

Research on the Development of Rural Digital Inclusive Finance in Fujian Province under the Strategy of Rural Revitalization

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Abstract: Digital Inclusive Finance, supported by digital technology, can make up for the deficiencies of efficiency and quality of financial services in traditional financial institutions. Based on the coverage level of Internet and the development of financial institutions in rural areas of Fujian Province from 2015 to 2018, this paper obtains evidence of the development foundation of digital inclusive finance in rural areas of Fujian Province through data processing and investigation. The results show that the supporting system of rural digital inclusive finance in Fujian Province is still not sound, financial institutions are mutually exclusive, and the rural financial risk compensation mechanism is not perfect. In order to promote the wide implementation of digital inclusive finance in rural areas of Fujian Province, a rural digital inclusive financial security system shall be built to strengthen financial supervision.

1. Introduction

The concept of "Inclusive Finance" was first proposed by the United Nations in 2005. Since then, China has made progress in the exploration of "Inclusive Finance". At the G20 summit in 2016, "Digital Inclusive Finance" was officially listed as one of the key topics. China has promoted and participated in the formulation of the *Advanced Principle of G20 Digital Inclusive Finance*, and increased the popularity of "Digital Inclusive Finance" in China. However, digital inclusive finance is not only the outcome of the rapid development of the Internet, but also an important means to solve the problems restricting the development of Inclusive Finance. Inclusive Finance in rural areas involves the opening of financial system to all the demanders in rural areas to obtain and use various financial services, so as to meet their demand for effective financial services to the maximum extent. The Rural Revitalization Strategy proposed in the report of the 19th National Congress of the Communist Party of China helps to realize the goal of "building a moderately prosperous society in an all-round way", and the development of rural digital inclusive financial system is the essence of rural financial support for Rural Revitalization.

2. Analysis on the development status of rural digital inclusive finance in Fujian province

2.1 The existing situation of rural digital inclusive financial infrastructure in Fujian province

The optimal allocation of financial resources by inclusive finance helps ease the financing constraints of small and micro enterprises and low-income groups in rural areas. In recent years, the rural areas of Fujian Province have made many changes in the construction of digital network system for the popularization of digital inclusive finance.

2.1.1 Construction of broadband and mobile network

The construction of 4G network in Fujian Province has basically covered most of the rural areas of the province, and even some rural areas have begun to be covered by 5G network. In recent years, the number of mobile Internet users in Fujian Province has increased from 30,481,300 in 2015 to 37,935,500 in 2018 (Table 1), and the number of rural broadband access has increased (Figure 1). The improvement of these infrastructures shall lay a good foundation for farmers to enjoy financial services of high-quality and high-efficiency.

Table 1 Internet usage in Fujian province during 2015 to 2018

	2018	2017	2016	2015
Number of Internet users (tens of thousands)	736.37	882.49	509.59	220.60
Number of domain names (tens of thousands)	27.99	30.28	28.59	24.80
Number of websites (tens of thousands)	812747.66	827546.34	703105.38	546580.80
Number of web pages (tens of thousands)	3245.0	2861.8	2482.3	2335.3
Internet broadband access port (tens of thousands)		0.0	0.1	0.2
Internet dial-up users (tens of thousands of households)	3793.55	3508.76	3276.49	3048.13
Mobile Internet users (tens of thousands of households)	209900.32	71383.34	30358.89	14350.97
Mobile internet access traffic (tens of thousands GB)	1629.1	1373.6	1144.6	1044.8
Internet broadband access users (tens of thousands of households)	1061.1	913.6	788.0	702.6
Urban broadband access users (tens of thousands of households)	568.0	460.0	355.6	342.2
Rural broadband access users (tens of thousands of households)	568.0	460.0	355.6	342.2

Data Sources: arranged according to the annual data of the National Bureau of Statistics in 2019

