

## Research on Rural Consumer Financial Service Innovation under the Background of Inclusive

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### Abstract

**Consumer finance innovation is of great significance for stimulating rural consumption and accelerating rural inclusive financial innovation. Based on the development trend of rural consumer finance in China, this paper analyzes the existing obstacles in the development of rural consumer finance in China, and discusses the ideas of accelerating the innovation of rural consumer financial services in China under the background of inclusive benefit. Put forward countermeasures and suggestions on using the Internet to promote inclusive consumer finance, improve the rural consumer financial service mode, expand the channels of consumer financial products, optimize the consumer financial ecosystem, innovate the layout of rural consumer finance scenes, and improve the consumer financial risk control system.**

### Keywords

**Consumer Finance; Digital Inclusive Finance; Consumer Finance Scenario; Risk Control System.**

### 1. Introduction

It has been transformed into the contradiction between the growing needs of the people for a better life and unbalanced and insufficient development. At this stage, social and economic development depends more on the coordination and interaction of urban and rural regional development, and more on domestic demand, especially consumer demand, so as to continuously enhance the long-term development potential. At this stage, the consumption demand of rural residents is gradually upgrading from survival demand to development and enjoyment demand. It is necessary to accelerate the innovation of the supply side of financial services and constantly follow up the process of upgrading the quality of rural consumption demand side. For a long time, there has been a shortage of supply and insufficient effective demand in China's rural consumer financial market. There are problems such as single financial products, inefficient financial services and lagging financial innovation. The crux lies in the dual division of urban and rural financial resource allocation, which seriously inhibits the deepening of rural finance [1]. In March 2016, the people's Bank of China and the CBRC issued the guidance on increasing financial support for new consumption, proposing a series of policies and measures for financial support in the field of consumption. In November 2017, Premier Li Keqiang stressed the need to improve the inclusive financial system and open up the "last mile" of financial activity to rural areas. At this stage, how to accelerate the innovation of rural consumer financial services under the inclusive background, improve the rural inclusive financial ecology, create a new space for the development of rural consumer finance, and strive to bring strong new power to China's economic growth has become a key issue to be studied urgently.

## 2. Development Status of Rural Consumer Financial Services in China

China's consumer finance originated in the 1980s. Due to the constraints of economic development level, market system and other factors, the development process of consumer finance is slow and the service lags behind. Affected by residents' consumption habits, natural resource conditions, economic development level, market risk preference and other factors, there is an obvious gap between urban and rural areas in China's consumer finance.

### 2.1. Analysis of Consumption of Rural Residents

At this stage, the household net income of rural residents in China is increasing from less than 2000 yuan in 1995 to 13300 yuan in 2017. The increase of income has a significant role in promoting the consumption ability of rural residents. The Engel coefficient of rural residents is declining, and the gap between rural residents and urban residents is becoming smaller and smaller. Rural residents have strong consumption desire and have consumption potential that can not be underestimated. In 2016, China's rural social consumption Retail sales reached 4.6 trillion, a year-on-year increase of 10.9%, and showed a sustained growth trend. At the same time, the growth rate of retail sales of rural social consumer goods gradually exceeded that of cities and towns, 0.5% higher in 2016, and the retail sales of rural social consumer goods increased in the whole society.

The proportion of the total is increasing. At present, the rural Internet infrastructure is improving day by day, and the popularity of smart phone + broadband network has bred a 100 billion network consumption market for 800 million farmers. It is estimated that the total scale of national consumer credit will expand to 15 trillion in 2019, indicating that China's consumer financial market still has great room for growth, and rural finance will become the next outlet.

### 2.2. Development Trend of Rural Consumer Finance

According to the survey feedback of the rural economic research center of the Ministry of agriculture on the survey of "land system reform and rural financial innovation" in 17 provinces (autonomous regions and cities) in 2015, 2635 sample data of farmers were obtained by using the random stratified sampling method.

#### 2.2.1. Purpose Differentiation of Farmers' Bank Loans

As can be seen from Figure 3, the purpose direction of sample farmers' bank loans from 2010 to 2015 showed great changes, and the purpose direction was still mainly productive loans. Compared with 2010, the direction of borrowing for agricultural production decreased in 2015, and the proportion of daily consumption and non-agricultural use increased. At the end of 2015, rural residents' loans from financial institutions accounted for only 12.18% of the national loan balance. The "bottleneck" of credit funds for production and life made it impossible to release the consumption will of rural residents [2].

