

Research on allocation mechanism of rural financial resources in China

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Abstract: Financial benefit is the center of rural financial activities, and also the foothold of further allocation of financial resources. There are many problems encountered in the process of rural financial resource allocation. Based on the analysis of existing problems one by one, this paper reveals the reasons affecting the existing problems in China's rural resource allocation, sort out the ideas to improve the allocation of rural financial resources, and put forward corresponding solutions, in order to provide beneficial reference for the construction of the current rural financial resource allocation mechanism in China.

1. Introduction

Financial resources occupy an important position in the social resources system, and financial interests are the center of rural financial activities, and also the foothold of further allocation of financial resources. For a long period of time, the state has always taken solving the problems of "three rural areas" as one of the key contents of government work, and promoted financial resources to be tilted to rural areas. On February 5, 2017, the 14th No. 1 document of the Central Committee of the Communist Party of China and The State Council on Deepening the Structural Reform of the agricultural Supply Side and Accelerating the Cultivation of New drivers of Agricultural and Rural Development also focused on the issues of "three farmers", aiming to continuously inject new vitality into agricultural development.

2. Overview of rural financial resource allocation

The generation of financial interests cannot be separated from financial resources, but this does not mean that all financial resources will generate financial interests. If the allocation of financial resources cannot be institutionalized and systematic, financial resources cannot be transformed into realistic and valuable financial interests. With the continuous acceleration and improvement of urban-rural integration, China's rural economic development level has been greatly improved, and correspondingly, rural financial resources no longer only reflect economic attributes, slowly integrated into the social, cultural, ecological civilization and other attributes. In essence, many financialization behaviors are influenced by the current financial system. Different

social subjects pursue different financial interests, so to obtain corresponding financial interests, they need to build more diversified matching "rural financial interest pool"[1]. In the current reform of China's rural financial system, we should take the realistic problems in China's rural social and economic development as the starting point, further promote the practice of relevant financial resources allocation, ensure that all kinds of financial resources are effectively allocated, strengthen coordination and optimization, so as to fully guarantee that rural financial resources can be successfully transformed into the required financial interests.

3. The current situation of rural financial resources allocation

3.1 Serious loss of rural financial resources

China is a large agricultural country, according to the seventh national census data on May 11, 2021, the existing rural population of about 509 million people, the vast and sparsely populated rural areas are the most potential places for development, therefore, in order to comply with the trend of coordinated development of urban and rural areas, the state has introduced a variety of measures to direct financial resources to agriculture. However, the most prominent problem of rural finance in our country at the present stage is the serious loss of financial resources, and this loss is often the reverse outflow. Reverse outflow means that the funds used for rural areas are not fully used for economic development in the countryside, but are reversed back to the city or other places. Reverse outflows include five common types[2]: (1) institutional outflows. That is, the outflow of funds caused by certain financial systems, (2) operational outflow. It is caused by the defects of the

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system of financial institutions itself, which leads to the concentration of funds of rural financial institutions to higher financial institutions. (3) Investment outflow. In order to chase profits, rural financial institutions often invest funds in non-agricultural industries with higher profit margins, which has aggravated the shortage of rural financial resources in the long run. (4) Outflow through financial channels. According to statistics, the funds in agricultural deposits of financial institutions vary greatly, which means that a lot of funds that belong to rural areas flow into cities or other areas through financial institutions. (5) Policy outflow. Most of the previous financial policies favored cities, leading to rural areas becoming a stepping stone to raise funds for urban development, and the urban-rural gap further widened.

3.2 Single access to rural financial resources

The difference of financial supply system in our country leads to the shortage of financial supply of small-scale rural financial institutions by the government. The traditional way of obtaining rural financial funds is often through mutual borrowing and obtaining between relatives and friends, and the ways and channels of fund sources are relatively simple, and sometimes some rural households obtain funds through gray channels such as usury. According to relevant data, the number of rural households obtaining funds through formal financial institutions only accounts for 4%-5% of the total number of rural households. At the same time, the formal institutions that provide financial resources to rural areas also have some problems, such as some policy banks that are originally supportive, but their main business is to save and loan grain, cotton and oil to support the development of food, basically do not have a credit relationship with farmers, and do not play the role of rural financial institutions.

3.3 Rural financial credit products lag

With the continuous development and progress of China's economy, the living standards of farmers are also constantly improving, and the demand for financial products of rural users has become more abundant and diversified. However, commercial financial institutions lack corresponding credit products that can meet the needs of different customers and different time. Even commercial banks will restrict their financial services in rural areas, which cannot respond well to market demand at all. At the same time, the credit products of many financial institutions are very similar and lack innovation. Therefore, the credit products launched by institutions are much the same, the performance of products and practical effects are very low, the intensity of financial innovation is not enough, and the form is often greater than the substance. Financial institutions failed to find out the differences in the needs of farmers in different regions through careful investigation, and did not carry out personalized classification, resulting in grassroots banks blindly copying the product categories announced by superiors, and local financial institutions such as

urban and rural credit cooperatives did not seize the opportunity to launch special products according to local conditions, which could not meet the growing needs of farmers for personalized financial services.

