

The Impact of Financial Support on Rural Economy, the Experience from China

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Abstract: Agriculture is an important industry in China's national economy, which has always been extremely concerned by the whole country, including government and public. However, there is still some limitations in the development of rural economy, but the development of agricultural is limited by the lagging rural financial system, which has been unable to meet the objective requirements of agricultural industrialization development. From this perspective, the path of financial support for the development of the agricultural economy can solve the practical problem of the slow development of the agricultural economy. And from the comprehensive analysis, we have an exhaustive knowledge about the current situation of rural economy and financial. Highly positive correlation has been found between rural economy and financial support. Thus based on the above findings, we have recommended plausible suggestion for the development of financial support in rural economy.

1. Introduction

China is a large agricultural country with more than 1.3 billion citizens. Agriculture is an important industry in China's national economy, which has always been extremely concerned by the whole country, including government and public. Since the beginning of the 21 century, the No. 1 document of the Chinese Communist Party has continuously paid attention to the issue of "agriculture, rural areas and farmers"-“three rural issues”, and has specifically planned the detailed plan for rural financial reform. The Eighteenth Central Committee has reported that “Marginalized groups are included in the scope of financial services, microfinance with sustainable development potential is included in the formal financial system, for improving the situation of insufficient financial supply in rural areas” The Communique of the Third Plenary Session of the Eighteenth Central Committee clarified the property rights of farmers based on the principle of clear property rights, and analyzed the impact of land circulation, which provided opportunities for the development of "three rural issues", breaking through the restrictions of the agricultural economy that restrict the overall economic development. But as far as the current situation is concerned, the development of agricultural finance cannot meet the development needs of the agricultural economy. Specifically, in the traditional agricultural economy, the decline in the supply of funds has made rural lending more difficult, the outflow of large amounts of rural financial funds, the backward financial service system, and the lack of financial supervision and other factors have led to the slow development of the rural economy.

Thus, to settle out those problems, the crucial is to develop the modern agriculture, which means agriculture industrialization. Agricultural industrialization is a kind of modern agricultural production and management mode that takes market as guidance and economic benefit as the center. Agricultural industrialization forms a benign pattern of agricultural development by optimizing the organization of various agricultural production factors, carrying out specialized and large-scale production, and promoting scientific agricultural management. The development mode of agricultural industrialization is an effective way to develop modern agriculture and promote agricultural modernization.

However, even although the agricultural industrialization is widely proven beneficial to the development of rural economy, but the development of agricultural is limited by the lagging rural financial system, which has been unable to meet the objective requirements of agricultural industrialization development. From this perspective, the path of financial support for the development of the agricultural economy can solve the practical problem of the slow development of the agricultural economy. Based on this, it is necessary to make a comprehensive systematic review to discuss the problems and causes of the financial support for the rural economic development model, and meanwhile, to put forward reasonable countermeasures and suggestions to make suggestions for the development of the rural economy, thereby promoting the development of Chinese overall economy, especially the agriculture industrialization.

2. Current Situation of Rural Economy

2.1 Restricted by the Traditional Management Concept

In the development of rural agricultural economy, it will be affected by traditional management ideas, leading to various economic activities can not be carried out smoothly. In addition, some managers of agricultural economy do not pay enough attention to the land cost system and the land circulation problem are not fully understood, some farmers have caused a certain impact on the smooth circulation of land.

2.2 Small Scale of Rural Land Intensification

Based on the analysis of the current actual situation, the intensification and scale of rural land are relatively low, especially for mountainous and hilly areas. The management mode is relatively scattered, the cost of mechanization is not high, and the managers cannot realize the intensive management of rural land, which is not conducive to the smooth implementation of follow-up work.

2.3 Paucity of Profits

In the process of rural economic management, the traditional small and decentralized business model cannot further promote the development of rural economy. In the decentralized business model, farmers' families make great efforts but get little reward, which not only seriously affects the enthusiasm of farmers, but also hinders the development of rural modernization. Most of the old people live by farming and regard the land as more important than their own lives. As a result, the expansion of rural business models and the implementation of relevant policies beneficial to farmers are hindered, thus making the development of rural economic management not smooth and orderly.

2.4 Lack of Thorough Public Service System

The rural service system has not been improved and unified, such as education, medical care, public health, ecological protection, etc., and the importance of establishing a public service system has not been fully recognized. Due to the lack of human and financial resources, farmers have not been provided with adequate public services, which can easily lead to the widening of the economic gap between urban and rural areas and hinder the pace of urban-rural integration.

2.5 The Influence of the International Economic Situation

Economic globalization has a great impact on the development of agricultural economy. In agriculture, developed countries have established trade barriers and attached great importance to environmental protection indicators, product inspection and technical standards. In the process of developing export-oriented economy, agricultural development is faced with serious challenges, the primary agricultural products market is shrinking sharply, the survival situation is compressed. However, in the whole country, agriculture has been rising all over the country, seeking a breakthrough from agriculture to develop the economy, increasing the competitiveness between agricultural development, fruit, facility agriculture, animal husbandry and other dominant positions in the market are facing serious challenges. In the context of global economic development, Chinese

local agricultural industry no longer has a dominant position in innovative management, and there is a big gap compared with other provinces.

3. Current Situation of Rural Finance

Since the establishment of the rural financial system, it has played an important role in agricultural production, rural economic development and farmers' income. According to the report the Chinese government, the rural financial system has gain much achievement (shown Table 1).

