

The current situation of rural financial development in Zhanjiang

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Abstract: Guangdong Province is a major economic province in China, with a total economic output ranking among the top in the country. However, the development within Guangdong Province is extremely uneven. Zhanjiang and other western Guangdong areas are underdeveloped, with most rural areas relying mainly on agricultural production. The issue of agriculture, rural areas, and farmers is an important issue related to national economy and people's livelihood. It is necessary to ensure the stable growth of grain production and promote the development of rural economy, help farmers increase their income, and solve the problem of poverty alleviation in rural areas. However, the development of agriculture is influenced by natural factors, policy support, economic environment, financial services, and other factors, so the role of rural finance in agriculture, rural areas, and farmers cannot be underestimated. With the development of rural finance in Zhanjiang for many years, the order of rural finance has been established, and rural financial institutions have gradually increased. The economy of Zhanjiang's rural areas has also developed, but there are still certain problems in rural finance. This article studies the current situation of rural financial development in Zhanjiang, elaborates on the achievements of rural financial development in Zhanjiang, and points out the problems of insufficient rural financial support funds, incomplete rural financial system, and insufficient innovation of rural financial products in Zhanjiang's rural finance. Finally, countermeasures and suggestions are proposed to strengthen investment in rural credit, strengthen the construction of rural credit system, and accelerate the innovation of rural financial products and services.

Keywords: Rural Finance, The Issue of Agriculture, Rural Areas, and Farmers, Rural Economy

1. Introduction

The issue of agriculture, rural areas, and farmers is closely related to people's livelihoods and economic development level, and has always been a key issue of concern for the state. According to data released by the National Bureau of Statistics, from 2017 to 2021, the per-capita disposable income of rural residents in China increased by 28.9% in real terms. Although China has now achieved a comprehensive well-off society, the urban-rural gap is still large. To achieve common prosperity, it is necessary to promote the development of rural economy, and the development of finance can promote economic growth. Therefore, in order to drive the rural economy through rural finance, the Chinese government and relevant economic departments have taken a series of measures to optimize financial institutions and issued a series of regulations to promote the development of rural finance, making rural finance a leader in rural economic development. After years of improvement, rural financial institutions have been continuously increasing, from the original single rural credit cooperatives to several state-owned banks entering rural areas. The rural financial system has been preliminarily completed. And with the gradual improvement of the financial system, various financial activities are no longer constrained and can be vigorously carried out. And the rural economy is further improving. Studying the development of rural finance is of practical significance for implementing the rural revitalization strategy, winning the battle against poverty, and helping farmers increase their income.

2. The research status at home and abroad

2.1. Overseas Research Status

King and Levine (1993) analyzed financial data from 80 countries and concluded that financial

development has promoted economic growth^[1]. Stiglitz (2001) conducted regression analysis on data from 60 countries, and the results showed that improving financial efficiency and the total amount of rural financial credit would further promote the development of rural finance^[2]. Suleiman Abu Baderh and Aamer S. Abu Qarm (2008) found through data analysis from Egypt from 1960 to 2001 that there is a bidirectional causal relationship between rural financial development and rural economic growth, and rural financial development drives rural economic growth^[3].

2.2. Domestic research status

There are many studies in China on the impact of rural financial development on farmers' income. The empirical study by Wu Rongrong and Zhang Zhanhui (2011) concluded that expanding credit support for agricultural production and infrastructure is beneficial for promoting the growth of farmers' income^[4]. Zhou Weihui and Dai Jianbing (2008) used relevant data to analyze the factors affecting farmers' income through econometric models, proving that the rapid development of rural finance in Hebei Province has effectively promoted the increase of farmers' income since 1985 to 2004^[5]. Zhong Chenglin and Chao Wen (2013) found that financial support for agriculture has a significant promoting effect on farmers' income^[6]. Zhou Li (2020) believes that deepening rural financial reform and forming a coordinated and unified financial support for agriculture pattern with complementary advantages of policy finance, commercial finance, and social finance is conducive to promoting rural revitalization and development, and accelerating the process of rural urbanization^[7].

