

## Research on New Rural Construction Based on Financial Reform

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**Abstract:** Finance is the core of the modern economy, while rural finance is the lifeblood of building a new socialist countryside. The construction of a new socialist countryside in China needs the support of rural finance. The construction of a sound new rural financial system can promote the rapid and stable development of the rural economy, and new rural construction can also be carried out more smoothly. However, due to the constraints of current rural financial market supply, institutional defects, and environmental constraints, there are many difficulties in the existing financial services system to support the construction of new rural areas. In response to these difficulties, this paper studies the issue of building a rural financial system to serve the construction of new rural areas in the context of economic transformation, and puts forward targeted policy recommendations.

### 1. Introduction

The "three rural issues" is related to economic development. At the same time it is also related to social stability and the country's prosperity and strength. It can be said that many of the major economic problems in China are rooted in this. The origin of the "three rural issues" is the lack of synchronization and uncoordinated development between urban and rural areas. Today, solving the "three rural issues" has become the focus of new rural construction. New rural construction must solve the "three rural issues" problem. To achieve urbanization in the vast rural areas, government finance alone cannot solve the problems and seek diversified financial support. Promoting new rural construction with financial services is an important issue for sustainable development [1].

One of the problems in the construction of a new rural village is to promote agriculture and to bring cities to townships. One of the problems is that it faces a regular funding gap; while rural finance lacks the concept and enthusiasm of serving the grassroots, serving farmers, and small and micro enterprises. There is indeed a gap between supply and demand, but institutional innovation can gradually eliminate these economic and financial imbalances. With the deepening of the rural financial reform, more and more people have begun to understand and believe that the construction of a new rural area and the establishment of a rural financial system are complementary. With the support of a complete financial ecology in the countryside, new rural construction will achieve greater and more fruitful results. The changes and development of new rural areas provide the preconditions for the survival, development, and prosperity of rural finance and lay the foundation for it.

### 2. Related Experience and Research

With regard to the issue of new rural construction, European countries have put forward some policy suggestions that can be used for reference from the perspective of integrating rural financial resources. In 2007, the European Union proposed to merge investment in rural areas into the European Agricultural and Rural Fund. The fund implements unified management of investment in rural development in EU countries from investment, management, and auditing. At the same time, the EU has also used "a" specialized funds, "one" special model, and "one" specialized network to control rural development issues within the framework of the "EU Rural Common Policy" and to realize the coordinated development of the vast rural areas within the jurisdiction of the EU. This approach is basically the same as our idea of "innovating government investment in management of

supporting agriculture, integrating investment in supporting agriculture, and improving the efficiency of fund use.” However, the EU has adopted a more funded fund management approach and used public funds for rural development. Operation to achieve support for rural development, their practical experience is more abundant. In addition, it is worth mentioning that France’s approach to supporting agriculture has helped France achieve its goal of promoting agriculture by reducing taxation and providing financial subsidies. The French government will provide funds to farmers in terms of agricultural product prices, import and export projects, and many other aspects. Subsidies, their inputs are often very large [2].

The issue of financial support for the construction of new rural areas has received extensive attention from the theoretical and practical circles in China since the introduction of the new rural construction policy in 2005. In 2006, the government took out 373.7 billion yuan of agricultural support funds; the CBRC emphasized that banking financial institutions should increase financing support for new rural construction projects; and encourage financial institutions such as rural credit cooperatives and commercial banks to provide loans for all types of agriculture. Funding input and financial service coverage are provided in key areas such as financing for SMEs, payment and settlement services, agricultural bases, and specialized market development; in rural areas, countries also encourage local governments to try to finance the operation of land resources and take the form of franchising. It can be said that the state’s investment in new rural construction is undeniable, but in terms of the development needs of Chinese vast rural areas, the financial support of the state finance and even the state-owned banking financial institutions still appears to be a “slip”. Therefore, in addition to supporting investment at the national level, the active and effective development and use of local financial resources and the construction of a rural financial system based on the actual needs of rural economic and financial research have become the focus of researchers to convert new research [3].

### **3. The Problem of Financial Support**

Large commercial banks do not pay attention. Since the natural profitability of agriculture-related industries is not high, most large-scale commercial banks tend to transfer funds from rural areas or from agriculture to urban and non-agricultural industries. Their business strategy is not focused on ordinary rural areas. Even some large-scale commercial banks and some policy banks that are characterized by support for agriculture have either shifted to the markets of large and medium-sized cities or have used commercial operations as their guiding ideology. Major projects have turned a blind eye to the vast rural realities demanding funding rations.

Rural credit cooperatives have limited capabilities. The cooperative financial model of rural credit cooperatives is indeed adapted to the actual financial needs of rural areas. The reform of the corporate governance structure and the internal control management system of the rural credit cooperatives has greatly strengthened the power to support agriculture and assist agriculture. However, the slow rate of agricultural growth, the long-term accumulation cycle of large-scale accumulation of funds for rural credit cooperatives, and the difficulty in matching with the construction of new countryside, and the fact that rural credit cooperatives want to play a major role in financial services for the construction of new rural areas are also apparent. I don't have enough energy [4].

Non-governmental finances are not compliant and “illegal”. In most rural areas of Zhejiang, private lending is actually quite common, and its forms (such as civil free loans, private money houses, pawn shops, guarantee companies, etc.) are also very diverse. However, the profit-seeking nature of private finance is very strong, and it is difficult for all levels of financial supervision systems in China to incorporate it into the regulatory scope. Therefore, private finance has so far not had the legal and legal operating status, and it depends on its support for the development of rural enterprises. There is no realistic feasibility. To use this valuable financial resource to build a rural or regional financial ecosystem is one of the feasible solutions.