#### 2.2.2. Farmers' Private Loans for Consumption Increased

In 2010, farmers' private loans were mainly used for agricultural production, and living consumption was in a secondary position. By 2015, the proportion of farmers' private loans for living consumption has increased significantly compared with that in 2010. In terms of specific purposes, private loans are mostly used for purposes such as building houses, weddings and funerals, while loans from banks are more inclined to agricultural production and operation.

### **3. Existing Obstacles and Problems in the Development of Rural Consumer Finance**

#### **3.1. Absence of Consumer Finance Business Entity**

Although the total number of rural financial institutions is not low, the number reached 3822 at the end of 2017, the number of business outlets exceeded 80000, and the number of rural commercial banks reached 1000. By the end of December 2017, the balance of agriculture related loans reached 30.95 trillion yuan, and the township coverage rate of banking financial institutions was 95.99%. However, compared with the financial needs of 800 million farmers, its coverage is still insufficient and the scale is small. At present, there are still gaps in some financial institutions, and there is a lack of basic financial credit services in villages and towns. The deposit loan ratio of rural financial institutions is seriously unbalanced. Some small and medium-sized rural financial institutions have even become rural capital pumps, and the voice of farmers' difficulty in lending continues to rise. In addition, credit cooperatives and postal savings institutions, which currently provide loans and other services to rural residents in rural areas, have begun to cancel their outlets in economically backward areas, resulting in the loss of services. Financial institutions in rural areas contracted in an all-round way. The main body of rural financial supply is missing, and rural residents' consumption is facing strong credit constraints.

#### **3.2. Single Type of Consumer Financial Products**

At present, China's rural consumer financial products are mostly personal housing mortgage loans, automobile loans and so on, and the types of services are still not rich. The design of credit products does not match the needs of farmers, the credit elements fail to consider the differences of regions, income and family composition, and the multi-level demand of farmers is in contradiction with the single supply of financial products and services. Financial products and services of financial institutions, such as the "Huinong card" business of Agricultural Bank of China and the microfinance business of rural credit cooperatives, are similar credit businesses. Their service objects are aimed at farmers, and the service process is roughly the same. In addition, some remote areas lack agricultural insurance service channels, showing a serious shortage of life insurance and agricultural catastrophe insurance coverage and high premium, which makes it difficult for insurance to play its role in reducing farmers' Preventive Savings and releasing consumption energy. It not only limits the effectiveness of consumer financial services, but also can not meet the diversified needs of farmers for consumer financial innovation [3].

#### **3.3. Lagging Financial Infrastructure Construction**

In rural areas, there is a lack of self-service terminals such as ATM and POS, but the coverage of rural financial institutions is not high, especially in rural areas. On the other hand, the shortage of rural village roads, power grids, communication facilities, network information platforms and other infrastructure leads to the insufficient layout of financial self-service terminals. This restricts the use of durable consumer goods in rural areas, affects the adjustment and upgrading of consumption structure, restricts farmers from using non cash settlement forms such as online banking and mobile banking, and inhibits farmers' financial activities such as investment funds and buying and selling stocks. The backward rural financial infrastructure leads to the lack of payment platforms for consumer financial products and the limited consumption of farmers. Farmers' personal online banking can only participate in transfer transactions and cannot consume online. Farmers' credit card products are still blank. At the township level, the Agricultural Bank of China and the postal bank basically only deposit and do not lend to rural residents. Although the Agricultural Development Bank has been steadily investing funds, it has continuously increased the deposit and loan interest margin, and the invested funds are not

used for consumption, which does not play a great role in promoting the consumption of rural residents.