3. Analysis of Rural Development and Rural Financial Development in Zhanjiang

3.1. Development of Rural Industries in Zhanjiang

Zhanjiang City is located at the southernmost end of Chinese mainland, with a tropical marine climate. The geographical climate is very suitable for the development of agriculture, and the plain area is large and can be cultivated. The climate is not extremely cold in winter, making it suitable for planting crops for a long time. In addition, with a long history of agricultural cultivation, Zhanjiang City has excellent and well-known agricultural products such as Xuwen pineapple and Lianjiang red orange. Therefore, Zhanjiang City has always been committed to promoting agricultural development. Zhanjiang has 3 national level modern agriculture demonstration zones and 12 provincial-level agricultural demonstration parks, which shows that Zhanjiang attaches great importance to agriculture and has achieved remarkable agricultural results. In recent years, agriculture has received government support and technological assistance, resulting in a continuous increase in agricultural output value. According to Table 1, it can be seen that except for the year-on-year decrease in poultry slaughter, the increase in other industries led to a year-on-year increase of 9.1% in the total output of agriculture, forestry, animal husbandry and fishery in 2021.

Table 1: The output value of agriculture, forestry, animal husbandry, and fishery in rural areas of Zhanjiang in 2021

variety	yield	Year-on-year growth	Year-on-year decline
Grain	1.518 million tons	2.3%	
Vegetable	4.3977 million tons	5.6%	
Fruit	3.1784 million tons	6.6%	
Poultry	91.815 million units		7.8%
aquatic products	1.2408 million tons	2.1%	
The total output value	105.198 billion yuan	9.1%	

Source: Compilation of public information

The rural industry in Zhanjiang is not only a fragmented small-scale economy, but some areas have also formed characteristic areas. Due to the large-scale cultivation of a certain agricultural product with good quality, it has been included in the list of advantageous areas for Guangdong Province's characteristic agricultural products released, including Qiantang lotus root, Qindou mango, Lianjiang red orange, Suixi pitaya, and etc. The characteristic agricultural product area has a good ecological environment, and vigorously develops a certain characteristic agricultural product based on its own resources, which can reduce the problem of high fragmented planting costs. With regional symbols and large-scale cultivation, coupled with high quality, the featured products will gradually bring popularity. With popularity, they can use e-commerce to better sell to other places, open up sales channels, and drive

economic development more than the small-scale planting and sales model of a single farmer to the surrounding areas.

3.2. Development of Rural Finance in Zhanjiang

3.2.1. Overall situation of rural economic development in Zhanjiang

The rural revitalization work in Zhanjiang in 2020 has achieved good results, which can be seen from the following four aspects. The first aspect is to maintain stable grain production and effective supply of agricultural products. The planting area ranks first in the province and the total output ranks second. The indicators of pig inventory, total aquatic products, and featured fruit planting area are among the top in Guangdong, maintaining stable growth. The second aspect is the continuous improvement of the modern agricultural industry system construction. The promotion area of improved varieties in Zhanjiang has reached 1976.4 acres. To take the lead in realizing the transformation of the entire industrial chain, including production, market, circulation, and consumption, in the country. It is no longer just about planting, but will combine agricultural production with tourist attractions based on rural characteristics, and promote the comprehensive and high-quality development of rural industries. The third aspect is that rural construction is getting better and better. The environment in rural areas has been improved through the tasks of "three cleanups, three demolitions, and three renovations". The fourth aspect is the gradual increase in farmers' income. In 2021, the per-capita disposable income of rural residents in Zhanjiang was 20693 yuan, a year-on-year increase of 10.3%.