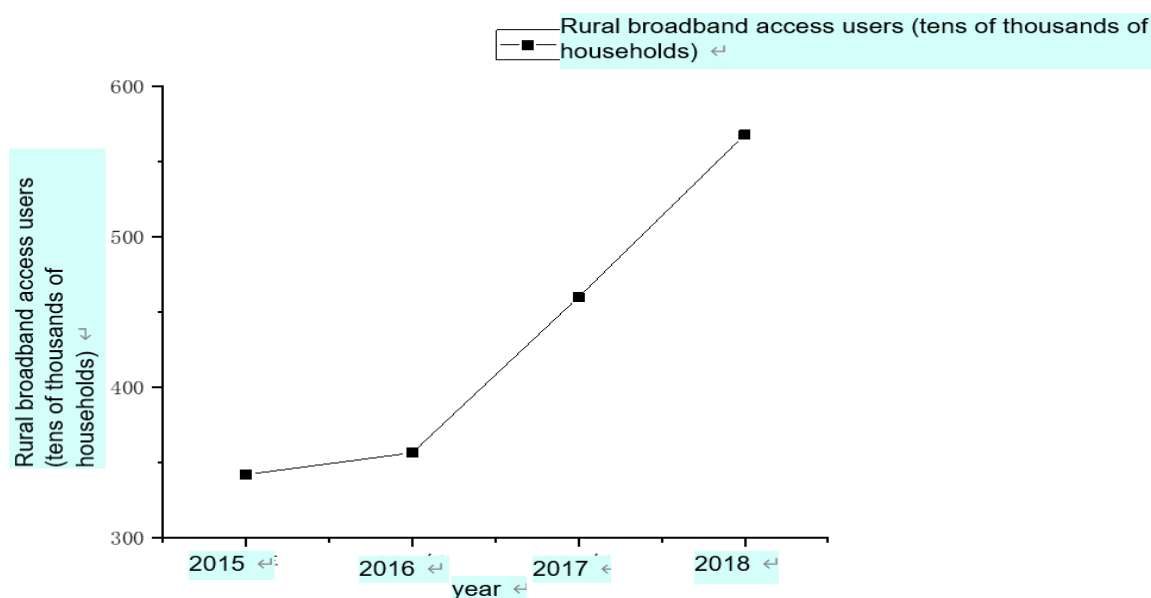


Figure 1 Broadband access users in rural areas of Fujian province

Data Sources: arranged according to the annual data of the National Bureau of Statistics in 2019

2.1.2 Download status of personal mobile banking

In recent years, with the popularity of mobile banking, the scale of mobile phone users accessing the Internet is also growing rapidly, so the mobile payment market has increased rapidly, which has attracted the attention of major banks. Take rural credit cooperatives as an example, by the end of September 2020, the number of mobile banking customers of Fujian rural credit system has reached 11.809 million, with a transaction amount of RMB 9 billion. Among them, the number of customers

that log quarterly is 4.206 million and the number of trading customers is 3.2 million. The number of mobile banking customers increased rapidly is the county, and the data reached a record high.^[1]

2.2 The use of digital inclusive finance by rural residents in Fujian province

2.2.1 Information on the sources of access to financial services

At present, financial institutions are rich in types in Fujian Province, showing the trend of diversification, and the development of the banking industry is steady, all of which provide some support for digital inclusive finance in rural areas and also provide farmers with diversified choices. The main members of rural financial institutions in Fujian Province are agricultural bank and rural credit cooperatives. However, the number of regular financial institutions outlets in rural areas is decreasing. By 2017, the number of bank outlets in rural areas was 12.67, the number of bank outlets per county is 57.75, the number of bank outlets per township is 3.98, the number of bank outlets per village is 0.23. (Table 2) ^[2] The reduction of formal financial institutions has reduced the development speed of digital inclusive finance.

