

Optimization Analysis of Rural Finance Based on Supply-Side Structural Reform

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Abstract: As the country has been placing greater emphasis on agricultural development, rural finance based on supply-side structural reform has achieved tremendous growth. However, investigations have found that the rural financial market still has problems in its service modes, organizational systems, product innovation, and risk evaluation, thus requiring urgent attention. Therefore, this study analyzes and expounds on these problems from the aforementioned four aspects and proposes the following solutions: encourage the creation of agricultural service institutions, establish and improve the rural financial organization system, vigorously develop new rustic financial products, and strengthen the risk supervision and management of financial markets. Only in this way can the agricultural supply-side structural reform and the innovative development of rural finance be realized.

Keywords: Supply-side structural reform; Rural finance; Optimization analysis

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1. Introduction

The No. 1 Central Document pointed out that if China wants to realize agricultural modernization, it is necessary to actively promote the structural reform of the supply-side under the concept of innovation, greenness, coordination, and development. It is important to adjust the agricultural industry structure, vigorously improve the efficiency of the agricultural supply system, ensure that the variety and quality of agricultural products meet the needs of consumers, as well as ensure the adequate supply of agricultural products with a reasonable structure. Investigations have shown that the development of rural finance in China is still in a relatively backward stage, resulting in the incapacity to promote relevant agricultural supply-side structural reform policies thoroughly. Therefore, in order to promote rural development, it is necessary to enhance the vitality of the rural financial market and realize the thorough development of rural finance.

2. New opportunities for the innovative development of rural finance

With the continuous advancement of the agricultural supply-side structural reform policy, rural areas in China will usher in a considerable amount of financial demand, creating new prospects for agriculture-related finance.

2.1. Rural finance aids the development of new agricultural business entities

In recent years, the growth of China's agricultural management system has ushered in tremendous changes, which have ensued the establishment of different types of social services and agricultural scale operations,

burgeoning in the direction of socialization, intensification, organization, and specialization. However, such reforms cannot meet the needs of agricultural supply-side structural reforms, nor can they guarantee the sustainable development of agriculture in China. Rural finance can only be effectively integrated and an ideal agricultural modernization society established through the development of new agricultural business entities. Specifically, this can be carried out from two aspects. First, with the continuous agricultural transformation, relevant departments should introduce new agriculture-related industries, which will increase the economic benefits of residents and the demand for rural loan services. For example, there will be a greater demand for loan services in the process of developing family farms and rural e-commerce^[1]. Secondly, compared with traditional farmers, the production model and economic scale of new agricultural business entities are more specialized, so they have a higher demand for rural finance, credit services, agricultural product futures services, agricultural insurance services, and other services.

2.2. Rural finance facilitates the development of characteristic agricultural industries

In further promoting the structural reform of the agricultural supply side, it is necessary to transform and upgrade the agricultural industry and build a “one-stop” supply chain from production to processing, and finally, to distribution^[2]. Leading agricultural enterprises play a vital role in industrialization to accelerate the development of local agriculture and improve the economic conditions of rural residents. Furthermore, strong support from the rural financial system is needed to ensure the sustainable development of leading enterprises. Additionally, in order to vigorously promote the development of characteristic agricultural industries, it is necessary to achieve a breakthrough in industry restrictions and geographical restrictions, so as to form a new regional agricultural cooperation and labor division system. The development of characteristic agricultural industries requires long-term, stable financial support and insurance support, which puts forward new requirements for the innovation of rural financial products.

2.3. Rural finance aids in agricultural green development

Agricultural green development carries the connotation of abdicating the traditional way of sacrificing resources in exchange for agricultural development as well as carrying out agricultural transformation and upgrading under the premise of ensuring ecological health. In agricultural green development, rural areas are required to establish a stable ecosystem and produce good quality products with low agricultural costs^[3]. However, it is worth noting that a lot of financial support is needed to control environmental pollution, restore ecosystems, and monitor the quality of agricultural products. The smooth progress of agricultural green development can only be assured by fully utilizing the advantages of rural finance.

2.4. Rural finance facilitates the integration of rural industries

In integrating rural industries, local departments need to fully incorporate regional characteristics and use local resources as advantages to cultivate and expand new rural industries. They also need to improve the quality of agricultural business entities and innovation capabilities to promote the expansion of the agricultural industry chain, achieve the integrated development of agriculture and service industries, such as tourism, culture, and education, and finally to ensure that innovative rural financial products offer sufficient financial support for industrial integration^[4].