3.2.2. Zhanjiang Rural Financial System

After years of development, the rural financial system in Zhanjiang has been continuously improved, and the financial system has been continuously reformed according to practical needs, resulting in a significant improvement in the level of financial services. During the 13th Five Year Plan period, multiple financial institutions have successively settled in Zhanjiang, with an increase of 3 banking institutions, 6 securities institutions, and 7 insurance institutions. The reform of rural credit cooperatives has been basically completed, and all 9 rural credit cooperatives have been restructured into rural commercial banks. As can be seen from Table 2, at the end of the 13th Five-Year Plan period, there were 23 banking institutions, 47 insurance institutions, 27 securities business departments, 12 microfinance companies, 4 financing guarantee companies and 9 pawnshops in Zhanjiang.

Table 2: Financial institutions in Zhanjiang at the end of the 13th Five Year Plan period

Organization Type	Quantity
Banking institution	23
Insurance Companies	47
Securities Business Department	27
Small loan companies	12
Financing Guarantee Company	4
Pawn shop	9

Source: Modern Finance Guide, Issue 8, 2021

The number of branches of rural commercial banks and the four major banks in rural areas continues to increase, and the increase of financial institutions has accelerated the upgrading of financial supporting facilities, gradually improving the rural financial service system. Rural Commercial Bank is a major financial institution in rural areas, with strong support for agricultural loans, playing a significant role in promoting the development of agriculture, rural areas, and farmers, and supporting rural revitalization. As of the end of September 2019, Zhanjiang Rural Commercial Bank ranked among the top financial institutions in the city in terms of deposit and loan share. At the same time, the Internet plus rural financial model has also been developed with the popularity of the Internet. Internet finance has no time and space constraints, and its cost is smaller. Compared with the traditional credit model, it has obvious advantages. The addition of this model has also brought innovation in financial products and service methods.

In terms of insurance industry, the insurance industry has made significant contributions to underwriting agricultural products in Zhanjiang. As of the end of June 2022, the insurance institutions in Zhanjiang have provided services to 495300 households of agricultural enterprises and farmers, providing a guarantee amount of 10.518 billion yuan for agricultural enterprises and farmers, including insuring in the planting and breeding industries, providing risk protection of over 10 billion yuan, and paying compensation of 343 million yuan.

Although Zhanjiang is located in western Guangdong, with relatively backward development in the

trust and securities industries, and its economic development is not as good as that of Guangzhou and Shenzhen, Zhanjiang's development has also received attention from the country and the province. Adhering to the principle of advanced cities driving backward cities, we are promoting cooperation between Guangzhou and Zhanjiang, allowing Guangzhou to drive the development of Zhanjiang. On February 5, 2021, the Guangzhou Financial Supervision and Administration Bureau and the Zhanjiang Financial Work Bureau signed a strategic cooperation framework agreement in Zhanjiang, which pointed out that the two cities will deepen cooperation in eight aspects, including promoting the interconnection of various financial institutions in the two cities, encouraging securities companies and trust institutions in Guangzhou to open branches in Zhanjiang, and enriching the types of financial institutions in Zhanjiang. By assisting the trust and securities industries to play a greater role in Zhanjiang's economy, the economic development of Zhanjiang has been promoting.

4. Development achievements of rural finance in Zhanjiang

4.1. Leading by the Party building and working together with banks and governments

The "one leading bank+various banks and insurance institutions within its jurisdiction+town" model is a new type of cooperation model carried out by the Zhanjiang government and banks. By focusing on party building, the cooperation between banks, governments, and enterprises can be effectively bridged, and the deep integration of party building and business has been promoted. In order to provide more comprehensive and efficient services to farmers, cooperative banks to dispatch business specialists to rural areas are encouraged to assist stationed units in carrying out financial work, and to promote bank finance to serve farmers in rural areas. Therefore, the development of rural finance will be promoted. Paired party branches of banks and enterprises consolidate the quality of farmer credit information collection through on-site research, list management, public evaluation, and public listing. Party building leads the construction of credit villages, which can enhance the service and execution capabilities of village and town level party organizations. A series of measures can enhance farmers' credit awareness and understanding of financial products, strengthen the construction of rural credit environment, and create a good credit environment. At the same time, taking the popularization of financial knowledge as the theme of Party Day activities, Party members will popularize financial knowledge to villagers in order to improve the risk and credit awareness of farmers, further help them to prevent financial fraud.