### **3.4. Insufficient Motivation for Consumer Finance Innovation**

At this stage, China's rural formal financial products and services are generally unitary. First, it focuses on the basic products and services of banking institutions. The business focuses on deposit, loan and foreign exchange activities, and less promotes consumer finance businesses such as credit card and installment payment. Second, there is homogeneous competition in products and services. Most of the financial products and services consumed by financial institutions are applied to each other, and the product innovation for the consumption needs of rural enterprises, agricultural cooperative organizations, new business entities and ordinary farmers is seriously insufficient. Third, the cultivation of new financial subjects and product innovation lag behind. Agricultural insurance institutions, small loan companies, pawn enterprises, guarantees. The development of companies and rural mutual funds cooperatives is too slow, the innovation of products and services is still in its infancy, and the development of rural financial market is slow. In addition, due to the incomplete rural financial supervision standards, the relevant rights and obligations of consumer financial service innovation subjects are difficult to be protected and encouraged, and financial enterprises lack innovation initiative. On the other hand, the grey status of rural folk finance determines the absence of legal protection. The operation cost is high and the risk is high. The supporting facilities such as financial subsidies, tax relief and risk compensation for agricultural loans are difficult to be in place. In addition, the processes of mortgage, evaluation and liquidation are complicated and the cost is high,

All restrict the development vitality of rural consumer finance to varying degrees.

### **3.5. The Rural Personal Credit Investigation System is not Perfect**

At present, China's rural personal credit investigation system is not perfect, farmers are far from forming a sense of integrity, and lack of understanding and grasp of consumer finance knowledge and credit legal rules, which can easily lead to default. This will also attack the enthusiasm of consumer financial institutions for innovation and exhibition, and greatly limit the comprehensive promotion of consumer finance. A good financial environment is conducive to the stable operation and development of rural financial services. Under the background of the backward rural personal credit investigation system, the phenomenon of information asymmetry is very common, and the sales and promotion of consumer financial products face moral hazard. In order to fill this gap, rural financial institutions use the method of raising interest rates to hedge losses. However, high interest rates lead to adverse selection behavior. Rural residents with good credit and strong ability to pay refuse to buy, but those who are willing to buy are those with poor credit. The uncertainty of farmers' future income and the transfer of land, homestead, agricultural machinery and other resources and mortgage valuation are still controversial, which makes it difficult for farmers to provide consumer credit guarantee and collateral to financial enterprises, so it is difficult to obtain living consumer credit from formal financial enterprises.

### **3.6. Lack of Laws and Regulations Related to Consumer Finance**

Consumer financial products and services are different from general financial products due to high credit risk. The existing rural consumer financial products are basically unsecured and unsecured, which makes the development of rural consumer finance more risky than that of cities. In rural areas, due to poor living standards, low income, uneven education level and backward sense of integrity, there is a high risk of default in the rural consumer finance exhibition industry. In the whole field of consumer finance, although the management norms of consumer finance are linked to some contents such as the banking law and the insurance law,

the laws in the exclusive field of consumer finance have not been formulated and promulgated, and the laws and regulations in the field of rural consumer finance are even lagging behind. However, there are no detailed implementation rules for the industrial rules and regulations and management methods such as the measures for the administration of pilot consumer finance companies and the measures for the administration of individual housing loans, which leads to the lack of pertinence of the management methods and the lack of punishment power for breach of trust and breach of contract, which is not applicable to the current rural consumer market.

## **4. Innovation Strategy of Rural Consumer Finance under the Background of Inclusive**

### **4.1. Variable Selection and Data Description**

Explained variable. The explained variable is the per capita consumption expenditure of residents, which is processed logarithmically. Core explanatory variables. With reference to the "Peking University Digital Financial Inclusion Index (2011-2020)", three dimensions of digital financial inclusion are selected as the core explanatory variables, which are the breadth of coverage, the depth of use and the degree of digitization, which are processed logarithmically. Control variables. The control variables are GDP per capita, industrial structure, government support, urbanization rate and economic openness. Among them, per capita GDP is treated as logarithm. The empirical analysis part of this paper selects the panel data of 31 provinces and cities (except Hong Kong, Macau and Taiwan) from 2011 to 2020. The data comes from "Peking University Digital Financial Inclusion Index (2011-2020)" and "China Statistical Yearbook".

