

A Brief Discussion on the Dilemma and Outlet of Rural Financial Development -- Based on Empirical Data Research of Chongqing

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Abstract: On February 21, 2021, the State Council issued another guiding "agriculture, rural areas and farmers" the first document of the Central Committee of the CPC Central Committee and the State Council on comprehensively promoting rural revitalization and speeding up the modernization of agriculture and rural areas, the document pointed out that the national rejuvenation, rural revitalization must be. We must make solving problems related to agriculture, rural areas, and farmers a top priority in the work of the whole Party. It can be seen that the central government has elevated the issues of agriculture, rural areas, and farmers to a strategic position. And have long-term urban priority development strategy in our country, cause our country "urban and rural duality structure" (mainly modern production of urban economy, which is mainly composed of the small-scale peasant economy and the rural economy co-exist), rural economic development is far behind the city's economic development, rural financial development lags, and the financial support is an important power of solving "three rural issues". Chongqing, as one of the four municipalities directly under the central government of China, has the dual characteristics of "big city" and "big countryside". The study on the development of rural finance in Chongqing is of exemplary significance for China to promote the overall construction of urban and rural areas. Therefore, based on the relevant data on rural economic development in Chongqing, this paper discusses the difficulties faced by rural financial development and discusses the development path of rural finance in China.

Keywords: Chongqing, agriculture, rural development, plight, rural finance

1. Introduction

Research theory of the rural financial development in developing countries emerge endlessly, from the 1970 s after the rise of agricultural financing theory and the theory of the rural financial market, to the later, the imperfect competition market theory research problems of the rural financial development has attracted the attention of many scholars, the rise and fall of the rural financial development also affect the development of economic construction in developing countries. Since China has been implementing the strategy of "city first" for a long time, the phenomenon of urban-rural dualization is serious, and the appearance of the Matthew effect aggravates the uneven differentiation of urban and rural financial development. Given China's rural financial development, many scholars at home and abroad put forward different views to enrich the rural financial theory. Based on the actual situation, this paper selects Chongqing, a representative city among Chinese cities, and finds and analyzes the existing problems on the road of rural financial development in Chongqing from a more objective perspective and gives relevant suggestions based on the data of the city and field research.

2. The current situation of rural financial development in Chongqing

2.1 A diversified financial system has taken shape

By the end of 2020, Chongqing has been initially formed to Chongqing rural commercial bank, agricultural bank of China Chongqing branch, the postal savings bank of China Chongqing branch, agricultural development bank of China Chongqing branch banking institutions, such as rural Banks is complementary, insurance companies, guarantee companies, small loan companies, and other financial institutions to participate in the rural financial system. In 2008, as one of the first pilot provinces and cities in the reform of rural credit cooperatives in China, Chongqing Municipality restructured the former rural credit cooperatives into Chongqing Rural Commercial Bank. By the end of 2019, Chongqing Rural

Commercial Bank had 41 branches and branches, 1,774 business institutions, and ranked first among financial institutions in Chongqing in terms of asset scale, deposit scale, and number of outlets. Up to now, Chongqing has set up 38 rural banks, covering all agricultural-related districts, counties, and villages in the city. At the same time, with the advancement of rural financial system reform, the number of small loan institutions is also increasing year by year. Small loan institutions meet the capital needs of individual farmers and merchants and small and micro enterprises with their convenient, rapid, and standardized characteristics compared with private lending. The loan scale has grown rapidly from RMB30.205 billion in 2012 to RMB158.278 billion in 2018, increasing the financial supply to a certain extent.

