

The present and future of China's new rural financial institutions

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ABSTRACT : *In the context of the development of Inclusive Finance, China's rural finance has developed rapidly, and formed a series of new rural financial institutions, such as rural banks, loan companies, rural mutual funds cooperatives. However, with the deep integration of the Internet and the financial industry, there are some problems in the development process, such as the lack of technology and talents, the lack of product innovation, the imperfect credit system and so on. This paper first introduces the development status of China's new rural financial institutions, then finds out its development characteristics and shortcomings, and finally puts forward suggestions for its future development.*

KEYWORDS -Rural finance, New rural financial institutions, Product innovation, Credit system

I. Introduction

With the application and popularization of Internet technology in China, new rural financial institutions have gradually developed. An important part of China's economy, agricultural economy plays an important role in China's economic development. The central government has always stressed the importance of rural economy and spared no effort to support the development of "agriculture, rural areas and farmers". The input of rural financial resources is the basis for the effective implementation of the above policies. Therefore, it is of practical significance for the development of rural economy to study the current situation of China's new rural financial institutions, find out their shortcomings and give corresponding countermeasures.

II. Development status and characteristics of new rural financial institutions in China

Rural finance is opposite to urban finance, which mainly refers to rural monetary financing. It is a series of activities related to monetary and credit activities in rural monetary circulation, including capital raising and delivery. In December 2006, the China Banking Regulatory Commission (CBRC) issued "several opinions on adjusting and relaxing the access policies of banking financial institutions in rural areas". As a result, the construction of rural financial system entered a new chapter, and gradually formed a new type of rural financial institutions mainly composed of rural banks, loan companies and rural mutual funds cooperatives. Since the establishment of the first rural bank, Sichuan YilongHuiMin rural bank in 2007, the number of rural banks in China has reached 1633 and the county coverage rate has reached 70.6% by September 2019. At the end of 2019, the China Banking and Insurance Regulatory Commission issued the notice on promoting rural banks to stick to their positioning and enhance their strategic ability to serve rural revitalization, requiring rural banks to guarantee that the proportion of loans to farmers and small and micro enterprises will reach at least 90% by the end of 2020. In 2007, the successful operation of Baixin mutual aid also provides reference for the development of other rural mutual aid. By the end of 2017, there were 48 mutual funds cooperatives and 13 loan companies in China. Their development highlights the characteristics of China's new rural financial institutions.

2.1 Accurate market positioning, aiming at serving "agriculture, rural areas and farmers"

The three types of new rural financial institutions have been rooted in rural areas since their establishment, and their market positioning is completely different from the situation that some large commercial banks gradually withdraw from rural areas and rural cooperative finance is gradually commercialized. The CBRC pointed out that the establishment of new rural financial institutions is to alleviate the current difficulties of low coverage rate of local financial institutions in rural areas, insufficient competition, and financial supply unable to meet the demand. Among them, operating outlets that can provide loan services must also be set up in counties and townships and villages below counties or cities and cities, and they are not allowed to operate in other places, And to ensure that its loan business can serve a certain region and population. The above positioning has effectively improved the strength of the new rural financial institutions to support the development of rural finance.

2.2 Less registered capital and flexible business operation

The establishment conditions of new rural financial institutions are relatively low. As far as village and town banks are concerned, it takes 3 million RMB to set up village and town banks at the county level and only 1 million RMB for village and town banks at the town level. For small loan companies, the capital constraint is at least 50 million. The conditions for the establishment of rural mutual aid institutions are relatively lower, with

only 300000 at the township level and 100000 at the village level. The low establishment conditions and the low entry threshold make the management structure of the new rural financial institutions relatively simple and the business operation mode more flexible, which can flexibly respond to various changes in the market and provide financial service products that adapt to the characteristics of rural areas in time.

2.3 The composition of service group is simple and the information is symmetrical

The new rural financial institutions are set up in rural areas, and their audiences are mostly local farmers, so they have a certain local attribute. The acquaintance credit established on the basis of business relationship, geography and blood relationship is the "soft information" of credit, but it can reduce the transaction cost of credit. In addition, rural residents in China have strong identification with their hometown. Even migrant workers try their best to bring their salary back to the countryside and choose their hometown financial organizations to deposit. The existence of new rural financial institutions provides them with a saving channel. In some rural areas with large-scale and even industrialized agricultural production and high level of economic development, local small and medium-sized enterprises are not only creating wealth, but also eager to get financial support from relevant financial institutions.