In January 2016, the State Council issued the plan for promoting the development of Inclusive Finance (2016-2020). Under this background, vigorously developing rural consumer finance has become an important play. In order to speed up the innovation of rural consumer financial services and resolve the obstacles faced by the development of rural consumer finance, we should learn from the advanced experience of developed countries such as the United States and Japan in developing consumer finance, especially its diversified consumer financial service subjects Enrich the positive experience in consumer financial products and service system, improve consumer financial legal credit system and strict consumer financial risk control system, accelerate the innovation of rural consumer financial services in China, and resolve the obstacles to the development of rural consumer finance in a multi pronged manner.

### **4.2. Using the Internet to Promote Inclusive Consumer Finance**

We should increase the construction of Internet infrastructure in rural areas. Rural financial enterprises should build smart Internet as soon as possible, popularize smart Internet knowledge and skills to farmers, and improve the practical ability of farmers' Internet platforms and tools. Local governments and network operators should increase the construction of rural information infrastructure, reduce the obstacles of mobile Internet technology, and provide convenient conditions for rural inclusive consumer finance innovation. Actively promote the Internet P2P financing village loan platform, guide the transfer of idle funds to farmers and agriculture related enterprises with financing needs through the P2P platform, strengthen rural consumer credit and support the expansion of rural consumer finance. P2P loan platform can use Internet big data technology to combine with small and micro enterprises and farmers' credit investigation, risk control and other links, and actively set up grass-roots outlets to provide farmers with comprehensive financial services such as credit, insurance and payment. On the other hand, leading agricultural enterprises can be guided to innovate the financial business of agricultural product supply chain in rural areas. With the help of information processing, a large number of suppliers and consumers can be

connected with big data, and an online information database and credit evaluation system can be established and improved to realize the optimal collection and allocation of information flow, logistics and capital flow, promote farmers' demand for consumer financial services, and accelerate digital inclusive financial innovation by using financial technology, We will promote inclusive consumer finance and promote the upgrading of rural consumption.

#### **4.3. Improve Rural Consumer Financial Service Model**

According to the characteristics of small amount of rural consumer finance demand and scattered customers, with the help of rural commercial banks and credit cooperatives, establish a consumer loan platform mode of online application and self-service examination and approval, handle consumer loans through mobile banking, online banking and self-service bank, and implement differentiation and Personalized interest rate pricing, reasonably establish the interest rate level and credit term of consumer loans. In consumer finance credit, the mode of "one-time verification, loan with use, balance control, revolving use and dynamic adjustment" can be adopted to improve credit efficiency. In order to eliminate the reluctance and fear of loans of front-line employees, financial enterprises such as rural credit cooperatives and rural commercial banks should improve the performance appraisal mechanism and introduce reasonable methods of due diligence exemption for consumer finance and small and micro loans. Innovate the mortgage and pledge model of consumer finance, carry out the pilot of farmers' two rights mortgage loans, revitalize the available resources in rural areas, broaden farmers' financing channels, and enhance the consumption potential of low-income farmers. Implement the Rural Revitalization Strategy, promote the integration of rural primary, secondary and tertiary industries, improve the added value of agricultural products, follow up the innovation of consumer financial services, and make farmers dare to consume and be good at consumption, so as to stimulate more and greater consumption effectiveness of inclusive financial innovation.

#### **4.4. Expand Rural Consumer Financial Product System**

Subdivide the rural consumption market and develop financial products suitable for the characteristics of rural consumption. Connect with the diversified consumption demand in rural areas, and innovatively launch quasi credit cards and inclusive financial cards. In response to the demand of farmers for house purchase and real estate, we innovatively launched the "housing loan" farmers' house purchase mortgage loan with low down payment ratio, long loan term and many repayment methods; To meet the needs of poor college students, we will launch guaranteed source credit student loans and promote installment consumer financial services. Increase the investment of agricultural related credit products, design a variety of consumer financial products with flexible guarantee methods according to the income level, educational background, work and purpose of rural residents of different ages, set different interest rates, term structures and repayment methods, and promote Internet insurance at the same time. The government should encourage and support financial institutions to launch richer and more applicable rural consumer financial products, accelerate the sinking of Internet financial services, give full play to the advantages of "low threshold and fast innovation" of Internet finance, actively leverage rural idle assets and funds, and increase farmers' investment and financial benefits; Promote the online credit system in line with the characteristics of rural consumption, and create basic conditions for farmers to obtain convenient and efficient online loan services; Vigorously carry out financial investment and financial management knowledge and skills training among farmers, and guide farmers to use Internet investment and financial management to strive for more asset income [4].