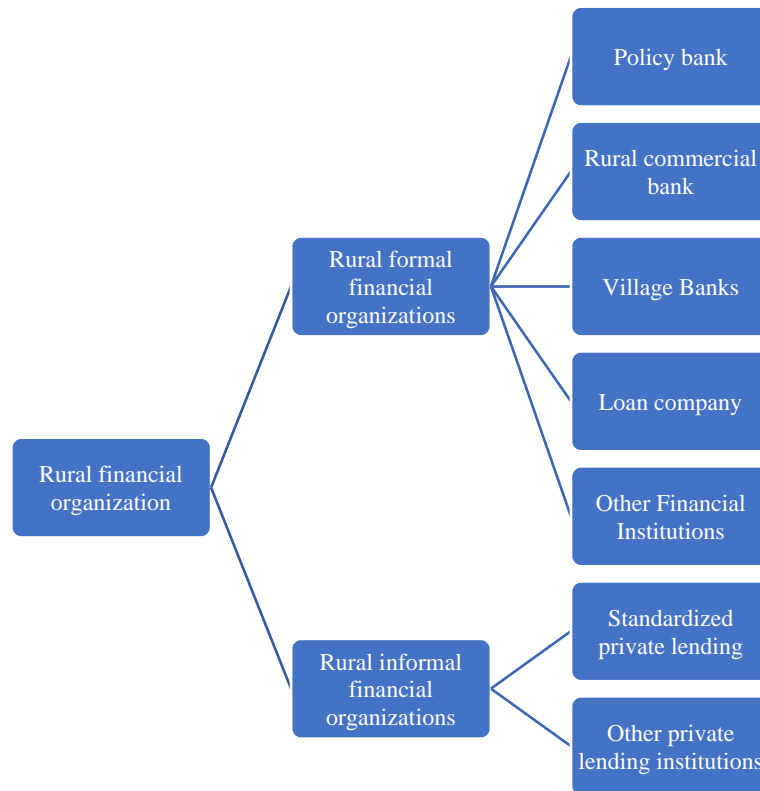


Figure 1 Rural financial institution system

2.2 The coverage of financial services has been significantly improved

With the strengthening of the investment of Chongqing municipal government in rural financial resources and the preliminary structure of the rural financial system, the whole city's rural basic financial services have achieved 100% full coverage, and a multi-level rural financial service system of "each village has a network and each household can trade" has been initially formed. Under the promotion and support of national policies, various banking financial institutions have successively opened inclusive financial businesses and extended relevant businesses to counties and towns to provide exclusive services for small and micro agriculture-related enterprises and help solve "agriculture, rural areas, and farmers" problems.

2.3 Operation efficiency of rural financial institutions in Chongqing

Due to the differences in the economic development of various countries, including financial supply and demand, there is no clear standard for the evaluation of rural financial market. Based on the overall situation of China's economy and the evaluation standard of the rural financial market proposed by the rural financial consultant of the World Bank, Yalong in 1992, this paper evaluates the rural financial development of Chongqing from two aspects of economic contribution and self-sustaining.