3. Challenges faced by current rural financial development

3.1. Insufficient supply of agriculture-related finance

Studies have found that the primary problem restricting the development of rural finance is the insufficient supply of agriculture-related finance. Firstly, most of the service outlets of major financial institutions are in cities and towns. There are relatively few agriculture-related services; hence, many rural residents and

agricultural enterprises are unable to find suitable financial institutions for loans. Second, there is a severe shortage of agricultural commodity futures and insurance services for agricultural enterprises. In fact, with the deepening of agricultural supply-side structural reform, agricultural upgrading, transformation, and development increase the demand for traditional credit services and necessitate the support of new financial services, such as agricultural commodity futures and agricultural insurance services; however, these demands cannot be met ^[5].

3.2. Rigid service model of agricultural financial institutions

There is a common problem among China's agriculture-related financial institutions: insufficient service model innovation. Firstly, the guarantee mechanism lacks innovation. There are not many agricultural guarantee institutions in China; moreover, the business development time is short, the credit system has not been fully established, and the repayment mode of users is relatively simple ^[6].

In addition, the publicity of guarantee institutions to farmers is not in order. Many farmers do not understand the operation mode of guarantee institutions and mistakenly believe that the loan obtained by guarantee is expensive, thereby they are not keen on pursuing loans in this manner. Second, the cooperation mechanism of agricultural financial institutions is relatively simple. Currently, the financial products offered by rural financial institutions are relatively simple. The loan models constructed are too single-minded to meet the financial needs of new agricultural business entities. Third, an electronic financial service platform is needed. Nowadays, with the continuous development, the society has entered the internet era. Online and offline integrated financial service platforms have been established in such a large environment. However, majority of the financial service models are in cities and towns. Not only that, but their scope of service is also mostly targeted at secondary and tertiary industries.

3.3. Insufficient innovation of agriculture-related financial products

Today, the continuous development of the rural economy has put forward higher requirements for China's rustic financial products. Although financial institutions are constantly innovating their financial products, they are still unable to meet the needs of rural economic development. Firstly, although many financial institutions provide credit services, these services only exist during the agricultural production season. Secondly, the current agricultural services of financial institutions are mainly focused on the production of fertilizers and pesticides. Thirdly, although many financial institutions have successively launched mobile finance and rural internet finance, the development of these financial platforms is still in its infancy. Additionally, there is no complete service system as of now. Fourthly, new financial services, such as agricultural commodity futures and insurance services, develop slowly and are small in scale, thereby unable to meet the needs of rural economic development ^[7].

The risks of rural finance are emerging along with the advancement of agricultural supply-side structural reform. This is because the supervision mechanism of rural financial threats is flawed. Firstly, insurance institutions have not been established or perfected. There is a lack of insurance innovation in many new agricultural fields. The rapid development of the agricultural product processing industry and facilities carries more financial risks. Secondly, government departments have not established or improved relevant legal systems. Without sufficient awareness of the law, it will significantly increase the risks of rural credit. Thirdly, the rural credit system is still in the initial stage of development. Many financial constructions remain unsound, and turmoil in the industry leads to heightened financial risks ^[8].

4. Strategies to promote the innovative development of rural finance

4.1. Build a complete financial organization system

Under the background of the agricultural supply-side structural reform, the rural financial organization

system must develop in the direction of diversification, specialization, and comprehensiveness. Specifically, it can be optimized from several aspects. First, financial institutions should be encouraged to invest credit resources in rural areas and provide rural residents and agricultural enterprises with characteristic agriculture-related services, so as to improve the speed of development of real economy. Second, relevant departments should actively develop small and medium-sized financial institutions under the new situation, such as agriculture-related small loan companies and various village banks^[9]. Different rural areas can set up small and medium-sized village banks according to their agricultural development characteristics and also set up small loan companies with leading enterprises of local agricultural development as sponsors. Third, in order to ensure the diversified development of agriculture-related financial institutions, it is necessary to cooperate with guarantee institutions, insurance institutions, and securities institutions to provide more financial products for the development of rural economy^[10].

4.2. Promote the innovation of agriculture-related financial service models

Based on the analysis of the second part, it can be appreciated that the current agriculture-related financial service model in China is straightforward, and there are challenges in meeting the needs of agricultural supply-side reform. Therefore, in order to solve this problem, rural financial institutions should begin from several aspects. First, a new mortgage and pledge loan model should be developed, and a financial mechanism should be established for tripartite cooperation among banks, guarantee institutions, and the government. Only in this way can more guarantee methods and types of mortgages be provided for local rural development. For example, the right to use wasteland, the right to use homestead, and the right to rural housing property can be mortgaged to financial institutions to give full play to the role of financial institutions in promoting new business entities^[11]. In order to solve the problem of insufficient guarantees for current agricultural business entities, it is necessary for rural financial institutions to actively establish long-term, stable cooperative relations with financing guarantee institutions. Secondly, major agriculture-related financial institutions should strengthen cooperation to form different service models, in order to meet the varying needs in the development of rural enterprises. Additionally, specific financial service models can meet the practical needs of agricultural economic transformation^[12]. Thirdly, in boosting rural development, financial institutions should also establish a “one-stop” financial service model to help farmers and enterprises solve financial problems. In addition, with the continuous progress of science and technology, rural financial institutions also need to actively use advanced internet technology to build a new integrated online and offline service platform. In this way, the credit approval process can be shortened, and the cost of agriculture-related financial transactions can be reduced.