Table 1 The statistics of the rural finance

	The balance of bank loans to agriculture	The insurance of rural finance	Numbers of insured farms
2007	6.1 trillion	5.18 billion	49.81 million households
2018	32.7 trillion	572.7 billion	195 million households
Grown rate	536%	101%	400%

Even though great achieve has been gained by Chinese in rural finance support, but there is still some problems in rural finance.

3.1 The Limited of Rural Financial Institutions

Although in recent years, Jiangsu province has made great efforts to develop rural financial institutions and established a number of rural commercial Banks and rural Banks, with a certain increase in number, the rural commercial Banks and rural Banks generally set up fewer service outlets in other parts of the region. At the same time, large state-owned commercial Banks have reduced their rural operation outlets to a certain extent, and only set up their outlets in cities and towns, while rural areas with general traffic conditions only have basic rural commercial bank and postal savings bank outlets.

3.2 The Lack of Innovation in Rural Financial Instruments

Neither rural commercial Banks nor village Banks provide the above products with the same quality, and they do not develop and design personalized products according to different characteristics of farmers. This homogeneity is mainly caused by two reasons: first, financial institutions lack innovation consciousness, or innovation cost is high and they are unwilling to carry out; Second, farmers have a habitual understanding of financial products and are not easy to accept new financial products, also making a financial institution face many difficulties in promoting new financial instruments, thus discouraging the enthusiasm of innovating financial instruments.

3.3 Information Asymmetry Between Traditional Financial Industry and Rural Residents

Due to the particularity of their business content, most small and medium-sized agricultural enterprises are located in rural areas, and traditional financial institutions cannot easily obtain their business and financial status. On the other hand, most of these enterprises have not established a modern enterprise system, and their financial information and risk control are non-public. Information asymmetry prompts Banks to worry about moral hazard and adverse selection, thus giving up lending to agricultural workers and small and medium-sized enterprises

3.4 High Risk and High Cost of the Financing

Agricultural production is affected by the natural environment and has weak quality, which leads to the great risk of financing of small and medium-sized agricultural enterprises. Banks and other financial institutions choose the recipients of loans according to the principle of operating coverage risk, and there are certain restrictions on lending to small and medium-sized agricultural enterprises. On the other hand, small and medium-sized agricultural enterprises have a small amount of single

financing, but the demand is relatively frequent, showing obvious seasonality, and the loan demand is characterized by "urgent, less, frequent and fast". Before providing loans, traditional financial institutions need to spend a lot of money to investigate the operational and financial risks of small and medium-sized enterprises. After lending, they still need to strengthen supervision to prevent moral risks, which increases the loan issuing cost.

3.5 The Relations Between Finance and Rural Economy

Xu Det al (2015) has investigated the relations between finance and rural economy. Cobb-Douglas production function was used to analysis the relations between finance and rural economy, shown as the bellowing:

$$Y=AL^{\alpha}K^{\beta}, 0<\alpha,\beta<1 \quad (1)$$

L, K, α , β refers to, respectively, the elasticity coefficient of labor input, capital input, labor output and capital generation; a represents comprehensive factors such as system and technology. Meanwhile the ratio of labor input to capital input is constant, and a significant positive correlation and causal relationship between the deepening of financial development and technological progress in positive correlation. So, we could get a new function as the bellowing:

$$Y=\alpha C^{\alpha}F^{1+\delta(\alpha+\beta)}, 0<\alpha,\beta<1,\delta>1, \quad (2)$$

We could get that $Y>0$, so we could find there is a positive correlation between F and Y, which means a positive correlation between financial and economy, proven by the data of the state. From which, we could find that as the main indicator of financial development, there should be a significant positive correlation and causal relationship between financial supply and economic development.

4. Recommendation

4.1 Establish a Stable Rural Financial System

As the main indicator of financial development, there should be a significant positive correlation and causal relationship between financial supply and economic development.

A mature and effective rural financial system is the key to the development of rural economy.

This study elaborates from the aspects of supervision, mode and information management, aiming at establishing a more comprehensive system, which can make the development of rural economy come true.

4.2 Agricultural Insurance System

At present, the development of China's agricultural insurance system is not sound, unable to advance with the development of agricultural economy, so the sound of agricultural insurance system is particularly important.

First of all, according to the agricultural characteristics of different regions, agricultural insurance systems suitable for local operation can be established. Insurance organizations jointly organized by farmers can be considered to be established, which can not only combine with the actual situation, but also achieve mutual supervision, which can not only reduce operating costs, but also avoid moral hazard to a large extent. Next, danger is planted must suit our country national condition, cannot introduce foreign advanced danger to plant blindly. Finally, as agriculture is a vulnerable industry with high risks, the state can protect the rights and interests of agricultural insurance institutions by means of insurance premium subsidies and insurance separation system.

4.3 Law Support

We will increase government support for agricultural development and accelerate legislation

Having a perfect rural financial system is not a necessary and sufficient condition for the rapid development of rural economy, the government should also provide necessary and appropriate policy support. According to the incomplete theory of market competition, the Chinese government

continues to inject funds into the rural financial development to ensure the normal operation of the system, and at the same time, it has issued policy support opinions to serve agriculture.

In addition, a strong backing of financial support for agricultural development is to have laws to follow, so that each department can do its own job and speed up the sound operation of the rural financial system.

5. Conclusion

Through a comprehensive analysis the current situation of rural economy, rural financial support in China, and after the production of Cobb-Douglas production function, we have found the positive correlation between financial support and rural economy. Thus based on the weakness of rural economy and finance, we have recommended three feasible suggestions for the development of rural economy and rural financial support, which can be useful for relevant institution.

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