2.3.1 The contribution of rural finance to the economic development of Chongqing

2.3.1.1 Agricultural loan growth

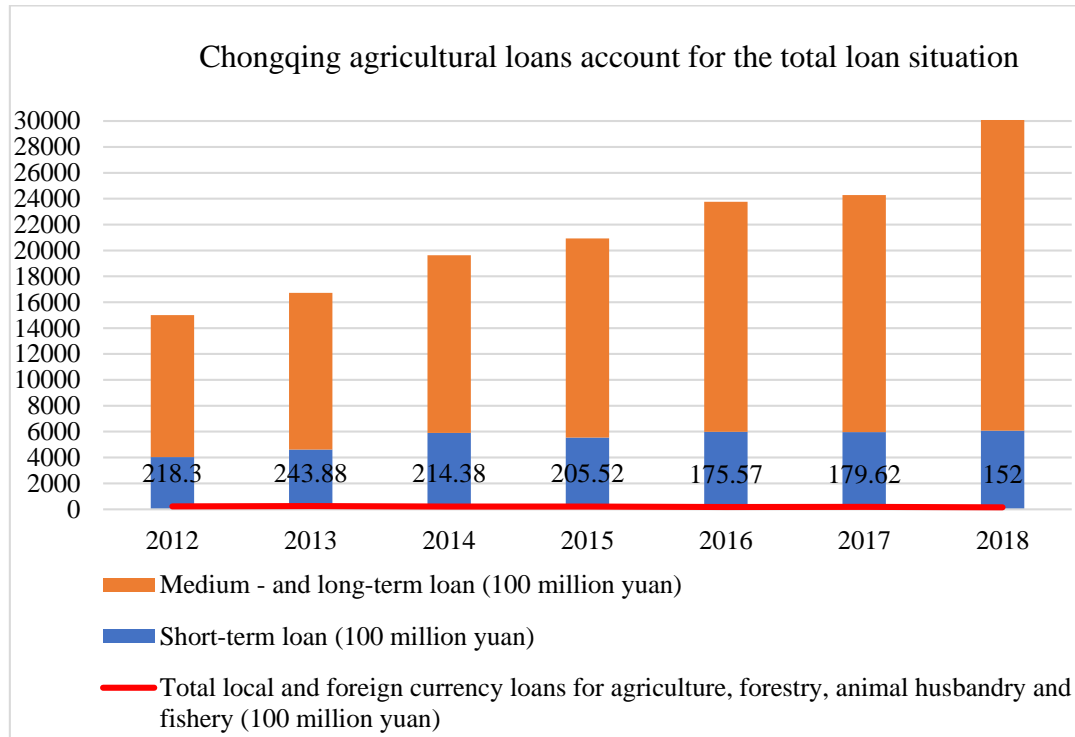


Figure 2 The proportion of total loans in Chongqing

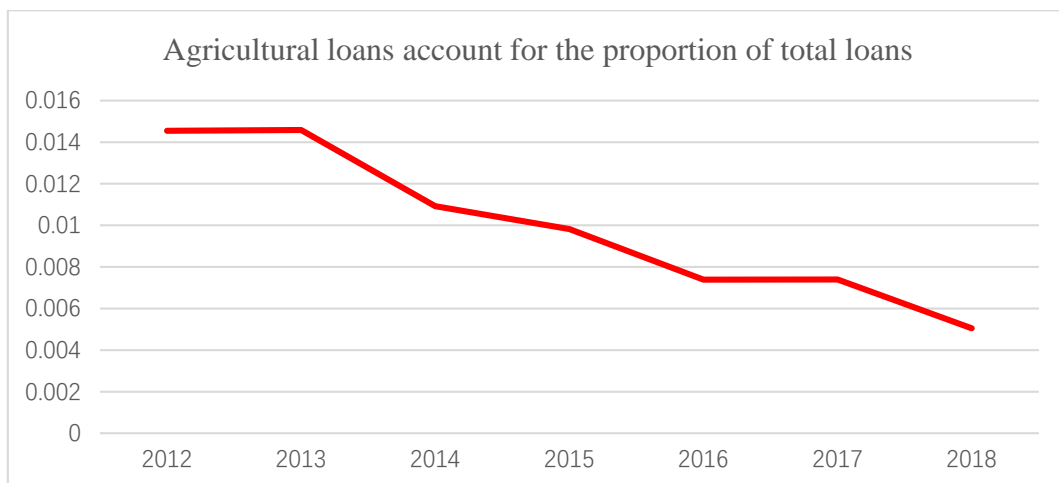


Figure 3 The proportion of agricultural loans in total loans

According to the data above, although the overall loan amount in Chongqing increased year by year from 2012 to 2018, the proportion of agricultural loans (including agriculture, forestry, animal husbandry and fishery) showed a decreasing trend, accounting for less than 0.6% of the total loan amount in 2018. The decreasing proportion of agricultural loans year by year shows that the supply of agricultural finance in Chongqing is seriously insufficient and the agricultural expenditure is at a low level.