4.3. Accelerate financial product innovation

Today, major financial institutions need to accelerate the innovation of financial products according to the market's actual needs. First of all, mirroring the design of financial products from foreign developed countries is not feasible anymore. Instead, they should establish financial service products with unique Chinese characteristics based on the actual needs of the rural areas in China. This requires the staff of rural financial institutions to have sufficient innovation consciousness, conduct extensive investigation and analysis of the practical needs of local farmers and enterprises, and then create diversified service products^[13]. For example, to promote the development of local rural tourism, financial institutions can create a financial product specifically to escort the development of rural tourism. Secondly, with the advent of the internet era, rural financial institutions should establish internet finance products to make up for the deficiencies of traditional finance. For example, financial institutions can provide “Internet +” financial services, including convenient payment and micro-credit, for e-commerce enterprises. Finally, the development of rural economy is inseparable from the support of new financial products, such as

agricultural insurance and agricultural commodity futures ^[14]. Therefore, agriculture-related financial institutions should actively develop agricultural insurance markets and establish various characteristic insurance types, including planting and breeding. Other than that, financial institutions should also develop a sound agricultural reinsurance system. By selecting a financially supported catastrophe risk diversification mechanism, guarantees can be provided for agricultural economic development. In addition, major financial institutions need to continuously improve the infrastructure of futures trading, reform and innovate the futures trading mechanism, as well as publicize information on futures trading among farmers and agricultural enterprises.

4.4. Strengthen rural financial risk management

Studies have found that there are significant risks in China's rural financial market, thus requiring the establishment of a comprehensive rural financial risk management and a sound rural financial risk supervision system according to specific local rural economic development. Therefore, it is necessary to alleviate this problem, so as to promote the sustainable development of China's rural financial market ^[15]. First, the rural financial market has high financial risks due to the particularity of the agricultural industry. Major insurance institutions need to pay attention to it and innovate insurance in agricultural production and product processing to solve this issue. In order to expand insurance coverage, it may be beneficial to establish a national agricultural insurance company, which can better prevent financial risks. In addition, insurance institutions can also encourage farmers and enterprises to combine agricultural product orders with insurance policies and support farmers and farming enterprises with economic strength to invest in credit insurance. Second, in order to prevent the chaos of private financial activities and disrupt the financial insurance system, relevant departments need to actively manage the risks of private financial activities. For example, establishing a private lending service center in rural areas may solve this problem and reasonably avoid the risks arising from private lending ^[16]. Third, the prevention of rural financial risks is inseparable from constructing legal systems. Therefore, relevant departments should establish appropriate financial regulation systems as soon as possible. The local government and China Banking Regulatory Commission also need to strengthen the inspection of major agricultural financial institutions to prevent illegal financial activities. The fourth point is that the rural credit system has to be strengthened. Rural financial risks can only be avoided, and the rural financial market's order maintained by developing a healthy rural credit environment. With the emergence of intelligent financial products, institutions should actively encourage agricultural enterprises and farmers to establish electronic credit files to improve the credit reporting system of rural enterprises and farmers as well as establish an efficient and convenient credit information sharing platform to effectively manage rural financial risks ^[17]. Fifth, with the continuous advancement of the agricultural supply-side structural reform, many network risks have emerged. In order to strengthen the supervision of online finance, it is necessary to improve the prevention mechanism for rural online financial risks. The urban network financial risk control method should be used to control the dangers of rural network finance.

5. Conclusion

The analysis shows that the continuous advancement of agricultural supply-side structural reform has put forward higher requirements for the innovative development of rural finance. There are still several problems in rural finance that cannot be overlooked. These problems need to be optimized and improved in different aspects. Firstly, it is necessary to establish and enhance the rural financial organization system. Secondly, actively promoting the innovation of agriculture-related financial services is essential. Thirdly, it is crucial to innovate existing agriculture-related financial products to meet the needs of farmers and agricultural enterprises. Finally, relevant departments need to strengthen their supervision of rural financial

risks. The existing state of rural financial services can only be improved by aggressively addressing the aforementioned aspects, thereby promoting the structural reform of the agricultural supply side.

Disclosure statement

The author declares no conflict of interest.

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