III. Problems in the development of new rural financial institutions in China

3.1 Lack of technology and talents

Looking at the development of other financial institutions at home and abroad, the developed countries in North America and Europe saw the rise of direct banking in the late 1990s. Direct banks do not set up physical business outlets or issue bank cards. Customers mainly obtain financial products and services through computers, mobile phones, telephones and other mobile terminals. With the development of Internet finance, large domestic commercial banks have built perfect Internet portals and mobile financial clients. Users only need to operate computers or mobile phones to handle financial business and understand financial information. But for rural financial institutions, it has not reached the above level of development.

The lack of technology and talents limits the development of rural financial institutions. On the one hand, the construction of big data and cloud computing of rural financial institutions is still lagging behind, and the ability of information management and information development needs to be improved. On the other hand, rural financial institutions lack high-quality Internet managers.

3.2 Insufficient product R & D and innovation

The traditional deposit and loan business is the main business of rural financial institutions. The products are relatively single and lack of personalized and differentiated products. Therefore, the product function is limited and can not meet the needs of emerging financial markets such as online payment. The above is mainly attributed to three aspects: first, the basic ability of product R & D is weak; Second, the internal mechanism of product R & D is not perfect; Third, rural financial institutions lack of inter industry cooperation. Compared with other financial institutions and non-financial institutions, the performance of rural financial institutions in using advanced technology to develop new financial products and service platforms that meet the market demand is not ideal.

3.3 The credit system is not perfect

Credit is the focus of Internet finance to promote the development of Inclusive Finance, and accurate credit needs to fully grasp the information as the premise. Therefore, effective integration of information is an important factor to promote rural finance to implant Internet financial culture. For city commercial banks, asset information and credit information of customers are easy to obtain. Most of the monetary assets and non-monetary assets owned by urban residents are registered in real name. Personal income, personal credit and credit can be obtained through data sharing among banks. Enterprise operation, assets and fixed assets can be obtained through information provided by administrative departments. In terms of collateral, because urban fixed assets can be freely traded, the credit mortgage mechanism can operate effectively. However, in rural areas, the information related to work and life of farmers is even completely missing. The information of annual income, planting management, fixed assets investment can not fully obtain and thus can not establish an effective rural credit system. Many rural financial institutions have no ability to integrate information resources, so they can only judge the credit level of credit granting objects through historical credit information. Because of the difficulty of information integration, financial institutions generally use collateral to reduce credit risk. However, land is not owned by farmers, and houses are also built on the homestead. The lack of collateral directly restricts the rural financing ability and becomes the bottleneck of rural financial development.

IV. Suggestions on promoting the future development of new rural financial institutions in China

4.1 Improve the Internet financial facilities and strengthen the introduction and training of talents

The improvement of Internet financial facilities in rural areas by rural financial institutions can not only provide convenient and efficient services for users in rural areas, but also drive profit growth by improving

service efficiency. For example, WeChat, Alipay and other platforms, will fully operate the financial business on the Internet platform, develop mobile phone APP to achieve mobile financial services. At the same time, according to the requirements and regulations of the CBRC, ATM equipment can be set up in rural areas, and bank cards can be issued to farmers and rural economic organizations according to their credit status. This can not only avoid the high cost of setting up outlets, but also enable rural residents to enjoy the efficient and convenient experience of electronic business process.

The application ability of information technology and the research and development ability of science and technology system directly affect the competitiveness of rural financial institutions and the success or failure of operation. Therefore, under the background of rapid development of Internet finance, rural financial institutions should pay attention to the introduction and training of professionals, and build Internet finance business platform. First, we should strategically attach importance to the introduction and cultivation of technical talents, use high-tech talents to drive the establishment and development of scientific and technological teams, and conduct technical training for internal personnel. Second, we should pay attention to the reserve of talents, and pay attention to the introduction and cultivation of compound talents in personnel adjustment. In addition to professional talents, we should pay more attention to compound talents with information technology knowledge and financial business management. Third, rural financial institutions should put the development of information technology development and the improvement of service level and other soft power in the first place, speed up the construction of financial technology, improve the electronic service channels, optimize the business operating system, and constantly innovate to achieve "fine" and "flexible" management. Fourth, through the development of information processing system and the improvement of financial information confidentiality mechanism, further strengthen the information security guarantee, starting from the monitoring, early warning and emergency treatment, so as to enhance the response capacity of financial information system and ensure the safe and stable operation of financial business. Finally, rural financial institutions should formulate reasonable and attractive human resource performance mechanism, improve the loyalty of technical talents through scientific incentive policies and intimate humanistic care, and avoid brain drain.