2.3.1.2 Growth rate of the primary industry

From 2008 to 2019, the proportion of the growth value of the primary industry in the GDP decreased year by year, indicating that the proportion of the secondary and tertiary industries in Chongqing increased, and the Chongqing government paid more attention to the development of industry and other industries (except agriculture). According to data from Chongqing Bureau of Statistics, although the added value of the primary industry is on a downward trend, the income of rural residents is growing year by year, from 4,126 yuan in 2008 to 15,133 yuan in 2019, indicating that the economic development

of Chongqing is relatively stable. According to the data in Table 1, although the amount of fiscal expenditure on agriculture in Chongqing is increasing year by year, from 25.635 billion yuan in 2012 to 36.677 billion yuan in 2018, it is still in the state of low-intensity investment, which further indicates that the effectiveness of rural financial supply in Chongqing is insufficient.

Table 1 Statistics of agricultural-related loans, financial support for agriculture, a growth rate of primary industry, and villagers' disposable income in Chongqing

Subject/Year	Agricultural loans (100 million yuan)	Financial support for agriculture (100 million yuan)	Proportion of added value of primary industry in GDP (%)	Per Capita Disposable Income of Rural Households (Yuan/Person)
2012	218.30	256.35	8.20	7383.30
2013	243.88	281.94	8.00	8332.00
2014	214.38	291.62	7.40	9489.80
2015	205.52	331.33	7.30	10504.70
2016	175.57	347.99	7.40	11548.80
2017	179.62	347.57	6.60	12637.90
2018	152.00	366.77	6.80	13781.20

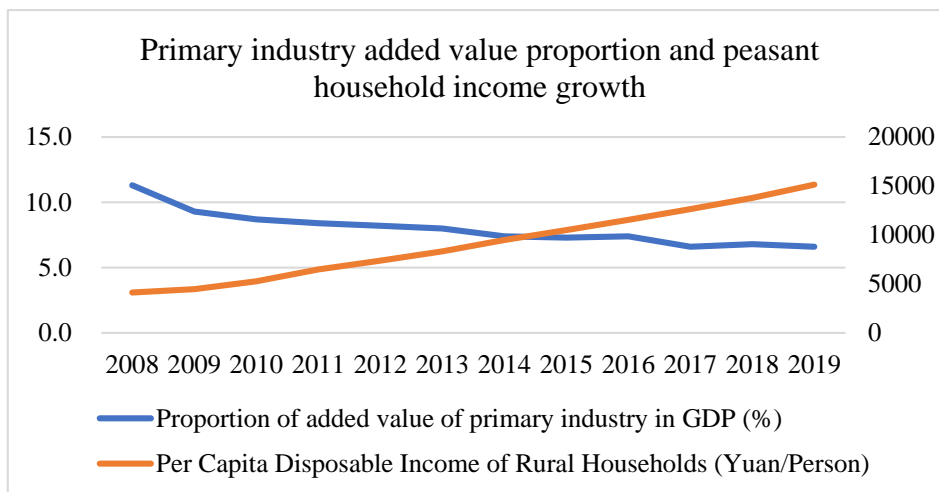


Fig. 4 The proportion of the added value of the primary industry and the growth of household income

