

Research on Chinese Rural Financial Development

Hongxiu Cui

Changchun Sci-Tech University, Changchun, Jilin, 130600, China

Keywords: Rural Financial Development, Policy Trend, Method and Improvement

Abstract: The government's policy support and guidance in the process of China's rural financial development is indispensable, and the quality improvement and service innovation of rural financial practitioners are particularly important, and farmers' awareness of safe lending and honest lending is also necessary. Therefore, as a special and important financial service category, whether rural finance can always take the rural economic development as its goal in the development process and continue to self-repair and improve with the changes and progress of the times will become the future rural financial policy choice and the key to the effectiveness of the policy.

1. Introduction

In 2017, China's GDP has reached 82.65 trillion yuan, becoming the second country after the United States to exceed 10 trillion US dollars. As early as 2010, China's industrial output value has surpassed the United States to become the world's number one. Reform and opening up have created a Chinese miracle that has attracted worldwide attention. But behind these glory, we must also note that the development level of China's rural economy lags behind the industrialization process and is becoming a key factor for the successful realization of the Chinese dream. In the process of China's rural economic development, rural finance is obviously important. Therefore, it is necessary to systematically sort out and summarize the development of rural finance in China since the reform and opening up, especially the scientific evaluation of the role of rural finance in rural economic development. In the future, China's rural financial policy formulation process is crucial to determine the direction and truly become a booster for the rural economy.

2. Theory of rural financial development

As an important thinking of rural financial composition and evolution, rural financial theory has important guiding significance for improving and perfecting rural financial system. The development of rural financial theory has gone through three stages: agricultural credit subsidy theory, rural financial market theory and imperfect competitive market theory. These theoretical premise assumptions are not the same, and the ideas presented are different, and they have made important contributions to rural financial development in a certain period of time. Before the 1980s, agricultural credit subsidy theory once occupied the dominant position of rural financial theory. The theory holds that rural residents have little spare funds and low savings capacity, which makes the problem of insufficient funds faced by rural economic development a normal dilemma. It cannot be resolved by rural financial institutions as an intermediary through farmers' savings and loans. At the same time, agricultural production often shows that the cycle is long and the funds are running slowly; the labor time is short and concentrated, and the utilization rate of production materials is limited.

After the 1980s, the theory of rural financial markets gradually emerged. It was based on the criticism of agricultural credit subsidy theory, emphasizing the role of market mechanisms and excluding government intervention. The theory holds that the main reason for the shortage of rural financial funds is not that farmers do not have the ability to save, but that they lack a sound financial system. Policy finance will lead to market distortions. Low financing rates will break the market equilibrium. Market interest rates can stimulate the enthusiasm of rural financial institutions. It will help to increase the total amount of rural savings, revitalize rural savings funds, and

constitute a long-term and effective balanced financing mechanism. It also points out that informal financial organizations can also play a positive role under the market mechanism and need not be removed from the market.

3. The Path Choice of China's Rural Financial Development

After the founding of New China, the planned economic system was implemented for a long time. Rural finance had a strong planned economy. Until the promotion of the household contract responsibility system in 1978, rural finance became active and independent, and gradually formed a pattern of diversification and competition (Jin Penghui, 2008). 1979-1984 was the recovery period of rural finance. In 1979, as the first professional bank established by the Agricultural Bank of China in the New China period, it specialized in financial services related to rural economic development. However, at this stage, its official nature is obvious and it is difficult to market. Make effective adjustments. The rural credit cooperatives directly under their leadership exposed the unrealistic problems of business development, and the losses were quite serious. Until 1984, rural credit cooperatives gradually established and implemented independent business accounting and self-financing under the leadership of the Agricultural Bank. A problem has been effectively solved, and 1,136 county associations have been established, and both institutional and business development have improved. 1985-1995 was the development period of rural finance. In 1986, the postal savings business was gradually carried out nationwide, and the deposit channels were broadened for farmers on the basis of the original agricultural banks and rural credit cooperatives. The informal financial organizations represented by the Agricultural Cooperation Foundation have also quietly emerged at this stage, and have made up for the difficulties of financing and shortage of funds in formal rural financial organizations. At the same time, during this period, the rural credit cooperatives carried out a series of deep reforms in the areas of democratic management, business management and organizational construction with the goal of “self-employed, self-financing and profitable” mass cooperative financial organizations, which greatly promoted their own development. By the end of 1995, rural credit cooperatives had expanded to 50,219, and county-level associations had reached 2,409. In addition, the Chinese government encourages professional banks to carry out moderate competition, breaks the inherent supply-and-hold system of unified revenues, and opens the door for professional banks to reach rural services. The competition pattern of “Bank of China went ashore, Agricultural Bank entered the city, ICBC went to the countryside, and the construction bank entered the factory” appeared. At the same time, many commercial banks represented by the re-established Bank of Communications in 1986 were established, and they also started for rural financial activities. To a certain support role, China's rural financial development has reached a high level.

1996-2005 was the period of rural financial reform. First, in 1996, the state promulgated the "Decision on Rural Financial System Reform", clearly stating that rural credit cooperatives and agricultural banks were separated from administrative affiliation, and they forced the rural credit cooperatives to become voluntary shareholders. , a democratic cooperative management, a true cooperative financial organization that serves members. In 1998, the state issued the "Regulations on the Reform of Branches of State-owned Commercial Banks", which proposed specific withdrawal requirements for the purpose of reducing operating expenses, improving operational efficiency, and accelerating the pace of commercialization. From 1998 to 2001, state-owned commercial banks withdrew. There are as many as 44,000 branches and business outlets. Except for a small number of agricultural banks, the other three state-owned commercial banks have almost disappeared (Zhong Xiaohan et al., 2005). The large-scale withdrawal of state-owned commercial banks will undoubtedly cause rural financial imbalances in the short term, but it is worthy of recognition as a long-term development of the strategic adjustment of the national economy. As a support for rural finance, the state once again proposed to the rural credit cooperatives to reform the property rights system and management system in accordance with the overall requirements of “clear property rights relations, strengthen restraint mechanisms, enhance service functions, appropriate state support, and local government responsibility”. This is the first financial reform

that touches on the issue of property rights, which indicates that rural financial reform is no longer limited to functional design, and gradually advances to the depths of property rights and mechanisms.

