period

**Haibo Zhu\***

Huaxia Bank Nanjing Branch, Nanjing, Jiangsu, 210005, China

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### ABSTRACT

With the deepening of urban and rural planning, in the new period, if rural financial development wants to adapt to the development trend of society, it needs to carry out corresponding innovations to improve the rural economy and promote urban and rural construction. This paper mainly analyzes the necessity of rural financial innovation in the new period, the problems existing in rural financial development and the rural financial innovation strategy in the new period for reference.

## 1. Introduction

Since the reform and opening up, China has accelerated the pace of economic construction, and the overall economic development has advanced by leaps and bounds. However, during the period of economic construction, the gap between China's urban and rural economic development is still very large, and rural economic construction needs to be further improved. Rural finance has an important impact on the development of rural economy. Therefore, to improve the rural economy, it is necessary to make innovations and reforms in rural finance<sup>[1]</sup>.

## 2. The Necessity of Rural Financial Innovation in the New Period

### 2.1 The Rapid Development of Rural Economy Is Increasingly Demanding Funds

In the new period, the economic development of Chi-

na's rural areas directly affects China's overall economic development, and with the acceleration of urban-rural integration, rural construction has gradually increased, for example, infrastructure construction, rural social security, etc., and these constructions require a lot of financial support. In addition, in recent years, China's "three rural issues" have been highly valued by the state, and relevant policies have been introduced to improve rural construction, while actively attracting other funds to support rural development. In short, in the new period, the development of China's rural economy is increasingly demanding funds, so it is necessary to innovate rural finance.

### 2.2 Financial Demand Subjects Are Diversified

With the continuous deepening of China's rural system reform, China's rural economic structure has undergone significant changes compared with decades

\*Corresponding Author:

Haibo Zhu,

Huaxia Bank Nanjing Branch, No. 81 Zhongshan Road, Gulou District, Nanjing, Jiangsu, 210005, China;

E-mail:

ago. There are more and more forms of organization in rural areas, such as rural cooperatives and individual professional households. The emergence of these industries has led to the development of the rural economy, and the demand for funds in rural areas has gradually increased. And with the development of society, China has also intensified its reforms in education, and the construction of rural education infrastructure has gradually increased, which has increased the demand for funds to a certain extent. In addition, urban-rural integration has also led to more commercial and industrial development in rural areas, and microcredit loans have been unable to meet the demand for funds in these industries. We all know that “to be rich, build roads first.” In order to promote rural economic development, China has intensified the construction of rural roads and reformed rural water conservancy facilities. This also requires a lot of financial support. Therefore, in the context of the gradual diversification of rural finance, rural financial innovation must be increased.

### **3. Existing Problems in Rural Financial Development**

#### **3.1 Rural Risk Dispersion Mechanism Is Not Sound**

For most rural areas in China, there is a general lack of risk awareness, which leads to the almost insecure insurance function in the rural market. Some farmers only insure themselves for personal risks neither know nor are interested in other insurances. However, for farmers, since their main source of income is planting and farming, it is necessary to purchase agricultural and aquaculture insurance. If there is a natural disaster, or if there is a large price fluctuation in the market, it will cause huge property losses to the farmers. If farmers do not insure their own industries, the losses will be greater. The imperfect rural risk diversification mechanism has seriously hindered the development of China's rural economy<sup>[2]</sup>.

#### **3.2 Rural Financial Products Are Relatively Single**

At this stage, there is a big gap in the variety and quantity of financial products in rural China compared with urban financial products. The use of more financial products is credit business, while other businesses have few. Farmers' understanding of financial knowledge is inherently scarce, and the investment channels of rural finance are few and far between, resulting in a lack

of vitality in China's rural financial markets. Even if some farmers have changed their attitudes in life and consumption, they are not able to make the right investment because they do not understand the financial expertise, which requires Chinese financial institutions to provide appropriate advisory services to rural areas so that farmers can better understand the development trend of financial products and financial markets.