2.3.2 Self-reliance of rural financial institutions

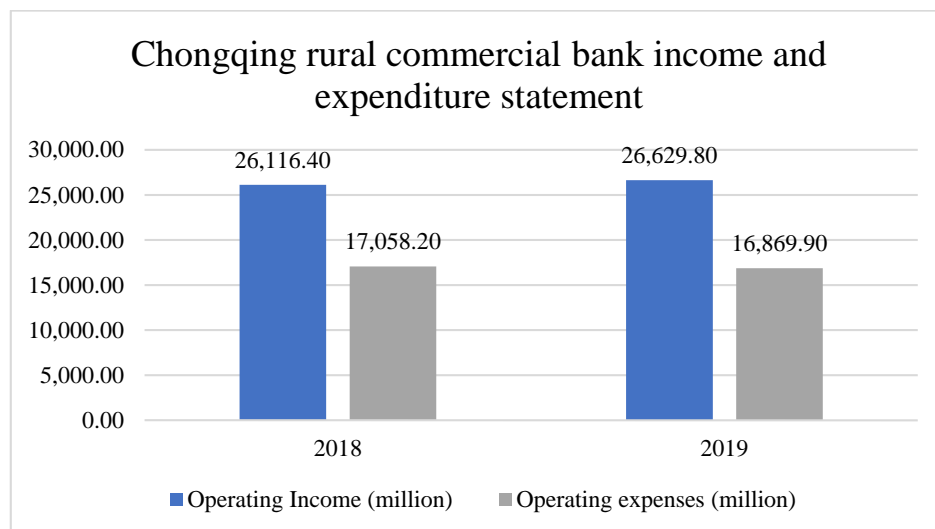


Fig. 5 Income and expenditure statement of Chongqing Rural Commercial Bank

Next, we will analyze the self-reliance of several representative financial institutions under the rural financial system of Chongqing, such as Chongqing Rural Commercial Bank and Chongqing Yubei Yinzuo Village Bank.

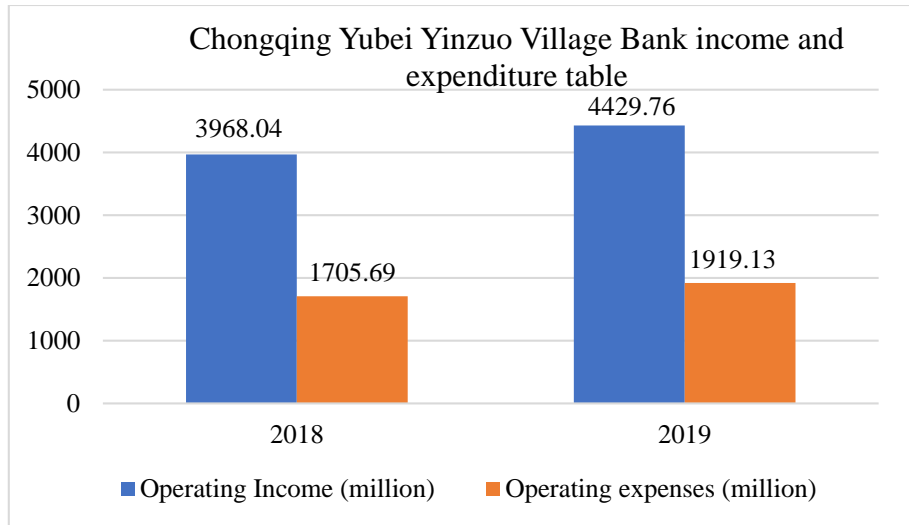


Fig. 6 Income and expenditure table of banks in Yinzuo Village and Township, Yubei, Chongqing

