Research and Countermeasure Analysis on the Development of Internet Financial Market in Rural Areas of China

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Abstract. For a long time, my country's rural financial market has shown the characteristics of financial restraint. As the country pays more and more attention to agriculture, rural areas and farmers, promoting the development of rural Internet finance has become a direction of rural financial development. It is undeniable that the current development of rural Internet finance is still in its infancy, and there are major problems in risk management, financial supervision, and raising farmers’ awareness. The uniqueness of agricultural production and the imperfect credit system in rural areas have resulted in the inadequate satisfaction of agricultural investment and financing needs. Therefore, this paper conducts research on my country's rural internet finance market and puts forward corresponding suggestions on how to promote the development of internet finance in rural areas.

1. Introduction

In recent years, the needs of my country's rural financial market have gradually shown diversity and particularity, but there are still many shortcomings, and there is also a huge gap in farmers’ loans. According to statistics, at the end of 2018, the balance of various RMB loans of China's financial institutions was 120.13 trillion yuan, a year-on-year increase of 13.46%. Among them, the balance of agricultural loans was 30.96 trillion yuan, a year-on-year increase of 7.3%, but the growth rate was 0.6 lower than the end of the previous quarter. In the first half of the year, it increased by 1.71 trillion yuan, a year-on-year decrease of 386.4 billion yuan¹. Therefore, the growth rate of rural and agricultural loans is slowing. Internet finance is an organic combination of Internet technology and financial functions. It relies on big data and cloud computing to form a financial industry and service system on the Internet platform, including the financial market system, financial service system, financial organization system, and financial product system based on the network platform. As well as the Internet financial supervision system, it has financial models that are different from traditional finance, such as inclusive finance, platform finance, and information finance². The system that rural Internet finance relies on is consistent with Internet finance, and its scope of action has been reduced to rural areas. With the rapid development of China’s “Internet+” industry, the problems of China’s rural finance have been solved with the development of Internet finance, which has guided the development of the rural economy³. The arrival of the “Internet+” era has a profound impact The establishment of China’s financial policy and the gradual in-depth development to all links of the agricultural industry chain have enabled the rural economy to gradually embark on a network, information and e-commerce development track. The gradual rise of rural internet finance has promoted the development of rural finance in my country in the future⁴.
2. Development Status of Rural Internet Finance

2.1. Increasingly Prominent Status

2.1.1. It Can Effectively Solve Farmers’ Loan Problems

From a practical point of view, it is feasible to solve the difficulty of farmers' loans. Internet financial platforms get rid of the restrictions of physical branches and let the idle funds of investors flow to the countryside through the platforms, so as to realize the financing of urban and rural funds. In the past, financial institutions in the rural loan business is actually contracted, which is also the main reason for the difficulty of farmers' loans[^5].

2.1.2. Effectively Complement the Deficiencies of Traditional Financial Institutions

Loans for agriculture, rural areas and farmers, especially those for agricultural production, are in great demand, and cannot be covered by traditional financial institutions. Moreover, they are facing a long-term "financing difficulty" dilemma. The innovative approach of the emerging Internet financial platform can be an effective supplement to the traditional financial institutions[^6]. It can help farmers to improve their production capacity by meeting their production capital needs. While realizing large-scale production, it can guide farmers to use high-quality means of production and effectively improve the output quality of agricultural products, so as to increase farmers' income.

2.1.3. The Supply-Side Structural Reform in Agriculture was Promoted

Accelerating rural financial innovation is an important part of agricultural supply-side structural reform. Central file number one requirement using Internet technology to strengthen the financial services, and the "three rural" orders in the field of finance, the accounts receivable financing business is belongs to the field of Internet financial, because the Internet has penetrate deeply into rural grass-roots financial infrastructure, all kinds of development of rural economy needs to be in the form of "Internet innovation" to support and promote, so the rural supply side structural reforms has also been a strong guarantee.

2.2. Risks of Rural Internet Finance

While promoting the development of rural economy, rural Internet finance also has various risks. Rural Internet finance, as the main body of rural economic development, first of all needs to bear the credit risks caused by farmers' failure to repay in time. At the same time, it also needs to bear operational and financial risks in the development process. As many Internet finance companies pay more attention to online operation and neglect offline operation, rural Internet finance shows a high-risk aspect.