3.4 Lack of legal guarantee for rural financial lending

The fourth problem is derived on the basis of the above-mentioned financial institutions' lack of systematic understanding of the needs of rural users and the single problem of the channel of rural financial capital acquisition influenced by traditional concepts. On the one hand, these private loans usually have a human basis, and generally do not have ious and agreed interest, resulting in a great difficulty in the follow-up rights protection; At the same time, private financial activities, once promoted under the guise of high remuneration, are usually welcomed by the majority of farmers, but these financial activities often lack the corresponding qualifications and the form is very irregular. These financial activities take advantage of the good policies to support the operation of individual farmers in rural areas, but due to the lack of corresponding financial supervision and legal basis, there are many loopholes. Once you need to defend your rights in the future, the operation is very difficult. On the other hand, limited by the rural material base, leading to a large number of financial talents loss, further resulting in rural financial resources lack of the corresponding talent supervision and prevention mechanism. Moreover, due to the cultural literacy of rural residents is not very high, the insurance consciousness is not strong, and the agricultural insurance itself has insufficient supply, low income high risk and other factors, further narrow the scope of rural commercial insurance, making the underdeveloped rural commercial insurance industry worse.

4. The analysis of China's rural financial resources allocation problems

4.1 Differences in urban and rural economic structure

China as the world's largest developing country, although the industrialization process has made significant progress, but agriculture still occupies a large proportion, the current urban and rural dual economic structure characteristics have not been fundamentally changed, new farmers as the basis of production units, in order to further increase production, the demand for financial resources is great. However, due to the objective gap between urban and rural development and the influence of capital profit, the supply of financial resources is obviously insufficient. Compared with cities, the proportion of financial institutions' investment in rural infrastructure construction, rural enterprise production and villagers' consumption funds is very low, which results in the dual structure of finance[3]. In addition, due to the influence of policy changes and social and

economic development, the loss of agricultural financial resources is very serious, which makes the lack of financial resources in rural areas even worse, and this has continued to vicious circle.

4.2 There is a large information gap in rural finance

Due to the impact of inconvenient transportation, backward education level and the lag restriction of the popularization of science and technology, rural financial users have few channels to obtain effective financial information, and there is a large information gap. In addition, the existing financial information can not be open and transparent, which also makes the farmer users as the basic production unit can not immediately trust and obtain financial support. The limitation of cognitive ability and the distortion of incentive mechanism make rural finance deviate from the original intention of setting, and it has not been effectively developed.

4.3 The existing rural financial system is not fully functional

With the deepening of China's rural reform, a rural financial system with formal financial institutions as the leading and rural credit cooperatives as the core has been gradually formed, but the existing financial system is still only at the surface level. Rural credit cooperatives[4], as financial institutions that have direct financial dealings with rural users, have gradually adjusted their policy objectives with the deepening of the reform, and their business scope has gradually adjusted from supporting agricultural development at the beginning to marketization. Rural credit cooperatives need to pay a series of businesses such as deposit reserves and loans to cities every year, which has also led to a large amount of money flowing out of the countryside, forming a cash shortage situation, further weakening their original need to serve agriculture.

4.4 The supervision mechanism for the allocation of financial resources is not sound

Proper industrial policy should enhance competition and compensate for market failures. In rural areas, due to the lack of government responsibilities, there is a lack of corresponding supervision and guidance for some private financial activities, which increases potential financial risks, disrupts the rural financial resources and environment, and is not conducive to the establishment and improvement of the rural financial system. With the accelerating pace of building a socialist country with Chinese characteristics, great achievements have been made in economic development, but China is still in the primary stage of socialism. As a developing country, the dual structure is a necessary link in the economic development, which needs to be solved by developing and giving play to the regulation function of the market. However, the rural economy is a weak link in the market economy, and the market mechanism in China has not

yet developed to the stage where it can fully adjust itself. Therefore, the only way to alleviate the differences in the current economic structure is to start from the system. Better play the functions of the government, in view of the current situation of serious loss of rural financial resources, improve the supervision system; At the same time, we should give more support to rural financial development and increase capital investment in rural areas in order to promote the development of rural finance and get rid of the current predicament of rural financial development.