Table 2 The Situation of banking and financial institutions in Fujian province in 2018

Classification of institutions	Business outlets			Body corporate
	Number of institutions	Number of employees	Total assets (RMB million)	
I. Large Commercial Banks	2299	5772	18500	0
II. China Development Bank and Policy Bank	44	1436	6278	0
III. Joint-stock Commercial Banks	839	24078	49598	1
IV. City Commercial Banks	220	8659	9188	4
V. Small Rural Financial Institutions	1923	20487	7326	68
VI. Finance Company	6	123	316	5
VII. Trust Company	2	720	189	2
VIII. Postal Savings	1055	6026	1807	0
IX. Foreign Bank	40	989	442	1
X. New Rural Institutions	192	3210	566	169
XI. Other	5	327	69	2
Total	6622	122827	93278	252

Data Sources: Fujian financial operations report 2019^[2]

(Business outlets do not include data of the headquarters of large state commercial banks, China Development Bank and policy banks and joint-stock banks; large commercial banks include Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank, Bank of China and Bank of Communications; small rural financial institutions include rural commercial banks and rural credit cooperatives; new rural institutions include rural banks; and "other" include financial leasing companies, consumer finance companies, private banks.)

2.2.2 Way of handling basic financial business such as deposits and loans

In rural areas, due to the lack of operational awareness of financial instruments and the sparse distribution of bank outlets and ATM machines, most people still use the traditional counter business mode, which greatly increases the workload of staff and unnecessary staff consumption, resulting in unnecessary time loss. Therefore, it is necessary to accelerate the development of digital inclusive finance in rural area.

2.2.3 Financial management

The stability of financial market influences the investment enthusiasm and investment behavior of residents. However, financial markets are extremely unstable due to various factors at home and abroad. In recent years, the kind of wealth-management products in financial market has increased

due to the gradual improvement of the socialist market economy system. However, most of the diversified wealth-management products are for urban residents only, and farmers cannot enjoy such services in time. At present, the distribution of financial institutions in rural areas of our province is less, and farmers tend to choose traditional financial management methods such as bank savings and national debt. However, the risk of investment and financial management methods such as stocks and bonds is relatively high.^[3] For farmers who lack relevant financial knowledge, it is just like a gamble, and often the loss outweighs the gain. At the same time, farmers often have a fluke mentality about the financial products of pension, medical insurance and other aspects, so fewer people choose these financial products.

3. The development dilemma of rural digital inclusive finance in Fujian province

Since the reform and opening-up, the rural financial system in Fujian Province has been developing and improving. Dominated by formal financial institutions and supplemented by informal financial institutions, the rural financial system has been formed.^[4] At present, the total capital demand of rural digital inclusive finance in Fujian province continues to increase, and the content and mode of inclusive services are constantly improving. However, there are still many problems in the development of rural digital inclusive finance service in Fujian Province, which will hinder the all-round implementation of digital inclusive finance in rural areas.

3.1 The system supporting the development of rural digital inclusive finance is not perfect

In recent years, in order to actively respond to the country's call to popularize digital inclusive finance in rural areas, Fujian government departments and financial institutions are constantly using the Internet and other emerging technologies to expand the coverage of inclusive financial services. However, among the infrastructure supporting the development of digital inclusive finance, the rural digital payment service system, rural credit system and legal system are not yet sound.

3.1.1 Rural credit system is not yet sound

The construction of rural credit system is mainly based on the electronic credit file box credit rating system established by financial institutions in rural areas for farmers and small and medium-sized enterprises in rural areas, so as to guide financial institutions to increase the credit investment for "agriculture, rural areas, and rural residents", to promote economic development and improve credit environment in rural areas. However, there are many problems in the process of promoting the construction of rural credit system. For example, there are few outlets of agricultural financial institutions, and there may be only one or two staff in one outlet.^[5] However, the rural area is large, the farmers live in scattered areas, and the number of migrant workers in cities is large, which leads to the increased liquidity of information, increasing the difficulty of information collection and tracking detection of farmers. The update speed of credit information cannot keep up. The uncertainty increases when the financial institutions lend to farmers, thus reducing the enthusiasm of credit for agriculture and making the rural credit system unsound.