#### **3.3 Rural Cooperative Financial Organizations Have a Serious Phenomenon of Selective Loans**

In most rural areas of China, there are phenomena of selective loans from rural cooperative financial organizations; mainly because China's rural cooperative financial organizations are mainly rural credit cooperatives. The rural credit cooperatives take into account the characteristics of the rural industrial structure and select loans in order to obtain the maximum benefit. This phenomenon has directly led to restrictions on the scope of rural lending in China, and the opportunity for farmers to obtain loans has gradually decreased. In addition, due to the rapid development of China's economy, the secondary and tertiary industries are gradually favored by more people, and the business operations of financial institutions have gradually become “non-agricultural”, which has hindered the development of rural finance. However, the development of the economy is inseparable from the development of finance. Therefore, in order to achieve economic development, rural areas must change the current situation of financial services lag.

#### **3.4 There Is a Problem with the Handling of Breach of Contract and Trustworthiness**

The rural debtors and bond personnel fully implement and respect the contents contained in the contract. While the rules and regulations provide enforcement, the interest system should also become one of the main methods for signing and executing the contract between the two parties. The liability system for breach of contract plays a more important role in the interest system. For the rural areas, the main source of income for farmers is the farming industry. Therefore, the right to land contracting and use is of great significance to farmers. However, due to the lack of corresponding systems, the existing financial institutions in rural China lack reasonable means to deal with these assets, which makes the economic interests of financial institutions unable to be effectively guaranteed, thus affecting the further development of rural finance<sup>[3]</sup>.

### **3.5 The Timeliness of the Credit System Is Relatively Lacking**

There are problems in the implementation of rural mortgage guarantees, which has led to the failure of rural economic organizations and related infrastructure projects to achieve strong results in the construction of rural credit systems. Even if the country issued corresponding provisions and policies, some financial institutions still only responded, but did not consider the characteristics of the rural financial system in the actual implementation, resulting in the lack of guarantees and other content in the rural credit system, restricting the development of the rural credit system.

## **4. Rural Financial Innovation Strategy in the New Period**

### **4.1 Rural Financial Service System Innovation**

#### **4.1.1 Introduce and Establish New Financial Institutions**

The establishment of new financial institutions such as rural banks and microfinance companies in the country is in full swing. Local governments should encourage powerful enterprises or individuals to set up new financial institutions in accordance with the law to provide more choices and more financial support for the three rural areas. In addition, since the main financial institutions in rural areas are rural credit cooperatives, we should further reform the management philosophy and system of credit cooperatives, and adopt corresponding countermeasures to actively introduce strategic investors, thereby enhancing the credibility and popularity of rural credit cooperatives, and improving service quality and market competitiveness.

#### **4.1.2 Consummate the Rural Financial Credit Guarantee System**

To grasp and establish a sound county credit guarantee institution, we need to do the following: first, vigorously develop credit-guarantee institutions that local governments participate in funding; second, actively cultivate commercial-type insurance institutions established in accordance with the principles of market economy and commercial operation procedures; third, for the guaranty institutions that farmers set up spontaneously, the government should give appropriate financial support and issue corresponding policies to ensure the smooth development of agricultural guarantee loans, so that the role of the credit guarantee system can be fully

utilized to help farmers solve loan problems.

#### **4.1.3 Accelerate the Establishment of the Credit Information System and Crack Down on the Evasion of Debts in Accordance with the Law**

First, the government will lead the establishment of a credit information base, improve the construction of the People's Bank credit information system, and the platform for sharing and coordination among rural financial institutions, and reduce the bank's credit reporting costs; second, strengthen education on farmers' laws and integrity, and enhance their awareness of law and integrity; third, in response to various debt evasion personnel and behaviors, the judiciary should crack down on it and on one hand alert other debtors, on the other hand, improve the legal effect. Let farmers consciously abide by the law, abide by their commitments, and then form a good financial environment to promote the healthy development of rural finance.

