

# Research on Credit Support of Inclusive Finance to Rural Revitalization

## -- Taking Anhui Province as an Example

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### Abstract

**Rural Revitalization is another strategic stage after the decisive victory in the fight against poverty. Based on the relevant background and existing literature research, this paper first expounds the current situation of credit support of Anhui Province Inclusive Finance for Rural Revitalization; then, it analyzes the dilemma of Anhui Province inclusive credit for rural development from three different aspects; Finally, based on the current situation and dilemma of Anhui Province Inclusive Finance for rural revitalization, it puts forward some suggestions.**

### Keywords

**Rural Revitalization; Inclusive Finance; Credit Support.**

### 1. Introduction

In recent years, the grand plan of Rural Revitalization is unfolding slowly. At the central rural work conference, General Secretary Xi stressed that comprehensively promoting rural revitalization is a historic turning point in the focus of "agriculture, rural areas and farmers". All sectors of the country responded to the call and made great efforts to help. Among them, the credit support of Inclusive Finance for Rural Revitalization can not be underestimated, which provides a strong financial foundation for rural industrial prosperity, infrastructure and ecological civilization construction, and the transformation of new rural collective economy.

In view of the research on the credit support of Inclusive Finance for rural revitalization, Zhan Jianhua [1] thinks that inclusive finance can gather a large amount of stable funds to invest in Rural Revitalization Project, but there is still a phenomenon that the concept of Inclusive Finance is divorced from credit supply; Xing huiran [2] puts forward that financial institutions have launched many "special customized" inclusive financial credit products in recent years, but there is still a lack of effective credit supply and demand. Zhao Youxuan [3] proposed differentiated regulatory policies to bring opportunities for reforming the mode of inclusive financial supply and improving the level of supply. However, due to the absence of policies, bank loans cannot be recovered and the risk is completely borne by itself, resulting in the serious phenomenon of "reluctant to lend". In addition, Wang Xingyuan [4] stressed that we should further strengthen the construction of credit system and attach importance to the development of green credit products. It can be seen that the credit support of Inclusive Finance has become a very important force for financial assistance to rural revitalization, although there is still the problem of inefficient use of credit funds of Inclusive Finance.

Based on the above background and literature research, this paper first expounds the current situation of Anhui Province inclusive finance credit support for Rural Revitalization; then this

paper studies the dilemma of Anhui Province inclusive credit to help rural development; finally, aiming at the above dilemma, this paper puts forward some suggestions.

## **2. The Current Situation of Credit Support for Rural Revitalization by Inclusive Finance in Anhui Province**

This part from the scale of agricultural loans, deepening the reform process of small and Medium-sized rural banks, innovative credit types of three aspects, expounds the current situation of Anhui Province inclusive finance credit support for Rural Revitalization.

### **2.1. Focus on Returning to Work and Production, Comprehensively Expand the Scale of Agriculture Related Loans**

Since the outbreak of the epidemic in 2020, the local government has made great efforts to advocate that financial institutions focus on the fields of returning to work and production and rural revitalization, and comprehensively strengthen the supply of agriculture related loans. As November 2020, the balance of agriculture related loans in Anhui Province reached 1620.08 billion yuan, an increase of 16.85% over the previous year and 5.02% over the same period. In the past five years, the total amount of credit has entered a rapid rising channel.

### **2.2. Consolidate the Status of Rural Small and Medium-sized Banks and Promote Their Deepening Reform Process**

Small and Medium-sized rural banks have been the main force to enhance Inclusive Finance. The local government focuses on promoting the reform process of rural small and Medium-sized banks to further focus on the main business, return to the origin, promoting the development of county economy. By the end of November 2020, the total assets of agricultural commercial banks in the province have reached 1560.59 billion yuan, including 495.328 billion yuan of agriculture related loans and 562.802 billion yuan of small and micro enterprise loans. It accounts for 21.15% of the banking industry in the whole province. By the end of November 2020, the balance of agriculture related loans of rural banks in Anhui Province was 36.233 billion yuan, a year-on-year increase of 17.36%; the balance of small and micro enterprise loans was 40.257 billion yuan, a year-on-year increase of 19.76%. It can be seen that Anhui province takes small and Medium-sized rural banks as the focus to enhance Inclusive Finance and provide strong credit support for county financial development and economic development.

### **2.3. Strengthen the Implementation of Inclusive Insurance and Constantly Innovate the Types of Credit Products**

As an umbrella to prevent farmers from "poverty caused by illness", inclusive insurance plays an important role in the process of deepening Inclusive Finance. By the end of November 2020, 11.89 million times of insured farmers, with a year-on-year increase of 4.7%, and 129.95 billion yuan of risk protection, with a year-on-year increase of 24.46%. In addition, Anhui Province constantly innovates the types of credit products for small and micro enterprises, farmers, poor college students and other vulnerable groups, such as personal entrepreneurship guarantee loan with special fund discount, entrepreneurship guarantee loan for small and micro enterprises, etc. And supporting the introduction of relevant policies, to provide loans for the relevant objects of rural small and Medium-sized banks certain subsidies.

## **3. The Dilemma of Inclusive Credit Helping Rural Development in Anhui Province**

This part from the rural inclusive financial services coverage is insufficient, the supply and demand of effective credit funds is insufficient, guarantee system and risk compensation

mechanism is not perfect. This part will studies the dilemma of Anhui Province inclusive credit helps rural development from three aspects.