4.2. Multi party support for the development of rural industries

Injecting financial resources into rural areas through regulatory guidance, expanding financial services to rural areas, and meeting rural funding needs is an important path for China to implement the rural revitalization strategy. With the promotion and assistance of the Zhanjiang Banking and Insurance Regulatory Bureau, the banking and insurance industry has continuously improved the infrastructure of demonstration zone industrial parks and industrial clusters, planned the construction of rural e-commerce industrial parks within the zone, combined with the regional characteristic industries, and achieved the maximization of strengths and avoidance of weaknesses. With the rise of e-commerce and its strong sales capabilities, in order to open up the sales channels of agricultural products and increase their sales, they focus on supporting the construction of rural e-commerce demonstration sites and grassroots service sites in the area, and help the development and growth of rural e-commerce industrial parks. There are 19 national and provincial modern agricultural industrial parks, and with the convenience of e-commerce networks, a preliminary development pattern of agricultural product production, processing, and retail has been formed. And through cooperation between the government and insurance companies, the insurance coverage of agricultural products has been increased, minimizing losses for farmers and greatly enhancing their production enthusiasm.

4.3. Technology assistance to enhance service capabilities

The Zhanjiang Banking and Insurance Regulatory Bureau is improving the coverage of financial service branches in the demonstration zone. Promoting cooperation between insurance institutions and third parties, such as village committees, health clinics, and service stations for retired soldiers, to make financial service branches more grounded, can stimulate the interest of villagers and increase their trust in financial service branches, which can facilitate the import of high-quality financial services and products into rural areas, and help solve the problem of insufficient financial products in rural areas. By utilizing smart digital rural construction, the government can integrate existing government systems and

information resources to form a smart village service platform that covers the entire village and various information services. Through this platform, villagers can conveniently query policies and regulations, handle license procedures, pay fees and other government service matters, and connect the online smart government channel from the village committee to the villagers in the "last mile". At the same time, the platform also provides more efficient information management tools for village committee staff, reducing their work pressure, and enabling real-time monitoring of social conditions, public opinion, and grassroots governance status. Through this approach, rural information resource sharing can be achieved, making information exchange between various government departments smoother, and avoiding the occurrence of segmentation and information silos. At the same time, under digital management, the level of electronicization in basic information management has been improved, effectively reducing the negative impact caused by information asymmetry. This can not only improve the work efficiency and level of village and town staff, but also provide better and more convenient public services for farmers.

5. Development issues of rural finance in Zhanjiang

As an agricultural city, after the reform and opening up, Zhanjiang's rural financial system has undergone many changes to adapt to economic development, and the rural financial system is gradually improving. However, there are still some problems in rural finance in Zhanjiang, and the outflow of rural funds is still serious. The strength of financial support for agriculture is not enough, and the level of financial support for agriculture cannot match the level of economic development. Financial products cannot meet the needs of farmers. The development of rural finance in Zhanjiang still has a long way to go.

5.1. Insufficient funding for rural financial support for agriculture

Because the harvest of agricultural products is greatly affected by natural disasters, it is easy to have no harvest when encountering natural disasters. Although the prices of agricultural products will increase due to the decrease in production, the overall income of farmers will still be affected. During the harvest, due to high yields, there is an oversupply, but the difficulty in preserving agricultural products forces farmers to lower their selling prices. Due to various reasons, the income of farmers is unstable, and financial institutions are afraid that the agricultural loans they lend will not be recovered, and lack confidence in agricultural credit, which is not conducive to the development of rural finance. The high returns and low risks of urban finance have led to a shift in financial policies towards cities, and the development of rural finance is increasingly lagging behind cities^[8]. Zhanjiang is a major agricultural city. With the development of economy and technology, the traditional small-scale farming economy cannot meet the needs of the market. Farmers also need to increase their income to ensure their living needs. However, whether it is to expand production or use modern technological agricultural tools to improve efficiency, all of these require certain financial support, which cannot be achieved in a short period of time solely by farmers themselves. Agriculture is also related to the national economy and people's livelihood, and food, clothing, and warmth cannot be separated from agriculture. Therefore, the problem of insufficient funds for rural financial support for agriculture urgently needs to be solved.