5. Suggestions for the allocation of rural financial resources

5.1 Accelerating economic development to narrow the gap between urban and rural areas

After several years of continuous efforts, we have won the battle against poverty, and the economic gap between urban and rural areas has gradually narrowed. The continuous growth of rural social economy is the premise of perfecting rural financial system and improving rural financial resource allocation mechanism. The objective gap between urban and rural areas causes rural education system and medical system to be relatively backward[5]. At the same time, some policies of the Party and the state have favored cities for a long period since the reform and opening up, resulting in the outflow of outstanding talents from rural financial institutions and the reverse outflow of rural financial resources, which has damaged the stability of rural financial economy. Although the state has introduced a series of policies and measures to benefit farmers, such as exempting agricultural tax and vigorously implementing the rural revitalization strategy to support the development of rural economy, these policies have indeed injected vitality into rural areas, but to fundamentally solve the problem of rural social and economic development, the state needs to further adjust the income distribution structure. Create a market-determined regulation mechanism to find ways to increase fiscal revenues in rural areas; We will improve the precision of social governance, improve infrastructure construction in rural areas, and improve a sustainable multi-tiered grass-roots medical security system. Relax the market access mechanism, attract outstanding talents to develop and manage agricultural financial resources, reduce the reverse reflux of rural finance, take into account the protection of economic development and ecological environment, improve the rural financial investment environment, refer to the advanced experience of foreign countries, apply it in accordance with the actual situation of various regions, and promote the healthy and stable development of rural economy.

5.2 Improving agricultural financial institutions to broaden financing channels

The Agricultural Development Bank of China, as a special policy bank supporting rural areas in China, should focus on its own function, rather than blindly follow the market gradually commercialized. Therefore, it is necessary to strengthen the functional positioning of agricultural development bank, according to the national agricultural policy to do a good job in the acquisition of funds, closed management at the same time to expand business to agricultural production field; It is necessary to gradually transition the decentralized system of policy-based financial functions to the integrated system of policy-based financial functions. Because of the natural contradiction between the policy-based functions such as the special appropriation for agriculture and the undertaking of commercial activities, it is not convenient for banks to carry out commercial activities, but also obscure the role of supporting rural areas. Constantly improve the organizational system of Agricultural Bank, set up a special investigation and supervision department, in-depth rural areas, extensive investigation and analysis of the needs of different customers in different regions, formulate more targeted loan policies, expand the channels of farmers' capital sources, optimize the structure, increase support for rural high-tech industries, reduce the difficulty of loans.

5.3 Innovate financial concepts and update credit products

With the development of rural economy, China's rural financial industry is becoming diversified, the majority of rural users get financial loans are no longer simply buy some basic means of production such as fertilizer, seeds, machinery, etc., but gradually expanded to agricultural processing, export, consumption and other links, and has gradually industrialized. However, financial institutions still do not meet the current rapid changes in the rural economy, and their products do not fully adapt to the needs of rural users. To this end, rural credit cooperatives, as institutions that have direct business dealings with rural users, should first improve their own reforms, clarify the functions of various departments, and strengthen internal management and coordination mechanisms in accordance with the requirements of the Party Central Committee, The State Council and the CBRC [6]. Secondly, we should make full use of external conditions such as the Internet, strengthen the interconnection with external big data, increase credit product innovation to deepen internal and external data application, and establish a post-loan management model. Apply the Internet platform to analyze big data, develop credit products with local cultural characteristics based on customer needs, and explore the construction of Internet financial service supermarkets. For example, in combination with the business situation of small and micro enterprises' e-commerce platform trading, logistics and transportation, corresponding online financing products are launched to meet the requirements of different users[7]. According to

the current demand for financial services, we constantly innovate our own service methods and concepts, improve our business level, and launch relevant financial services according to local conditions.

5.4 Improve the legal guarantee for rural financial credit

System is the guarantee of perfecting rural financial system. First of all, in the process of private lending, there are often irregular procedures and even some funds may be obtained through grey channels such as usury, which will greatly damage the financial interests of farmers and even destroy the rural financial order. Therefore, it is necessary to further improve the rural financial credit system and properly avoid risks through rural financial insurance. According to the different population, industry and economic characteristics of each region, reasonable development of insurance suitable for local residents, some projects related to rural economic development can be compulsory insurance, reduce risks, at the same time should continue to strengthen publicity, and gradually change the thinking of rural residents and enterprises, so that villagers understand and trust the contents of agricultural insurance clauses. Encourage them to actively participate in agricultural insurance, reduce the risk in production and life, and reduce the loss of farmer users. Secondly, with the development of The Times, rural financial fraud occurs from time to time[8]. It is necessary to improve the relevant legal system of rural financial fraud, increase the implementation of financial laws and regulations in rural areas, effectively crack down on rural financial fraud crimes, and protect the property safety of villagers. Third, build a comprehensive management mechanism for rural economic disputes with source prevention and control, investigation and sorting, dispute resolution and emergency handling, do a good job in anti-fraud and anti-fraud publicity, flip and resolve financial risks, improve the rural financial security system and mechanism, and weave a comprehensive and three-dimensional financial supervision network. Finally, the government should constantly improve the governance system[9], innovate the governance concept, encourage financial institutions to explore the agricultural insurance market, and establish a rural insurance system with policy-based insurance as the main body and policy-based agricultural insurance companies and commercial insurance companies complementing each other.

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