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**ABSTRACT**

The implementation of the rural revitalization strategy can better solve the problems of the "three rural" development shortcomings and the imbalance of urban and rural economic development, and is the key to comprehensively building a well-off society. Taking the county finance of Linhai as an example, the article analyzes the county financial needs in the county economic development of Linhai under the rural revitalization strategy, puts forward the policy of building a county financial system, it should build a multi-level county financial system that is more compatible with county economic development, improve the credit system of villages and towns, and strengthen financial agricultural product innovation and the cultivation of rural residents' financial quality.

**INTRODUCTION**

The rural revitalization strategy is formulated in accordance with the needs of my country's current economic and social development, and is an objective requirement for the comprehensive construction of a well-off society in the new era. The implementation of the rural revitalization strategy should be based on the principle of balanced rural development, coordinate all aspects of policy support, and vigorously develop the rural economy. The key to implementing rural revitalization is to promote the development of county economy, and the key to county economic development is to promote rural economic development. Therefore, implementing rural revitalization is the central government's major development strategy and key to solving the "three rural" issues (National Development and Reform Commission, 2016). In 2018, the Chinese Academy of Social Sciences issued the "Report on China's County Economic Development (2018)", pointing out that the country's county economy is developing well, the economic growth rate continues to increase, and the quality of economic development is good. However, the differentiation between different counties is more obvious, and the function of county finance to support economic development is gradually weakening (LV FY & CHOU LH, 2019). In terms of Linhai county economy, in recent years, the county financial system is not perfect, the effective supply of credit from financial institutions is insufficient, and the level of financial services needs to be improved. The support for the economic development of Linhai county is obviously insufficient. Therefore, under the premise that Linhai is actively promoting transformation and upgrading and achieving high-quality development, how to fully stimulate the effective supply of the financial system and play the role of financial services in the real economy is an important issue for maintaining the stable development of Linhai county economy.

**FINANCIAL DEMAND GROWTH IN THE ECONOMIC DEVELOPMENT OF LINHAI COUNTIES**

**Economic Development Status of Linhai County**

From 2008 to 2018, the economic development of Linhai counties improved steadily. After 2015, the GDP growth rate accelerated, and the secondary and tertiary industries also grew steadily, as shown in

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Figure 1. According to the "2018 Linhai City National Economic and Social Development Bulletin" (Linhai Municipal Government, 2019). The statistics show that in 2018, the city's GDP was 67 billion yuan, excluding the price factor, an increase of 7% over the previous year. Among them: primary, secondary and tertiary industries increased by 1.5%, 7.9%, and 7.0% respectively. The industrial structure has been optimized from 7.6: 45.8: 46.6 in 2017 to 6.6: 46.3: 47.1, and the proportion of the tertiary industry has increased. From a per capita perspective, the city's per capita GDP reached 55,712 yuan, an increase of 6.7% over the previous year. The per capita disposable income of urban and rural permanent residents was 51520 and 27418 yuan respectively. The urban and rural residents were 1.88 times that of rural areas, with year-on-year growth of 5.9% and 6.4% respectively. The comprehensive economic strength of the county was ranked 45th among the top 100 counties in China, and the top 100 investment potential county. In 2017, the Linhai Municipal Government started to implement the rural revitalization strategy, vigorously promote the integration and development of the secondary and tertiary industries, accelerate the transformation and upgrading of traditional agriculture, and provide policy support for the implementation of the rural revitalization strategy.

### Financial Demand Growth in the Economic Development of Linhai Counties

The implementation of the rural revitalization strategy has further increased the financial demand in the economic development of the county, and the effective support of county finance is urgently needed. Under the strategy of rural revitalization, financial institutions invested a large amount of funds in rural areas and allocated more financial resources to rural areas. The overall number of rural financial institutions has continued to rise. Banks and other financial institutions have increased the multi-level demand for loans from different types of customers, the city's various financial institutions have continued to develop, and the scale of deposits and loans of banking financial institutions has increased significantly. It can be seen from Table 1 that from 2015 to 2018, the loan balance of financial institutions in Linhai City and the year-end deposit balance continued to increase, indicating that financial demand has also continued to increase. More and more farmers are meeting their financial needs through deposits and loans. Rural revitalization strategy get better implementation. Due to the diversification of business content and scale, and the steady development of rural revitalization strategies, people's demand for finance is also increasing, showing a good phenomenon that various loan balances of different lending institutions continue to increase.