5.2. The rural financial system is not well-developed

There has always been a gap in income and economic development between rural areas and cities in Zhanjiang, and the rural credit system is not perfect compared to cities. Farmers have insufficient understanding and trust in the products of financial institutions such as banks and insurance, and there is a psychological fear of being deceived or suffering losses due to unfamiliarity with rules, which leads to giving up the financial products provided by financial institutions and insufficient confidence for financial institutions. Some "deadbeat" farmers refuse to repay after receiving products provided by financial institutions, leading to a decrease in the credit rating of farmers by financial institutions. In addition, financial institutions also have insufficient credit data for farmers. The evaluation of the asset strength of farmers by financial institutions mainly comes from their household assets, such as cars, houses, fields, etc. However, for some economically disadvantaged farmers, their asset strength is relatively weak and their collateral is insufficient. Financial institutions have insufficient collateral measures for this group of people. What's more, the financial returns from lending to rural farmers are not as high as those in cities, and financial resources tend to lean towards cities, resulting in insufficient effective supply of rural financial services and inhibiting the development of rural finance.

5.3. Lack of innovation in rural financial products

At present, the main financial services in rural areas of Zhanjiang are still deposits and loans. As of the end of September 2020, the balance of domestic and foreign currency deposits in Zhanjiang City was 397.435 billion yuan, and the balance of domestic and foreign currency loans in Zhanjiang City was 284.866 billion yuan, with a deposit to loan ratio exceeding 70%. The service content is relatively narrow. Although agricultural financial institutions such as Zhanjiang Rural Commercial Bank and Postal Savings Bank have been continuously developing since the reform and opening up, due to the limited number and insufficient scale of rural financial institutions, they have not attached enough importance to the rural financial market and have not developed new financial products and services according to the real-time needs of rural areas. There is still a lot of room for rural financial development.

6. The reasons for the problems in rural finance in Zhanjiang

6.1. The construction of rural credit system is not perfect enough

There are three main reasons for the imperfect rural financial credit system. The first aspect is that the current economic system in China is still a dual urban-rural system, and rural competition cannot compete with urban areas. Financial institutions tend to invest more funds in cities, making it difficult for rural areas to obtain funds from financial institutions for development, which leads to limited rural economic development. On the second hand, the construction of rural credit system is also greatly influenced by the legal system. Generally speaking, in order to prevent borrowers from refusing to repay after receiving payment, and to protect the rights and interests of borrowers, it is generally stipulated that borrowers need to provide collateral when borrowing. However, when the borrower is a farmer, the farmer's assets mainly include residential land, farmland, etc. However, these assets are collectively owned by farmers and cannot be used as collateral for borrowing. Therefore, it is not easy for farmers to obtain loans from financial institutions. The third aspect is the inadequacy of the entire credit system, which leads to insufficient credit for financial products and other products among farmers. Moreover, if the income of loan farmers is extremely low or if farmers receive loans to invest in a high-risk agricultural activity, it will result in inability to repay or difficulty for farmers to obtain loans from the beginning. As a result, the function of financial services for agriculture has not been reflected, and the role of finance in promoting agriculture, rural areas, and farmers has not been fully realized. In short, either farmers cannot obtain loans, or financial institutions have to bear irrecoverable losses when farmers obtain loans, and the entire credit system is not yet perfect.