4. Policy effects of rural finance in China to promote rural economic development

Rural finance refers to the sum of currency circulation and credit activities in rural areas. Its main function is to optimize resource allocation for rural areas and form financial support for the overall development and construction of rural areas. This also constitutes a prerequisite for economic development in rural areas. At present, rural finance has not yet formed a booster for rural economic development. Deepening rural financial reform and reshaping the rural financial system are the basic ways to coordinate urban and rural development and reduce the urban-rural gap. Therefore, clarifying the accurate relationship between rural finance and rural economic development is of far-reaching significance for the construction of rural financial system with the purpose of promoting rural economic development.

There is a clear positive correlation between rural financial development and rural economic development. The correlation test also confirms that the correlation coefficient between rural financial development and rural economic development is 0.9940. The correlation coefficient between rural financial development and rural residents' per capita net income is 0.9875, both passed the significance test at the 1% level. Many scholars have also given their views on how rural finance specifically affects rural economic development. Geda et al. (2006) conducted empirical research on Ethiopia using panel data to show that financial services can reduce poverty by smoothing consumption. Wu Zhi (2010) pointed out that financial development has a positive effect on savings mobilization, risk management, and transaction facilitation, which contributes to economic development. Wang Zheng et al (2011) pointed out that the development of rural finance will affect rural capital formation, capital allocation and industrial technology innovation, and then directly affect the development of rural economy. Accelerating rural financial system reform is an important means to improve rural economic development. Ding Zhiguo et al. (2012) pointed out that the development of innovative rural financial institutions and the suppression of rural capital loss are the key to rural finance to promote rural economic development. However, some scholars also believe that rural financial development has a depressing effect on rural economic development. Shuguang He et al. (2008) pointed out that the government-led rural financial growth model significantly restricts the development of rural economy. The rural financial system is deviated from the rural economic development goals in terms of structure and function, which makes it difficult to promote the development of rural economy. It is imperative to innovate the rural financial system and establish a rural capital return mechanism. Wen Tao et al (2005) pointed out that rural finance has been compulsory to serve the national economic development strategy for a long period of time since the founding of New China, and has become a channel for importing capital into cities and industries. As a result, the development of rural finance can not promote rural economic development. On the contrary, it plays a depressing role, and the key to solving this problem is to amend the rural financial development goals, improve the rural financial system, and reshape the rural financial market entities. Rural financial development has fundamentally failed to promote farmers' income and has a restraining effect. From the above viewpoints, it can be seen that rural financial development is very important for the development of rural economy. Even some scholars believe that rural financial development has a depressing effect on rural economic development because of the shortcomings and shortcomings of rural finance itself, and sound and healthy rural finance. The system is clearly a rural economic development.

5. Conclusion

Throughout the relationship between rural finance and rural economic development, rural financial theory and practice development, rural finance is the core driving force of rural economic development in China. Developing rural economy, increasing farmers' income, and narrowing the

gap between urban and rural areas is perfecting and improving the rural financial system. Is the key. As far as the development of rural finance theory is concerned, the development of rural finance at the current stage cannot fully relax the regulation of the market system, but it cannot be allowed to be fully controlled by the government departments. It is necessary to give full play to the role of the market economy under the government's policy support and guidance. Form a reasonable and stable rural financial system. Looking back on the development of China's rural finance, after more than 30 years of reform and opening up, the groping has made great progress in the aspects of institutional diversity, development stability, risk control, service orientation, and functional perfection. In particular, the past 20 years have been fruitful, but this kind of progress is more than history. There is still a gap between the ideal rural financial construction. It is necessary to strengthen the rural financial system from various aspects: Give full play to the government's macro-control function. At the same time, fully respect the market's self-regulation; continue to pay attention to and support the process of informal finance to formal financial transformation, give full play to the inherent advantages of small rural financial institutions; properly establish rural financial incentives and support policies, and fundamentally prevent the tendency of rural funds to "escape"; Improve the comprehensive quality of employees, and at the same time, vigorously promote the awareness of safe lending and credit lending to farmers; continuously innovate the services of rural financial institutions, strengthen the acceptance of insurance business, etc.; appropriately relax land financial restrictions and enhance farmers' mortgage lending capacity.

References

- [1] Five departments jointly issued a document to regulate the development of theme parks [J]. China Survey and Design, 2018, 0 (5): 7-7.
- [2] Huang Yanqi. Research on the Innovation and Development of E-commerce in Lishui Rural Under the Leading Thought of "Two Mountains"[J]. Journal of Lishui University, 2018, 40(1): 33-39.
- [3] Hua Hongjuan. Research on Forest Right Mortgage Loan and Credit Rationing in Lishui Rural Golden Reform Zone [J]. Rural Economy and Technology, 2017, 28(21): 121-124.
- [4] Liu Ji. Don't let the village enterprises build a "empty shell" [J]. Party members life, 2018, 0 (9): 36-36.
- [5] Xie Dong, Yang Yifeng. Discussion on the planning ideas of characteristic towns [J]. East China Science and Technology (General), 2018, 0 (7): 140-140.