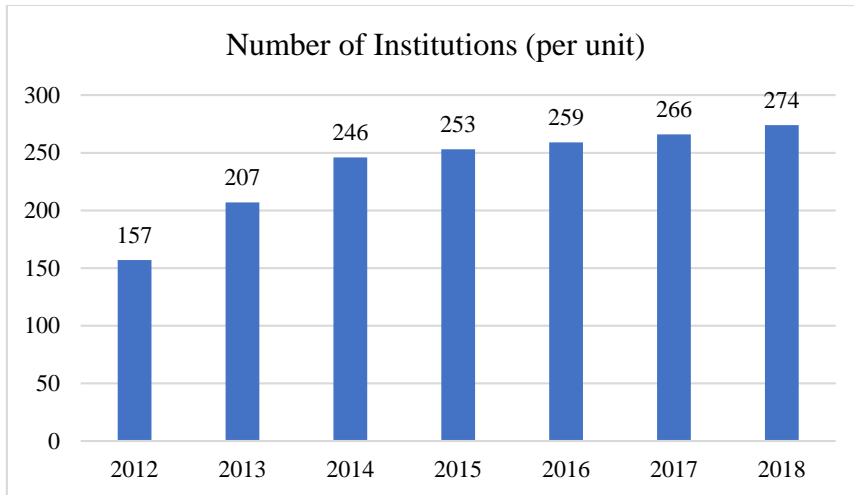


Figure 7 Number of microcredit institutions in Chongqing

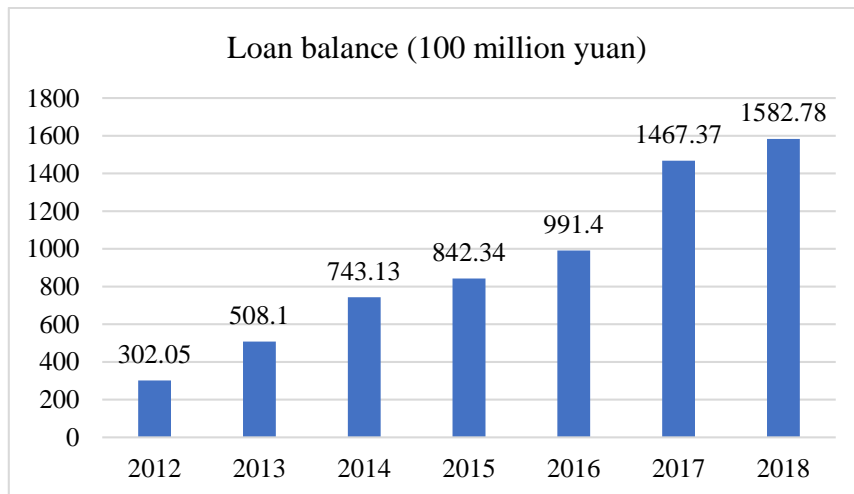


Figure 8 Loan balance of small loan institutions in Chongqing

Data show that the operating income of Chongqing Rural Commercial Bank and Chongqing Yubei

Yinzuo Village Bank is greater than the operating expenses, indicating that their self-reliance is strong and the market business can be maintained. Since the annual reports of small loan institutions are not open, relevant financial information cannot be obtained. Therefore, we analyze the current situation of small loan institutions from the growth scale and loan balance of small loan institutions in Chongqing. The data in the figure shows that the number of small loan institutions in Chongqing has been increasing year by year, from 157 in 2012 to 274 in 2018. The loan balance has also increased from 30.205 billion yuan in 2012 to 158.278 billion yuan in 2018, indicating that the survival situation of small loan institutions is relatively good and the growth trend is optimistic.

3. Rural financial development dilemma and cause analysis

In the investigation of rural finance in Chongqing and the statistics of relevant financial institution data, we found that there are many problems as well as progress. Now the problems are summarized as follows, and the reasons are analyzed.

3.1 The government's fiscal spending is insufficient, and financial institutions' enthusiasm for agriculture-related loans is not high

In recent years, although Chongqing municipal government has increased the financial input to agriculture, the input intensity is small, which is not enough to guide and encourage financial institutions to better serve the "three rural", the lack of rural financial supply, restricting the rapid development of agriculture. Due to its special industrial nature of agriculture, such as low profitability, unstable income, long-term investment and risk, the financing needs of farmers are often rejected by commercial banks in pursuit of profit. Therefore, it is necessary to establish a rural financial mechanism to solve the difficulty of farmers' investment and financing and promote agricultural development. Through the establishment of rural cooperative institutions to organize farmers, individual industrial and commercial businesses and small and medium-sized enterprises to cooperate and help each other to participate in market competition. Let rural credit cooperatives give full play to their small and flexible advantages to serve the middle and low-income groups and handle the business that commercial banks are reluctant to handle. However, from the perspective of market rules, due to the industrial characteristics of agriculture, the complete implementation of the market mechanism in rural finance is not universal. At this time, the government needs to intervene in the financial market appropriately and give certain special policies and protective measures to promote the development of rural financial institutions.