The development of the credit reference system of digital inclusive finance is not mature, which affects the credit evaluation and risk management of rural financial institutions to a certain extent. Due to the lack of timely integration of customer information, it is difficult to query, and relevant financial institutions can only investigate and collect customer credit through offline, resulting in higher loan risk to financial service institutions.

3.1.2 The system of laws and regulations is not yet sound

On the one hand, the rural asset appraisal company, credit guarantee system and property right transaction system serving the "agriculture, rural areas, and rural residents" and small and micro enterprises are relatively backward in development, and the risk compensation and sharing mechanism is not mature yet, which also restricts the popularization and promotion of digital inclusive financial products and services to a certain extent.^[6]

On the other hand, the construction of credit system lacks legal guarantee. Our country not only lacks the specific legal information of the rural credit and the detailed punishment measure of all kinds of discredit behavior, but also the insufficient sanction to violate the credit behavior, causes the discredit behavior to be unable to suppress from the root, has even increased some enterprises' malicious discredit, causes the credit risk to increase, has seriously hindered the rural finance development.

3.2 Financial institutions are mutually exclusive

3.2.1 The contradiction between traditional financial institutions and small and micro enterprises

From the current situation, the service and innovation of financial institutions in the county for small and micro enterprises are far from enough. The types of loan products are not diversified, and most of them are mortgage-backed. However, due to the lack of effective collateral for many small and micro enterprises and the inability to find guarantee companies in time, they are unable to meet the requirements of financial institutions for loans. Many small and micro enterprises are rejected because of the lack of effective collateral or guarantee, which also stimulates the contradiction between financial institutions and small and micro enterprises. ^[7]

3.2.2 The contradiction between financial institutions and farmers.

From the current situation, the contradiction between financial institutions and farmers is mainly due to the underdevelopment of formal financial institutions. The most widespread financial institution in Fujian Province is the rural credit cooperatives. However, the organizational system of rural credit cooperatives is not standardized, and the scale is small, which cannot meet the financial needs of farmers, resulting in farmers turning to informal financial institutions. The vast majority of informal financial institutions in rural areas are mainly usury and informal lending. Compared with formal financial institutions, borrowing is more flexible, and there are not many loans made through Internet, which affects the development of digital inclusive finance in rural areas.

3.3 The risk compensation mechanism of rural risk finance is not perfect

The long-term research and practice show that if the risk loss is not made up in time, it will lead to the accumulation of risk loss within the financial institutions. When the accumulation reaches a certain degree, the financial institutions will fail to meet the needs of customer and have run risk due to the lack of liquidity, thus causing turbulence. In recent years, Fujian government has deepened the reform of rural finance, carried on the reform of stock and increment at the same time. The development of new rural organizations has become the important breakthrough in building inclusive financial system in rural area. However, the impact of non-governmental financial risk and the lack of risk compensation and sharing mechanism limit the important role of the new rural financial organization in building inclusive rural finance.

3.3.1 Impact of informal finance risk

Informal financial institutions generally take the way of high interest rate, so as to attract the idle funds of the society, thus diverting bank savings, directly disrupting financial order. Many customers participate in private financing and directly transfer funds to speculative industries, thus affecting the stability of the entire financial market and even leading to the emergence of financial risks.

3.3.2 Risk compensation and sharing mechanism is not mature yet

Currently, the risk compensation and sharing mechanism are still not mature due to the poor development of credit guarantee system and property rights trading system serving for "agriculture, rural areas, and rural residents" and small and micro enterprises, which, to a certain extent, restricts the popularization and promotion of digital inclusive financial products and services.