#### **4.1.4 Improve the Service Level, Innovate the Rural Financial Product System**

Rural financial innovation is first and foremost the innovation of financial products. First, rural financial institutions should launch corresponding credit products, warehouse receipts and pledge loans, etc. according to the actual development of the local area, bringing convenience to farmers and rural enterprises; second, in the context of urban and rural development, Chinese farmers have more demand for housing and medical care. In the face of rural development trends, rural financial institutions should design corresponding loan business; third, in the new era, China advocates the construction of a socialist civilized society. Rural financial institutions should respond positively and provide corresponding credit support for the development of public welfare undertakings; fourth, with the focus on promoting the construction of the rural credit cooperatives' fund clearing system, the rural modern payment system will be further strengthened to provide farmers with multi-level and efficient payment and settlement services; fifth, innovate the "ICC" payment function of rural credit cooperatives, and truly realize that one card is in hand in China.

### **4.2 Rural Financial Organization System Innovation**

#### **4.2.1 Focus on the Role of Policy-Based Finance**

In recent years, the Chinese central government has

attached great importance to the issue of “agriculture, rural areas and farmers”, and solving the “three rural issues” has become the main means of solving rural economic development. In this regard, rural financial institutions should attach importance to the financial policies promulgated by the central government and respond positively. For the country, it should continue to increase spending on rural financial institutions to meet the funding needs of farmers. It is necessary to improve the financial business and functions of the Agricultural Development Bank and establish a multi-faceted, multi-level and large-scale agricultural support business. In addition to ensuring basic deposit and loan business in rural areas, we will strive to expand financial support for rural infrastructure construction and support the development of key rural enterprises. In addition, we must adopt corresponding financial services for poor areas to promote the living security of the poor.

#### **4.2.2 According to Local Economy Development, Take the Road of Rural Financial Innovation**

The current situation of the shortage of rural financial markets, it is urgent to encourage and develop the development of local financial institutions and organizations on the basis of policy finance, and establish corresponding village banks according to the actual needs of local economic development. At the same time, it provides innovative financial products and services, expands the coverage of rural finance, increases the quantity and quality of financial products, and makes farmers or small and medium-sized enterprises no longer worry about loans, thus promoting rural economic construction, which better meets the needs of rural financial services and products, and constantly complements and improves the rural financial organization system.

### **4.3 Rural Credit System Innovation**

#### **4.3.1 Formulate a Credit Supervision System and Interest System to Promote the Establishment of a Credit Intermediary Department**

According to the actual situation in rural areas, the perfect credit legal system will be formulated and improved, and the credit supervision system and the interest system will be unified, and the relevant responsible departments, credit intermediary organizations, and social economic subjects will be given full play. At the same time, in response to the act of dishonesty, we

have imposed severe penalties in conjunction with the interest system. In addition, in order to prevent frequent occurrence of dishonesty, relevant departments should also institutionalize and improve credit behavior norms. Establish corresponding credit intermediary organizations, and put the supervision behavior in place, and standardize the rural lending behavior by continuously improving the credit supervision system and interest system.

#### **4.3.2 Create a Complete Farmer Credit Information Management Platform**

Based on the current rural credit system, a relatively complete credit information management platform for rural households will be established to provide more sufficient conditions for rural financial innovation. Through the credit information management platform, it is possible to better understand the credibility of each farmer, increase the selectivity of financial institutions to customers, and effectively reduce the loss of financial institutions' interests due to dishonesty.

#### **4.3.3 Improve the Credit System of Rural Credit System**

Relevant staff should improve their ability to disseminate information on rural areas and conduct large-scale publicity on various kinds of financial knowledge. Actively rely on media and other media to enable farmers to have a deeper understanding of credit information, so that farmers can keep their promises while conducting financial activities, reduce the development of untrustworthy behavior, and accelerate the progress of rural financial innovation.

## **5. Conclusion**

In summary, in the current pace of urban-rural integration construction, rural financial construction has continued to develop, but due to the current immature development of rural financial institutions, there are still many problems. In order to promote the development of the rural financial industry and promote rural economic construction, relevant departments should strengthen the reform of the rural financial system, innovate the rural financial organization system and service system, and contribute to the promotion of rural financial development in China<sup>[4]</sup>.

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