3.2 Lack of agriculture-related financial resources and single financial instruments

Although and driven by the call of the national policy, Chongqing's financial institutions at all levels to strengthen product innovation created all kinds of characteristic agricultural credit products, such as the agricultural bank of China introduced the "corresponding e borrowed", Chongqing rural commercial bank to cooperate with Chongqing agricultural guarantee company support rural industrial convergence development of related industry launched 123 "rural industrial convergence is borrowed" 123, Chongqing YuBei Yinzuo bank launched "village in the easy credit, visiting card" and so on. But on the whole, the products and services involved are still single, unable to adapt to the increase of farmers' demand for funds and the change of diversified uses in the rural economic development.

3.3 The coordination efficiency of financial institutions is low, and the effect of policy implementation is not obvious

Although Chongqing has initially formed a financial system dominated by operational banks and supplemented by policy banks, the relevant subjects involve the government, financial institutions and third-party intermediary service institutions. However, in general, the coordination of relevant subjects is not strong. At present, they are operating independently and occupying their respective places, and a perfect multi-department coordination service mechanism has not been established. Throughout the rural financial system of developed countries, such as the United States by the cooperation of agricultural credit institutions agricultural credit system and government institutions constitute the rural financial system, Japan by the agricultural system of finance, private agricultural finance, the association of agricultural financial system, financial system and the Netherlands, Mr. Bank group, is a multi-level, synergy system of cooperative Banks. Each of the economies of its partner financial institutions is legally independent of each other, and each has its board of directors as its highest authority. There is no strict

hierarchy in cooperative cooperation, which keeps a kind of independence between each other but gives play to the advantages of a union. Therefore, it is necessary to establish a multi-sectoral cooperative service system as soon as possible, so that the relevant financial institutions can maintain the relationship of independent operation but cooperation and mutual assistance.

3.4 The lack of credit system construction, the public credibility consciousness is not strong

The credit carries out financial activities all the time, is the premise of financial development, it is based on a good social credit order, the financial system can run well. However, in the vast rural areas of our country, the problem of lack of credit can't be underestimated. The direct consequence of the lack of a credit system is to limit the development pace of rural finance. According to the survey conducted in the rural areas of Chongqing, most of the rural households were not well educated or even had no formal education. Farmers' ideological quality is generally low, and their ability to identify and judge is low. With the rapid development of society, under the influence of many social trends, the correct values have not been formed, and there are many people do not speak honestly, seek small profits, worship high and step on the ground. All these phenomena lead to the failure to carry out the construction of the rural credit system.

3.5 The high threshold of bank loans, farmers into the dilemma of investment and financing

Due to the industrial characteristics of agriculture, high investment risk, long investment period, unstable investment income, lack of policy support and other factors discourage commercial banks' enthusiasm for agricultural-related loans. Established based on the former Chongqing Credit Union, 39 district and county credit cooperatives, and rural cooperative banks, Chongqing Rural Commercial Bank gradually developed into a commercial bank model and gradually deviated from the purpose of "serving agriculture, rural areas, and farmers". The lack of agriculture-related financial resources makes it difficult for farmers with good projects in need of financial support to obtain funds because they cannot provide conforming collateral, while farmers with an abundant surplus cannot find investment opportunities due to the lack of corresponding financial management concepts.

4. Coping strategies

4.1 Improving the financial ecological environment

4.1.1 Strengthen education popularization

Due to the low level of education of rural residents, the low quality of integrity and ideological attainment hinders the development of rural financial construction. At the same time, the township financial institutions' financial personnel professional ability is uneven, the quality is low, is not conducive to the good operation of related financial credit activities. The government and related institutions should attach great importance to the education and popularization of correct concepts such as integrity and financial management in rural areas, and guide the establishment of a good social integrity atmosphere. At the same time, universities and other social organizations should pay attention to the training of professional financial talents to provide society with excellent financial quality talents.