In addition to the shortage of rural financial entities and financial resources, the level of financial support services that rural financial needs can enjoy is also relatively low. The main targets of rural

financial support, namely the rural financial needs, are rural households, rural enterprises, and rural infrastructure projects. According to the individuality and differentiating needs of different objects, in addition to providing financial support for the rural financial system, the financial subjects also need to provide information, business consulting, payment and settlement, and other intermediary services, as well as economic business transactions. The gap in reality is represented by rural financial institutions such as rural credit cooperatives, postal savings banks, etc. The ratio of their access points to central bank payment systems and city-based bill exchange systems is relatively low (because they do not meet relevant requirements), payment settlement, and remittance. Cross-border transactions in liquidation require higher-level agents, which results in longer transit time for funds and lower business efficiency. At the same time, there are many payment and settlement fees and there are no necessary policy preferences and policy inclinations for rural customers. For small-scale businesses common in rural areas, financial support for agriculture services is undoubtedly reduced [5].

The demand for financial support services in the new rural construction is increasing. New rural construction has promoted the realization of urbanization. In many rural areas in Zhejiang, the consumption of rural residents and urban residents have no major differences, but there are differences in the areas where rural residents are relatively difficult to obtain the consumer credit provided by financial institutions. From another perspective, the market demand potential of rural financial institutions in rural areas is very large. The development of urbanization has led to a fundamental change in the rural residents' employment pattern. On the one hand, the increase in the degree of land intensification has led to a continuous decline in the demand for laborers engaged in traditional agricultural production. On the other hand, the industrial agglomeration of new rural construction has made more and more residents have the intention and ideas of self-employment or self-employment. In rural financial institutions, microcredit for individual industrial and commercial households and concessional loans for small and micro enterprises have become more and more prosperous with the effectiveness of new rural construction.

Similar to the demand for financial services such as consumer credit and self-employment, rural residents are increasingly demanding financial resources for investment and wealth management as their income and assets increase. For rural financial systems, financial services for rural residents are provided for investment and financing. It is not only the need to comply with the demand for financial services, but also a concrete measure to accumulate rural financial resources and deepen the reform of the rural financial system.

#### **4. Strive to Improve Financial Services in Rural Areas**

Financial services that support the development of rural development need to make efforts and improvements in payment systems, credit systems, credit products, financing methods, and service methods, and must focus on credit products and adapt to rural characteristics and requirements.

Strengthen the construction of rural payment and settlement systems. Increase the coverage of payment and settlement systems in rural financial institutions, promote the use of commercial acceptance bills and discounted bills, and continue to popularize the use of bank cards (including debit cards, credit cards, etc.) in rural areas. Based on rural financial characteristics, a fund transfer settlement system that can adapt to the characteristics of rural financial services is constructed (that is, appropriate improvements or adjustments can be made), and the level of payment and settlement services for customers in rural areas can be increased [6].

Continuously improve the rural credit management system. We will promptly make credit and credit review of farmers and small and micro enterprises applying for loans, open green channels for key and high-quality enterprises, improve and improve rural credit management systems, and simplify rural areas with the support of the financial system and financial environment. The client's loan approval process should appropriately reduce the lending conditions and flexibly meet its "short, frequent, and fast" liquidity requirements.

Actively pilot and innovate rural credit products. As a result of the policy conditions of the financial reform pilot, rural financial institutions in Zhejiang should actively use the opportunities

for reform pilots to continuously explore and innovate rural credit products that are suited to the needs of the “three rural” nature. For example, in the face of self-starting customers, considering the credit conditions, mortgage collaterals, credit limits, and applicable interest rates, it may be considered to put a single application into the overall financial environment of the local area for comprehensive examination. Another example is that rural agricultural projects, industry and commerce, service projects, infrastructure, and public projects can coordinate the various components of the rural financial system to provide credit products or carry out multiple monitoring of credit risks.

Drawing on the experience of introducing large-scale commercial banks, various financing methods are used to support the development of rural industrial agglomeration. Modern agriculture and rural industry and commerce must be firmly rooted in the local economic development. The rural financial system needs to provide modern financial services to rural economic entities. In areas where export-oriented economy and industrial agglomeration are very prominent in Zhejiang, the demand for high-level financing services in rural areas is also very strong. The rural financial system can gradually use large-scale commercial banks in financial centers and foreign trade and economic ports through the banking network and market demand. Some of the empirical technical methods were passed on to the more developed “rural areas.” We will give full play to the strengths and characteristics of various financing methods such as discounted bills, export credits, overseas labor contracting loans and project financing, letters of credit, and bank factoring.

Meet the increasing demand for financial services with a variety of services. In order to meet the increasingly diverse financial needs of rural customers, especially in light of the reality of rural economic restructuring, the rural financial system should strengthen cooperation among different types of financial institutions such as banks, insurance, and securities. In addition to traditional businesses such as large deposits and loans, rural financial institutions can also actively develop network settlement and services, asset management, investment banking, stock pledge loans, securities fund settlement, fund custody, agency insurance products, and insurance premium collection. Business areas such as insurance premiums, financial assistance, and financial advisors have been adapted to the development trend of individualized financial demand (the more effective the new rural construction is, the more fully this trend will be demonstrated).

## **5. Conclusion**

Full financial support services can significantly and effectively increase the level of new rural construction and ensure the comprehensive development of rural social economy. Specifically, in the entire process of supporting agriculture, supporting agriculture, helping agriculture, and assisting agriculture, financial institutions and financial management departments need to rationally build a rural financial system in accordance with the local rural economic policy environment and choose the path of financial support for agriculture, rural areas, and agriculture. The focus, intensity, and methods of financial support are to adapt to the changes in financing needs that may occur in rural development. The rural financial system must be able to flexibly play its role as a financial institution (or its own system) in different rural economic environments.

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