**Table1. Various Loan Balances and Year-End Deposit Balances of Financial Institutions in Linhai City (Unit: 100 million yuan)**

	2015	2016	2017	2018
Balance of various loans of financial institutions at the end of the year	606.68	669.90	760.54	897.91
Balance of various deposits of financial institutions at the end of the year	707.65	837.72	927.18	1065.34

Data source: Linhai Statistical Yearbook

Under the strategy of rural revitalization, the banks of Linhai City have launched a "big visit" for financial services to the real economy, through accurate understanding of corporate credit needs, publicizing financial business knowledge, developing comprehensive financial services, and optimizing financial service methods. For example: Linhai Rural Commercial Bank issued the "Three-year Action Plan for Inclusive Finance" in 2013, based on the channel functions of existing service outlets, further optimizing the configuration, using the advantages of outlets to enhance inclusive finance and urban and rural financial services. Level, focusing on solving the financial needs of small and medium-sized enterprises and various agriculture-related businesses, and realizing "inclusive entrepreneurship, convenience, and sunshine."

**Table 2. Linhai Rural Commercial Bank's Year-End Loan Balance and Agriculture-Related Loan Balance (unit: 100 million yuan)**

	2015	2016	2017	2018
Balance of various loans at the end of the year	443.04	523.46	577.63	632.1
Agricultural loans	103.93	123.15	137.39	151.28

Data source: Linhai Rural Commercial Bank's annual information disclosure report.

## THE INCOMPATIBILITY BETWEEN COUNTY FINANCIAL SYSTEM ARRANGEMENTS AND FINANCIAL NEEDS

### Insufficient Supply of Financial Institutions in Linhai City

From 2015 to 2018, the RMB deposit balance of financial institutions in Linhai City increased from 70.765 billion yuan to 92.718 billion yuan, with an average annual growth rate of 12.33%; the balance of RMB loans of financial institutions rose from 59.59 billion yuan to 76.054 billion yuan. The average growth rate was 12.46%. Short-term loans have grown significantly, especially in 2017 and 2018, short-term loans increased rapidly. The growth rate of medium and long-term loans has slowed since 2017, but the overall growth has been relatively stable.

**Table 3. Deposits and Loans of Financial Institutions in Linhai City (Unit: 100 million yuan)**

	2015	2016	2017	2018
Various deposit balances	707.65	837.72	927.18	1052.2
Various loan balances	595.93	669.9	760.54	888.98
Deposit ratio	84.20%	80.00%	82.03%	84.49%
Short-term loan balance	9.00%	5.50%	12.40%	17.70%
Medium and long-term loan balance	16.80%	19.60%	18.40%	13.90%

Data source: Linhai City Statistical Yearbook.

### The Contradiction Between Supply and Demand of Rural Industry Insurance is Prominent

Affected by geological factors, Linhai is located in the southeast coast, and the development of many rural industries such as agriculture and tourism are vulnerable to natural disasters such as typhoons. For example, in 2019, Typhoon "Lichma" hit Taizhou head-on, and Linhai was severely affected. 24,931 hectares of crops were affected, causing 2.1 billion yuan in economic losses, and almost all of the local specialty spring tangerines were damaged. As far as insurance institutions are concerned, the profit-seeking pursuit of business operations by insurance institutions will reduce insurance business for rural revitalization industries, and the provision of insurance services to rural industries has problems such as low returns, high risks, and high odds. Due to the lack of industrial insurance, financial institutions have stricter risk assessments for rural industries and are unwilling to assume credit risk exposure, reducing financial institutions' financial support for rural industries (WANG YJ & KOU GZ, 2017). In addition, rural households generally have fewer items available for mortgage, it is not conducive to the development of Rural Revitalization.

