

# Rural Financial Revitalization Reform under the Background of Rural Revitalization

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## Abstract

China has been engaged in agricultural activities for a long time and is a major agricultural country. Due to the influence of feudal society, China's agriculture before 1949 was often difficult to maintain even simple reproduction. From 2011 to 2015, under the guidance of the county party committee and government, the Lingbi County Financial Office did a lot of work in financial reform, financial basic services, and actively supported the economic development of Lingbi County, achieving excellent results. Among them, vigorously introducing financial institutions has promoted the continuous optimization of the layout of local financial institutions; Fully promote rural financial reform and significantly optimize the rural financial service system; Actively creating excellent financial ecological counties and promoting the fundamental improvement of local credit order; Organize internal affairs, bank and enterprise coordination, and solve funding issues for small and micro enterprises. Of course, there were also some problems encountered during this process, such as insufficient financial institution settings; Incomplete financial supporting policies; Insufficient county-level characteristics of financial products, etc. This survey efficiently and deeply touched on the current and future of rural reform in Lingbi County, hoping to show readers a different Lingbi.

## Keywords

Agricultural revitalization in Lingbi County, Financial reform, Contingency table analysis.

## 1. Research Background

Understand the implementation of local rural financial reform and summarize relevant experience; Conduct in-depth discussions on the current problems in the reform, understand the measures that relevant institutions will take in future reforms, and the relevant leaders have also expressed their perspectives on the reform. In addition, we also conducted a questionnaire survey on the current situation of inclusive finance at the grassroots level, interacted with local farmers in a friendly manner, understood the changes that rural financial reform has brought to farmers' lives, and listened to their opinions and suggestions on the reform.

In this survey, we aim to gain a deeper understanding of the specific implementation of rural financial reform in Lingbi County and its impact on local rural financial development through on-site visits, communication, and questionnaire surveys, summarize relevant experiences, and

provide an effective, easy to implement, and sustainable new path for rural financial reform in other regions; On the other hand, understanding the direction of rural financial reform and development in Lingbi through the perspectives of relevant personnel on future reforms will play a certain guiding role for reforms in other regions.

## 2. Research Records of Lingbi County

### 2.1. First stop - Lingbi Rural Commercial Bank

Receptionist: Li Xiujuan, Lobby Manager, and Staff of Rural Commercial Bank Chong Branch  
At present, the main loan policies introduced to assist farmers (mainly focused on interest subsidy poverty alleviation):

- (1)Poverty alleviation loans (without collateral, verified as impoverished households by townships);
- (2)Photovoltaic loans (for farmers to install solar panels, usually in the amount of tens of thousands of yuan), where farmers only need to bear the principal, the government subsidizes interest, and the profits are distributed to farmers;
- (3)Student loans (mainly to help impoverished college students);
- (4)Nongjing Loan "(Farmhouse Joy, Grain Loan);
- (5)There is also a portion of loans for small and medium-sized enterprises.

The current loan ratio of the bank is between 65% -70%, and there is a high demand for loans in the peak season of January, February, and March.

### 2.2. Second Station - Financial Service Room - Convenient Treasure

Brief description: With a card, various basic operations can be carried out, with a simple and easy process. It must be an Agricultural Bank of China card, generally aimed at young people, and qualified for a financial service room based on rural credit scores.

Function:

- (1)Transfer of funds;
- (2)Small withdrawal, up to 1000 yuan, unlimited number of times;
- (3)Store consumption, convenient payment.

Disadvantages: The popularity is not widespread, mainly among young people, and other functions need to be improved, so we can only use the cards of agricultural commercial banks.

### 2.3. Third stop - County Government Financial Office

Receptionist: Director Liu

The rural financial reform in Lingbi started in 2013 and basically ended 15 years later. It has now entered the basic promotion stage, and many practices have been borrowed from Jinzhai. The current task is mainly to maintain coverage and improve publicity.

Featured projects: Grain Bank, Credit System Construction (Credit Evaluation Form), Rural Financial Service Room.

Most financial service rooms are based on existing institutions and platforms, such as supermarkets, hospitals, village departments, etc., covering almost all agricultural towns (15 high standard financial service rooms are equipped with ATM machines and other facilities).

Financial reform divided into the first five years and the second five years plan

- (1)The government provides a bridge loan platform for small and micro enterprises, where the government advances the principal and promotes re lending, which to some extent alleviates the problem of high borrowing thresholds and complex procedures for banks.
- (2)The Grain Bank has now operated independently in a market-oriented manner.

Existing problems: The existing system and scope of rights are limited, and the scope of reform is limited, making many practices unable to be implemented.