6.2. Difficulties in operating rural financial institutions

6.2.1. Unbalanced responsibility and benefits

Rural financial institutions target rural areas and their service goals are agriculture, rural areas, and farmers. The services they provide play a significant role in promoting rural economic growth. Therefore, rural finance has a great social responsibility. However, in a market economy, maximizing benefits will be the starting point for resource allocation. If financial institutions deviate from this principle, it will lead to the inability to safeguard their own interests. In the process of issuing agricultural loans, if the interest rate is raised, farmers cannot bear it, give up the loan or cannot repay it. If the interest rate is lowered, rural financial institutions will have to bear the risk of possible losses. Therefore, financial institutions can only deviate from the service direction and obtain the lowest profit when carrying out their work.

6.2.2. Asymmetric risk and benefit

Generally speaking, agricultural operations exhibit the characteristics of high risk and low return. If the contracting households contract a large amount of land for planting, they need a large amount of funds to carry out, and they will seek loans from financial institutions. However, the production process of crops is affected by climate, and if uncontrollable factors occur, financial institutions will largely bear some of the risks. The interest rate of agricultural loans will not be too high, and the risk and return are asymmetric, which is not conducive to the development of financial institutions.

7. Countermeasures and suggestions

7.1. Strengthen investment in rural credit

One of the purposes of developing rural finance is to help farmers increase their income. Therefore, for the demand for loans from farmers, the government can issue relevant policies requiring rural financial institutions to use some local deposits as special lending funds for farmers. Rural financial institutions need to expand the scale of loans to rural areas and farmers and reduce entry barriers. For example, the branches of large and medium-sized commercial banks should reasonably delegate credit approval authority, establish specialized agricultural financial departments, and increase medium - and long-term credit investment support for rural construction. When selecting loan recipients, rural financial institutions should not only choose those that are of great benefit to themselves, but also those that are helpful for the development of agriculture, rural areas, and farmers. They should agree and issue loans at their discretion, while simplifying the loan process and reducing procedures. At the same time, the tax authorities can provide certain tax incentives to rural financial institutions, reduce their operating costs, and unleash the potential of rural financial services.

7.2. Strengthen the construction of rural credit system

Rural financial institutions in Zhanjiang can collect information on the income and expenditure of farmers as much as possible. Government departments should strengthen the construction of agricultural credit information data platforms, share credit data among financial institutions, and ensure the security of credit data to grasp the economic situation of farmers and provide reference when providing loans. The application of big data technology can provide financial institutions with the necessary data information and achieve seamless integration with high-quality farmers. In this process, the focus should also be on information security, actively building feasible information security mechanisms, so that the work promoted through big data can be carried out legally. In addition, the Zhanjiang government and financial institutions can cooperate to regularly organize financial knowledge lectures for farmers in rural areas, so that they can understand the importance of credit and reduce the phenomenon of farmers refusing to repay loans due to lack of understanding of credit issues. Based on the level of local rural development, it is also necessary to investigate the understanding of the legal system and the current status of credit construction. Strict law enforcement should be implemented for illegal activities, and strict legal awareness should be established. Strengthening the construction of the credit system can not only enhance the risk prevention and control capabilities of financial institutions, but also reduce the transaction expenses of both parties.

7.3. Accelerate innovation in rural financial products and services

Rural financial institutions are no different from urban financial institutions, with different positioning and service groups, corresponding financial products and services should also be changed. Financial institutions should develop credit products that are suitable for the local market. In response to the problem of difficulty in providing collateral for farmer loans, a new type of risk control system should be established to innovate the requirements for collateral. For example, actively exploring the implementation path of combining various rural rights and financial services, and carrying out pilot projects for mortgage loans such as rural homestead use rights and land contract management rights. Based on the specific needs of farmers, develop new financing methods, expand financing channels, and develop financial products that are suitable for their respective regions. Only by truly considering the needs of farmers can the financial products provided truly help them. Rural financial institutions should also pay attention to controlling the corresponding deposit loan ratio in order to ensure the healthy and sustainable development of rural finance. With the development of the internet, it has the characteristics of low cost and high efficiency. Financial institutions should fully utilize the internet, actively expand mobile platforms, and reduce costs.

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