### **3.1. The Structure of Inclusive Financial Institutions in Rural Areas is Single and Inclusive Financial Services are Limited**

At present, the rural financial structure is mainly "state-owned banks + rural credit cooperatives + rural banks", in which rural credit cooperatives are the main force to implement Inclusive Finance, and other types of financial institutions are often very scarce. But on the whole, the total amount of agriculture related loans is obviously insufficient, the structure is not good, and the bank led promotion of rural Inclusive Finance is obviously lack of stamina, which makes the coverage of inclusive financial services is not wide and the depth is not enough, and the single rural inclusive financial institutions lack the long-term power to effectively support the revitalization and development of rural areas.

### **3.2. The Supply and Demand of Effective Credit are Insufficient, and Farmers Lack Financial Thinking**

In the aspect of inclusive credit supply, there is an obvious trend of "grasping the big and letting the small go", and the loan provision has an obvious "Matthew effect". That is to say, the newly established small and Medium-sized enterprises in villages and towns often do not get effective credit support, which may cause their development blocked and bankrupted, and seriously dampen the enthusiasm of the people in poor areas for independent innovation and entrepreneurship. In terms of effective credit demand, due to the poor popularization of rural financial knowledge, the vast majority of farmers lack the awareness of borrowing from local banks for consumption and investment, and lack of relevant knowledge of diversified financial products, that is, "poor" in financial thinking.

### **3.3. The Guarantee System is not Perfect, Lack of Risk Compensation Mechanism**

As the main carrier of county economy, banks play an important role in the rational allocation of resources and local investment in poor areas. However, due to the imperfection of credit reference system in poor areas and the fact that people in poor areas are often unable to provide stable liquidity collateral, banks often choose to "grudge loans" in order to prevent information asymmetry and adverse selection. In addition, the relevant risk compensation mechanism is relatively backward, which further aggravates the situation that banks "dare not lend", leading to the disconnection between the concept of Inclusive Finance and the actual credit supply.

## **4. Suggestions**

In view of the current research on the credit support of Inclusive Finance for Rural Revitalization in Anhui Province and the current difficulties, this part puts forward the following suggestions:

### **4.1. Improving the Inclusive Financial Service System and Intensify the Promotion of Inclusive Finance**

We should comprehensively establish a multi-level and wide coverage inclusive financial service supply system led by banks, helping rural revitalization and improve the subsidy policies for financial institutions setting up physical sites in rural areas. On the one hand, guide securities companies, insurance companies and other diversified financial institutions to participate in and support the promotion of rural Inclusive Finance. Securities companies should actively help township enterprises to complete the equity investment; Insurance companies should actively set up "inclusive insurance" and other products to slow down the

impact of "poverty caused by disaster" and "poverty caused by disease" on rural farmers. On the other hand, we should comprehensively promote the publicity of Inclusive Finance, and strengthen financial publicity through joint construction with local Party construction. We should help the people in poor areas to cultivate their financial awareness and thinking, so as to truly "teach them to fish" and avoid the dilemma of "thinking in poverty", so as to alleviate the problem of insufficient demand for effective credit in rural areas.

#### **4.2. Optimize Capital Allocation and Implement Differentiated Credit Policy**

We should optimize the allocation of credit funds and deepen the process of financial supply side reform. Focus on the Rural Revitalization Project, vigorously support the rural infrastructure. Strengthen the coverage of "green credit for agriculture, rural areas and farmers" and guide the flow of credit funds to rural green industries. Commercial banks can support the structural adjustment of agricultural industry by means of credit services, industrial funds and financial consultants, increase the supply of green organic agricultural products, and help the development of green industry and rural ecological restoration.[5] Avoid the flow of credit funds to "zombie enterprises" and prevent the occurrence of "prescribing health care drugs for dying patients".

#### **4.3. Improve the Risk Compensation Mechanism and Build a Bridge between Banks and Enterprises**

Establish and improve the risk compensation mechanism, and improve the construction of credit information system to ensure the openness and transparency of credit information. We should carry out the process of interest rate liberalization, implement the mechanism of "severe punishment for dishonesty", and appropriately increase the loan interest rate for customers with lower credit rating, so as to make the bank bear the risk and obtain the same income. We will further build a bridge between banks and enterprises, and enhance the opportunities for banks and enterprises to "face-to-face" understand and dock. For example, we should increase the opportunities for banks to visit enterprises on the spot, hold regular seminars for entrepreneurs, and hold on-the-spot loan promotion meetings, so as to reduce the information asymmetry, alleviate the phenomenon of "reluctance to lend" of banks, and ensure the long-term support of bank credit for rural Inclusive Finance. In addition, we should also establish and improve the guarantee system, improving the collateral evaluation system, to avoid the situation that farmers can not obtain credit funds because they can not provide stable liquidity collateral. [6]

#### **4.4. Promoting the Process of Financial Technology and Innovating Credit Mode**

We will further promote the development of financial technology and focus on the development of online inclusive financial services. All financial institutions should focus on deepening the process of innovation of online inclusive financial credit products, and design relevant credit products specifically supporting rural small and micro enterprises, such as "tax e-finance" and "electricity e-finance". At the same time, we should do a good job in the docking of online and offline Inclusive Finance, and comprehensively improve the coverage of rural Inclusive Finance. In addition, we should constantly innovate the credit mode to help the development of characteristic agriculture. According to local conditions, invest in relevant industrial projects according to local comparative advantages, establish a special credit mode of "company + base + farmer", guide financial institutions to provide targeted credit support for rural revitalization, and develop rural characteristic industries.

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