2.3. Inadequate Supervision of Rural Internet Finance

Current financial structures to create the financial products are more abundant, also in constant acceleration of financial innovation, the Internet finance in rural areas also got certain development, but the present Internet supervision of the financial industry is still in a relatively weak environment, a lot of Internet security and information security money in financial institutions are lack of effective guarantee, appear easily risk; In addition, the decentralized characteristics of rural finance also make the supervision of rural Internet finance have great deficiencies.
3. Difficulties Faced by the Development of Rural Internet Finance

3.1. Hidden Financial Risks

3.1.1. Credit Risk

The vast rural areas, population, information is scattered, and the power of agency is weak, the rural areas still belongs to the blind spot of personal credit, in terms of data collection, Internet companies and financial institutions has its own set of underwriting standards, but these institutions reference information source is relatively limited, information coverage is relatively narrow, difficult to extend to all areas.

3.1.2. Legal Risks

Rural Internet financial legal risk in addition to trading main body in violation of the relevant laws and regulations, including the Internet financial relative blank in legislation, the current law is mostly based on the traditional financial business, cannot meet the actual demand for rural financial Internet, this also indirectly led to the transaction costs rise, hindered the development of the Internet financial.

3.1.3. Operational Risk

The operational risks of rural Internet finance mainly fall into two categories. One is the property loss caused by the staff of financial institutions who are not familiar with the financial operating system. The other is the loss of funds or information brought by farmers due to their own operational errors. At present, in the early stage of the development of rural Internet finance, in order to obtain market share and higher profits, Internet financial institutions expand rapidly and fail to conduct strict business knowledge training for employees, which leads to great operational risks.

3.2. The Bad Debt Rate is Relatively Serious

The bad debt rate of rural financial institutions is also relatively serious, which is an unavoidable problem for both traditional financial institutions and Internet financial platforms. Therefore, on the one hand, Internet finance needs to strictly control the amount of loan funds and strengthen the audit of farmers' credit qualifications. It is better to visit farmers' families on the spot. If the Internet financial platform cannot deal with the problem of bad debt rate well, it will seriously affect its future development.

3.3. Users' Consumption Habits Lag

Internet finance has just entered the rural area and has not yet taken root deeply. Some platforms with incomplete qualifications and insufficient capital strength may be shut down. Because the Internet infrastructure in many rural areas is not perfect, it is in urgent need to increase the investment in infrastructure construction, which makes the investment in the early stage relatively large and the cost relatively high. However, most older farmers are not or are not used to using the Internet, and it takes a long time to cultivate the consumption habits of farmers. Therefore, it has become an important problem for Internet finance to intervene in rural areas.
4. Suggestions on the Development of Rural Internet Finance

4.1. Strengthen the Supervision of Rural Internet Finance

In order to ensure the healthy development of rural Internet finance and the rapid growth of rural economy, it is necessary to establish a perfect mechanism to strengthen the supervision of rural Internet finance. First of all, relevant departments should set up rural Internet financial supervision institutions to strengthen the supervision and management of rural Internet financial business. Secondly, a sound supervision and reporting mechanism should be established to strengthen the supervision of rural Internet financial users. In addition, it is necessary to strengthen the self-regulatory supervision of rural Internet finance and strengthen self-regulatory supervision through the establishment of rural Internet finance association.

4.2. Improve the Internet Financial Credit Information System

In the field of finance, the supporting role of credit investigation is very important. Only by promoting the improvement of rural market credit investigation system, can the development of Internet finance be promoted more effectively, and the development of Internet finance will also promote the development and maturity of rural credit investigation system, which interact with each other. Financial institutions provide enterprises and individuals with corresponding financial services according to the reports issued by credit reference agencies. The most core data of personal credit reference is loan and repayment information. Only when financial institutions cooperate with each other and share resources can rural interconnected finance develop healthily and continuously. Therefore, relevant departments should establish a sound credit system to promote the healthy and sustainable development of rural finance.

4.3. Promote cross-border Integration of Internet Finance and Agriculture

With the continuous deepening of social reform, the mutual integration of finance and agriculture is inevitable. In rural areas, "Internet +" is developing rapidly to "Internet + finance + agriculture". Various industries in rural areas are seeking better development with the help of Internet finance, which will bring new opportunities and vitality to the development of rural economy.

4.4. Strengthen the Publicity of Farmers' Internet Financial Knowledge

First of all, it is necessary to strengthen the publicity of financial knowledge to farmers, improve the public's understanding of Internet finance, and strengthen farmers' vigilance against all kinds of illegal financial activities. Secondly, rural financial institutions should strengthen information disclosure and should not exaggerate financial products and businesses. To strengthen the risk of the majority of farmers, to achieve transparent information, risk control.

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