4.2 Promoting the innovation of rural financial products

Whether urban or rural financial institutions, financial product innovation is a necessary means of sustainable development. The main driving force of financial product innovation is the introduction and cultivation of talents. Only by introducing high-level professionals into rural financial institutions can the internal innovation atmosphere of rural financial institutions be activated and the internal innovation ability be improved. At the same time, the cultivation of talent loyalty is also very important. The staff with long working hours have a better understanding of the operation of financial institutions, customer characteristics and market characteristics, which is conducive to the development of financial products that meet customer needs and market needs. In addition, effective use of the Internet platform, learning from the experience of other financial institutions, and actively exploring cross-border cooperation with internet financial institutions are also important ways to promote the innovation of rural financial products. For example, build an integrated Internet platform. Break the traditional thinking, establish an Internet platform integrating traditional financial products, agricultural enterprise products and farmer's life services, drive the development of agricultural industry with diversified Internet financial services, promote the product sales of loan enterprises, and ensure the capital recovery rate. At the same time, the Internet platform will be used to combine life services and financial services, so as to provide customers with a full range of service experience, enhance customer dependence, improve customer loyalty, and maximize the operating efficiency of rural financial institutions.

4.3 Improve the new rural credit system

Farmer's financial activities are less and credit evaluation data is difficult to obtain, which is a challenge and an opportunity for the development of new rural financial institutions. Rural financial institutions should carry out the construction of rural credit system, improve the credit system to achieve the purpose of risk control. One is to establish a sense of credit. By carrying out credit rating activities, we can enhance the promotion effect of rural credit culture and establish credit awareness. As the main body of rural finance, the business objects of rural financial institutions mainly include farmers, farmers and self-employed households. Therefore, rural financial institutions can carry out credit rating and credit system construction in the process of carrying out loan business. In order to cultivate and promote the credit concept of farmers, we should carry out the education and publicity of credit culture in counties, townships and villages, and take the creation of credit townships, credit villages and credit households as the main content. Vigorously publicize the current credit information system in China, so that farmers can understand the serious consequences of dishonesty, and strictly punish dishonesty in accordance with the provisions. Second, rural financial institutions should speed up their own electronic process, make full use of the function of network big data, build a multilateral credit evaluation model, so as to improve the credit information of farmers, reduce credit acquisition costs, and improve credit accuracy. The third is to overcome the mortgage restrictions in rural areas. Due to the lack of effective collateral

in rural areas, farmers can not have a variety of mortgage methods like urban residents. Therefore, when the new credit system is established, the rural financial institutions should demonstrate a scientific credit evaluation mechanism, use the conclusions drawn by villagers mutual evaluation and data analysis as the credit rating of farmers, and determine the corresponding credit line according to the credit rating, so as to meet the financial needs of farmers and ensure the financial security of financial institutions.

In addition, we can also rely on the role of the government and its functional departments and the People Bank of China to solve the problem of lack of collateral in rural areas. On the one hand, the People Bank of China should give full play to its leading role and play a good role in information sharing and platform building in the process of rural credit system construction. On the other hand, the government should cooperate with industry and commerce, tax and legal departments to provide abundant credit information resources. Finally, the rural financial institutions summarize and analyze the data provided by various aspects, and then draw a credit conclusion.

V. Conclusion

With the rapid development of the Internet, China's rural finance has formed a series of new rural financial institutions, including rural banks, loan companies, rural mutual funds cooperatives and so on. But in the process of development, we also encounter a series of problems, such as the lack of technology and talents; Lack of product development and innovation; The credit system is not perfect. In order to promote and improve the development of China's new rural financial institutions, this paper puts forward three suggestions: improve the Internet financial facilities, strengthen the introduction and training of talents; Promote the innovation of rural financial products; Improve the new rural credit system.

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