### **3. Research and Expansion of Lingbi County**

#### **3.1. The Necessity and Feasibility of Rural Financial Reform - Lingbi County**

The dual structure of urban and rural areas exists, and rural finance is still very weak. Highlighted in:

Firstly, the financial service network is not sound. Although the business outlets of financial institutions have achieved full coverage in towns and townships of Lingbi County, only 27 of the 213 administrative villages in the county have financial institution outlets or self-service outlets. There are still gaps in financial services, and the scope of financial services urgently needs to be expanded.

Secondly, financial services are not excellent, and the loan threshold for financial institutions is relatively high. Farmers with loans account for less than 23% of the total households, while only over 300 small and micro enterprises have loans.

Third, Financial innovation is insufficient. The collateral for loans continues to expand, and financial products urgently need innovation. According to current policies, rural houses and land cannot be used as collateral for loans, and the most valuable assets in the hands of farmers are houses and land.

The fourth is that the financial ecology and credit status of the county need to be improved. Lingbi Rural Credit Union (now restructured as Lingbi Rural Commercial Bank) is the main force supporting agriculture in the county, but its non-performing loans exceed 200 million yuan, with a very high non-performing loan rate.

#### **3.2. Comparison of Rural Financial Reform - Jinzhai County and Lingbi County**

In recent years, governments at all levels and relevant departments such as the People's Bank of China have carried out a series of explorations and practices to promote the development of rural finance, with a focus on rural financial reform and innovation. The Chongqing model, which aims to promote urban-rural integration, and the Zhejiang Lishui model, which focuses on the construction of rural credit system, have emerged. The Anhui Jinzhai model, which focuses on financial poverty alleviation and development, and the Anhui Lingbi model, which is guided by promoting the equalization of urban and rural financial services, have different rural financial reform models. In the visit survey, we mainly explored the characteristics and similarities and differences of rural financial reform in Huainan City. Taking Jinzhai County and Lingbi County as examples, compare the key points of financial reform in the two counties and summarize the similarities and differences in the reform content of the two counties.

Comparing the reform content and achievements of the two counties, it can be analyzed that Jinzhai County focuses on financial poverty alleviation and development, with a focus on financial poverty alleviation and development to accelerate farmers' income. This is mainly reflected in moderately improving the agreed loan scale of Jinzhai Rural Commercial Bank, Jinzhai Huiyin and Jianghuai Rural Banks, and concentrating the autonomous operation of local rural financial legal institutions. The deepening of rural financial reform in Jinzhai has broadened financing channels for urban and rural residents, opened up emerging rural financial blue ocean markets, optimized the credit environment for rural transformation, greatly unleashed the market activity of rural and urban residents for entrepreneurship and income growth, and effectively supported the investment scale of farmers and small and micro enterprises in production technology, business management, and marketing. Ultimately, the crucial role of financial support in poverty alleviation and development work in Jinzhai County was effectively enhanced.

## 4. Summary of Research in Lingbi County

### 4.1. Rural Financial Reform and Development - Main Issues

In this project, there are high personnel costs, inadequate supervision and management, a lack of liquidity for only storing and not selling grain, and no operational funding sources, making it difficult to control the decline in grain prices. The government's risk funds have little effect; The existing system and scope of rights are limited, and the scope of reform is limited, making many practices unable to be implemented; The urgent problems to be solved are the overly traditional and single financial service products.

### 4.2. Rural Financial Reform and Development - Effective Approaches

The current development of rural finance in China is relatively lagging, and rural finance has become a weakness in the financial system. There is a significant gap between rural finance and urban areas in terms of financial resources and transactions. According to data, the year-on-year growth rate is 15.2%, and the balance of agricultural loans is 3.66 trillion yuan, a year-on-year increase of 4.2%. Although rural financial development is showing a sustained and stable growth trend, it still accounts for a relatively small proportion, with a significant gap compared to urban areas. Under the situation that China's economy has entered the New Normal, how to recognize the urgent needs of China's rural financial reform, analyze the inherent weaknesses of rural financial development, and deepen the construction of rural credit system has become a problem to be solved.

#### 4.2.1. Farmers habitually rely on private finance.

Due to the limited number of formal financial institutions operating in rural areas, high loan conditions, and cumbersome approval procedures, private finance is an important source of loans for small and medium-sized enterprises and farmers, which is also related to rural living and production habits. Farmers and small and medium-sized enterprises prefer to borrow from family and friends or borrow from folk "high interest loans". The demand for rural financial services has not been met due to the limited business outlets of rural financial institutions, which can only meet the most basic deposit and loan financial services. Diversified financial service needs such as online banking, collection and payment, and fund exchange have not been met.