#### 4.5. Optimize the Rural Consumer Finance Ecosystem

Actively introduce qualified private capital to invest in rural banks and consumer finance companies, vigorously develop inclusive financial institutions, and promote the diversification of rural service subjects. Inclusive financial institutions should improve their respective service levels and reflect their respective advantages by providing characteristic services. Relying on the mechanism advantages of rural credit cooperatives, we can establish big data of rural consumption, identify key customers, file and file cards for farmers door by door, open a green fast track focusing on Huimin cards, vigorously promote rural consumer credit investment and realize accurate docking services. Set up inclusive finance departments in rural commercial banks, rural credit cooperatives and other financial institutions to optimize the rural consumer finance ecosystem. On the basis of the full coverage of business outlets in villages and towns, we will strive to generally set up rural financial service convenience stations to realize the "village to village" of rural basic financial services. Farmers can handle withdrawal, transfer, credit card repayment, mobile phone recharge and payment without leaving the village, so as to make farmers' consumption more convenient, fast and efficient. Implement the customer manager responsibility system and achieve "three full coverage", that is, the full coverage of the responsibility area of rural consumer finance outlets, the full coverage of rural consumer credit demand and the full coverage of qualified farmers' credit, so as to vigorously improve the coverage and availability of rural consumer financial services.

#### 4.6. Innovative Layout of Rural Consumer Finance Scenarios

Actively improve the layout of Internet channels and strive to provide farmers with full-featured, full-time and all-round consumer financial services. First, deeply study the changing dynamics of user habits, guide farmers to obtain consumer financial products and services through websites, mobile phones and other remote means, promote the transformation from offline outlets to online and offline integration and innovation, and encourage the use of inclusive financial bank cards. Second, build an internet financial service platform, promote the functions of mobile banking and online banking, realize the combination and integration of the network platform with wechat official account and SMS Messenger, and build an online multi-dimensional marketing mechanism. Third, cross-border integration of e-commerce resources related to farmers' consumption, providing interactive and scenario based financial services, and realizing "one account connection" services [5]. Expand the coverage of ATMs in rural areas to make it easier for rural residents to deposit and withdraw money. Financial institutions can cooperate with Township shopping malls or supermarkets to facilitate farmers' shopping. They can also increase farmers' enthusiasm for card consumption by reducing the handling fees generated by card swiping, and make full use of the "super online banking" launched by the central bank to create a new one-stop online banking management platform and improve the experience of rural E-customers. Open up the rural consumer financial service chain and innovate collective consumer credit products.

#### 4.7. Improve the Risk Control System of Rural Consumer Finance

First of all, we should improve the legal system of rural consumer finance and formulate laws such as the rural consumer credit protection law and the rural consumer credit law applicable to rural areas. By standardizing the service procedures and operation process of rural financial institutions, preventing insider trading and other acts, qualified farmers can truly enjoy the consumer financial products provided by financial institutions, build a credit risk prevention system, carry out dynamic risk assessment and early warning, set up forward-looking response plans, and improve the risk control ability of rural consumer finance. Improve the whole process supervision system, and strictly implement the "three checks" system of loans: strictly check the real credit demand before the loan, strictly control the real risk mitigation during the loan, and strictly pursue the real loan purpose after the loan, really strengthen the whole

process supervision of rural consumer credit, and make full use of microfinance insurance and other risk dispersion methods. Third, we should strengthen consumer publicity and education, focus on popularizing consumer financial knowledge and risk prevention methods to rural consumers, and further improve the availability of rural consumers' financial knowledge. Relying on the accumulated big data of farmers, improve the basic database of farmers' credit information, establish an effective farmers' personal credit evaluation mechanism, form an effective complementarity with the credit investigation system of the central bank, and complete the induction and evaluation of rural customers' consumption habits and integrity level. In addition, we should strengthen the protection of rural residents' financial consumption rights, establish a service station for the protection of financial consumers' rights and interests, and take practical actions to solve the problems of difficult consumer complaints and rights protection. Let the rights protection service station truly become the "umbrella" and "amulet" of rural consumers, so as to promote the construction of a harmonious and stable rural consumer financial environment.

### Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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