4. Suggestions on the development of rural digital inclusive finance in Fujian province

4.1 Strengthen the construction of rural digital inclusive financial guarantee system

4.1.1 Improve the construction of the settlement system in rural areas

The key to improve rural settlement system lies in the construction of rural financial infrastructure. At present, while promoting credit cards in rural areas of our province, we should encourage farmers to use new digital financial payment methods such as e-wallet, e-cash and other e-currencies, reduce the handling charges of using e-payment methods, and improve the ability to handle financial business. At the same time, we need to increase the network density of self-service financial instruments such as ATM machines, increase the publicity of electronic payment methods, and encourage farmers to use self-help financial instruments to meet their own needs. And the government should increase the cooperation between traditional financial institutions and emerging financial institutions to increase the settlement amount of payment system in rural areas in order to better develop rural digital inclusive finance.^[8]

4.1.2 Improve the construction of the rural digital credit information system

The construction of rural digital credit information system must be improved in order to establish and improve the supporting credit system of rural internet finance. The foundation of the credit service is to improve the credit system with wide coverage and timely information update. Therefore, our province should gradually expand the information channels, collect credit information of rural areas, small and micro enterprises and other financial institutions, so as to increase the degree of credit information networking of the whole province, further improve the electronic credit files and credit rating tools for rural areas, build the correlation mechanism of credit rating and credit loan line, and intensify the promotion of credit in rural areas. Since then, the credit records of traditional formal financial institutions and smaller emerging financial institutions, such as small loan companies, have been incorporated into the system in order to achieve comprehensive information sharing.

4.2 Reduce the phenomenon of financial exclusion

4.2.1 Raise the awareness of financial services

Formal financial institutions should coordinate with all kinds of informal financial institutions, co-exist reasonably, and achieve mutual benefit and win-win results. Increase the number of financial institutions in rural areas, increase the penetration rate of services, expand the scope of services and raise awareness of financial services. Encourage and promote informal financial institutions to participate in various formal financial institutions and guide them to play their due role as service institutions.

4.2.2 Raise the awareness of financial innovation

Financial institutions should strengthen financial innovation and improve the financial innovation system. "Mass entrepreneurship and innovation" is the development trend of the contemporary era, the comprehensive implementation of the policy of benefiting the people is the primary task of our country. So in order to better develop digital inclusive finance, we must raise the awareness of financial innovation and strengthen the innovation of inclusive financial products. All financial institutions in rural areas should grasp the powerful conditions brought by the current policy of benefiting people, absorb talents extensively, and raise the awareness of relevant financial innovation.

4.3 Improve the legal system of financial supervision

4.3.1 Improve the agriculture related loans and guarantee system

The provincial government should improve the construction of rural credit guarantee system on the basis of credit information system. The government should be the main body, supplemented by local finance, to set up funds to attract farmers and small and micro enterprises to actively participate in the guarantee funds and guarantee institutions of agriculture related loans. Based on the credit reports provided by the credit information system, preferential rate guarantee service should be

provided for users with high credit, while for users with low credit, the loan rate should be increased or not guaranteed. At the same time, a loan risk compensation fund shall be established, and the government, various financial institutions and insurance companies shall be called upon to participate in the establishment of agricultural loan guarantee mechanism in accordance with the principle of mutual benefit. If there is a risk, it will bear the loss according to the agricultural loan guarantee mechanism.

4.3.2 Improve the management and supervision system and strengthen the ability to resist risks

First of all, we should improve the management and supervision system of rural digital inclusive finance in our province as soon as possible, and strengthen the ability to resist risks. The supervision and management departments should further improve the threshold of rural financial enterprises and strictly examine the registered capital and risk management. Secondly, we should crack down on illegal financial activities, strengthen the network financial supervision, bring the digital inclusive financial main body into the financial supervision system, promote the scientific and technological nature of rural financial supervision from the actual situation, conform to the trend of rural financial reform, innovate the supervision system, and improve the laws and regulations to make up for the deficiency of the rural inclusive financial supervision law in our province.

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