#### 4.2.2. The amount of a single loan is small and can withstand higher loan interest rates.

For farmers, loans are mainly used for production purposes, medical treatment, weddings and funerals, children's education, etc. The loan amount ranges from several thousand to tens of thousands of yuan, and the single loan amount is small. The agricultural production scale is small, and its capital marginal revenue is high, so farmers and small and medium-sized enterprises can afford loans with higher interest rates.

#### 4.2.3. Limited solutions currently explored

In order to promote the reform of rural credit cooperatives, the State Council issued a pilot plan for deepening the reform of rural credit cooperatives. Since the deepening of the reform, China's rural credit cooperatives have created two miracles: firstly, with limited support policies, rural credit cooperatives have transformed from collective enterprises to joint-stock enterprises. The second is to accelerate development and resolve historical burdens, achieving leapfrog development and sustainable development. However, there are some problems in the reform of rural credit cooperatives: firstly, dispersed equity and imperfect governance mechanisms; Secondly, the government and enterprises have not completely separated. Most provincial rural credit cooperatives adopt the provincial cooperative model, which is difficult to get rid of government intervention under the leadership of the provincial government. Thirdly, various approval methods are adopted, with a focus on administrative means for operation and

management; The fourth is to appoint and dismiss personnel of credit cooperatives in various cities through the Party management cadre agency council; Fifth, stakeholders collude with each other.

### **4.3. Rural Financial Reform and Development - Reasonable Suggestions**

The current rural financial reform in Lingbi County has basically ended and has entered the basic promotion stage. The main task at present is to maintain coverage and improve publicity. In response to the problems in its financial reform and development, the following suggestions are proposed.

#### **4.3.1. Consolidate the foundation of rural real economy**

Firstly, due to the relatively weak economic foundation of rural financial development, it is necessary to clarify the practical foundation and industrial orientation of regional development. Concentrate efforts on developing a systematic industrial chain around Lingbi characteristic agricultural products, such as the Fenghua Characteristic Agricultural Product Demonstration Base in Lingbi County, support the development of local leading enterprises, use preferential policies to attract investment, encourage farmers to start their own businesses, improve farmers' market participation on the one hand, and meet the requirements of formal financial institutions issuing loans on the other hand.

Secondly, strengthen the construction of rural microeconomics organizations. Centralizing and scaling up scattered financing demands in rural areas through reasonable organizational arrangements is an effective way to enhance the vitality of the financial market and stimulate financial supply. In rural production transactions, the weak position of a single individual or a small number of farmers in terms of price, information, and market position is obvious.

#### **4.3.2. Establish an information-based and standardized rural credit reporting system**

In the practice of financial reform, information collection is mainly completed by relevant departments and village and town cadres entering households or gathering farmers for centralized evaluation. The overall utilization of farmers' credit information is low, and the authenticity of data is difficult to guarantee, which is mainly reflected in the limited professionalism of the collection personnel, the subjectivity of information sources, and the low accuracy of information due to the untimely update of information, and the fluctuation of market prices of farmers whose assets are mostly agricultural products, It is difficult to verify its true value.

Therefore, local financial regulatory authorities need to reorganize the process of credit information collection, analysis, quality control, and application based on summarizing the gains and losses of previous rural credit reporting construction, and establish a real rural credit reporting system with true information sources, standardized information collection, qualified information quality, and reliable information results:

Firstly, establish a joint mechanism of local financial regulatory departments, sort out and optimize the credit rating standards of farmers and agricultural business entities, strengthen the cross validation between financial and non-financial information, and introduce third-party investigation and research institutions as appropriate to participate in the construction of the credit system.

#### **4.3.3. Innovate rural financial supervision methods and prevent rural financial risks**

In terms of dynamic management of financial entities and activities, the limitations of local financial regulatory agencies in terms of technical means, personnel allocation, and their own authority have led to a large number of regulatory vacuum zones and regions. The effectiveness of prior supervision such as information disclosure and risk warning is limited, and the risk supervision and investigation capabilities to address the comprehensive reform of rural finance are not yet mature.

In the reform of rural finance, especially the cultivation and management of small and micro financial institutions, higher requirements and challenges have been put forward for county-level financial regulatory authorities. On the one hand, the operational system of newly established institutions in risk nodes such as internal governance, risk control measures, and post loan management is relatively weak, and the proportion of potential bad debt rates and non-performing loans is relatively high. The demand for market education and financial regulation is also high; On the other hand, the limitations of limited information channels, lagging information, and insufficient experience in the regulatory sector have also made financial risk prevention and resolution a pain point for local financial supervision. To accelerate the smooth progress of the comprehensive reform of rural finance and prevent risks in small and micro financial institutions, it is necessary to strengthen the dynamic supervision of the entire process of rural finance, especially in advance and moderate control.

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