4.1.2 Accelerate the construction of rural credit system

China should speed up the construction of rural social credit investigation system to try to solve the problem of information asymmetry, for farmers, farms, farmers cooperatives, leisure agriculture and agricultural production, processing enterprises, and other members of the rural society to establish credit files, create a good rural credit environment. The progress of science and technology and the arrival of the era of big data have laid a solid technical foundation for the construction of credit systems and effectively promoted the establishment of the credit system. Strengthening the construction of rural credit system is conducive to improving farmers' credit consciousness and credit level, creating a good rural credit environment in rural areas, better supporting fixed-point poverty alleviation, accelerating the development of rural areas, especially the poor areas, and promoting the social development and civilization progress in rural areas.

4.1.3 Improve the rural financial supervision system, laws and regulations

The legal system of rural financial supervision is an important part of China's financial supervision system, which plays a key role in maintaining the healthy development of the rural financial market. The

legal system of rural financial supervision not only undertakes the task of maintaining financial stability but also undertakes the responsibility of guaranteeing the development of rural finance. Establish a sound legal system of financial supervision, standardize rural finance under the terms of laws, so that all acts have laws to follow. Informal financial institutions should face up to the rationality of their existence, bring them into the financial supervision system, and guide their standardized development.

4.2 Improving the reform of the financial system

4.2.1 Emphasize the service responsibilities of relevant financial institutions for "agriculture, rural areas and farmers"

Rural financial institutions mainly consist of rural credit cooperatives, rural commercial banks, agricultural issuance banks, and agricultural banks of China. Agricultural issuance and agricultural bank belong to policy financial institutions, rural credit cooperatives belong to cooperative business organizations. In Chongqing, Chongqing Rural Commercial Bank, which was merged with 39 rural cooperatives in districts and counties, gradually stepped onto the development track of traditional commercial banks and ignored the problems of "agriculture, rural areas, and farmers". The state should stipulate the proportion of agricultural loans of relevant policy banks, avoid deviating from "agriculture, rural areas, and farmers", and stipulate the proportion of agriculture-related loans in the form of legislation and supervision. At the same time, it promotes the cooperative cooperation mode of financial institutions to maintain an independent and united relationship between each other, which avoids excessive intervention from superiors to subordinates and maintains the advantage of mutual assistance, which is conducive to the uploading and distributing of national policies and the unification of policy implementation.

4.2.2 Expand the guarantee channels of rural credit

Compared with the real economic situation of farmers, the credit threshold of banks is relatively high, and farmers have less collateral, so it is difficult to obtain sufficient fund supply in time. Widening rural credit guarantee channels can greatly enrich the types of farmers' guarantees, thus reducing the occurrence of non-performing loans. For example, in the process of the rural financial development, new guarantee methods such as expanding family guarantees and village committee guarantees can be adopted to reduce the risk of rural financial investment.

4.3 Increasing financial support for agriculture and rural areas

Due to the interference of credit risk and other factors, rural financial institutions have little enthusiasm for agriculture-related loans. The state should increase financial support for agriculture, support the development of rural financial industry, give more policy support to rural financial industry, guide them to increase agriculture-related loans and increase financial resources. At the same time, attention should also be paid to the law of marketization, the use of interest induction mechanisms to guide the inflow of funds into the countryside and achieve efficient allocation. We will promote the reform of the rural interest rate system and make the interest rate in the rural financial market market-oriented.

5. Conclusion

In this paper, based on the Chongqing rural financial credit data and relevant information of research and analysis the present situation of the rural financial development in Chongqing, found the following problems: the Chongqing government spending on agriculture, the rural financial resources are not rich, low efficiency of synergy between the related financial subjects and agricultural loans enthusiasm is not high, the slow process of the rural credit system construction. Given the above problems, this paper gives the following suggestions: Chongqing should accelerate the construction of a credit system, improve financial supervision laws and other aspects to optimize the financial ecological environment, to provide a good operating environment for rural finance. Pay attention to the reform of the financial system, at the same time, the government should increase the financial support related to agriculture, improve the enthusiasm of financial institutions to promote the further development of rural finance.

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