### Low Availability of Formal Credit

Limited by geographical factors, it is difficult to establish a complete credit investigation system in rural areas. Since rural residents participate in fewer financial activities and lacked historical credit behavior, it affects the credit granted by financial institutions to rural residents to a certain extent. At the same time, the social credit concept in rural areas is weak, and there may be behaviors such as arbitrary defaulting of loans or even speculative failure to repay loans. The credit risk of financial institutions will be amplified, which greatly affects the county financial system to play its better role. Taking into account the weakness of rural industries and the underdeveloped rural financial market, agriculture-related investments generally have long cycles, high risks, and low returns on investments (Wang, 2020). Commercial finance is even more unwilling to meet rural financial needs, making the

government need to invest more funds in areas that commercial finance does not want to involve. This kind of fiscal subsidy policy excessively replaces financial support policies, which is not conducive to guiding commercial finance to bear the responsibility of supporting rural revitalization, and government subsidy expenditures cannot make up for the funding gap for rural industrial development, which affects the county economic development under rural revitalization.

## **POLICY RECOMMENDATIONS FOR THE CONSTRUCTION OF LINHAI COUNTY FINANCIAL SYSTEM UNDER RURAL REVITALIZATION**

### **Coordinated Development of A Multi-Level Financial Market System**

Promoting the steady growth of rural economy and implementing rural revitalization must coordinate the development of a multi-level financial market system(Hu, 2015). With the goal of companies listing and equity transfer, the government should strengthen service in the process of enterprise development, the cultivation and guidance of companies to be listed, and effectively promote more companies to raise funds in the capital market. Among the 24 existing banking financial institutions in Linhai, there is a lack of emerging financial institutions such as non bank financial institutions, fund and trust companies, foreign banks and Internet finance companies. The development pattern of financial industry has not yet formed. Therefore, the government needs to accelerate the construction of rural credit inclusive financial projects, guide rural commercial banks to accelerate reform, and promote the construction of rural commercial banks in remote branches to become the backbone of rural finance. Standardize the development of small loan companies, explore high-quality small loan companies to issue bonds and conduct business in rural areas. Increase the rural financial business of non-bank financial organizations, such as financial leasing companies, insurance companies, trust companies. And introduce more special loans with large quotas and low interest rates for rural areas.

### **Increase the Structural Matching between the Financial System and the Rural Economy**

Building a financial system cannot be achieved by increasing the number of financial institutions, and more importantly, matching the local economic structure (ZHANG XP & ZHU TH, 2014). We should build a multilevel, extensive rural financial system, increase the integration of commercial banks, urban commercial banks and the rural economy, improve rural financial services, increase the proportion of rural small and mediumsized loans, and effectively increase the financial support for the rural economy. It is necessary to actively build a government-bank-enterprise cooperation platform, promote the integration of government-bank-enterprise and local rural industries in accordance with the strategy of rural revitalization, and support rural industries through policy guidance and agriculturerelated loans. Strengthen cooperation with various banking institutions, give full play to the leading role of the government, and innovate relevant rural special financial projects with banking institutions, encourage banking financial institutions to innovate financial products. At the same time, financially support the preferential behavior of financial institutions, adopt subsidy measures for financial institutions, set up special incentive funds, and increase the proportion of agricultural loans. Promote the online model of financial "Internet +", organically integrate with offline businesses, establish an evillage, and purchase mobile service vehicles, so that residents can enjoy services without leaving the village or at their doorstep.

### **Establish and Improve the Rural Credit System and the Evaluation Index System of County Financial Stability**

To promote the development of rural finance, it is also necessary to build a complete rural credit system to essentially solve the problem of untrustworthy rural finance. Since blood and geography are still the core of relationship, the most effective way to collect residents information in rural areas. Actively cooperate with rural credit cooperatives, small loan companies and other financial institutions, increase the utilization of existing data through field trips to the countryside, collect basic information of residents, and evaluate the financial information and credit ratings of rural residents through big data analysis. In order to stimulate the enthusiasm of residents, the government can evaluate the credit users, credit villages and credit towns, and bring the credit indicators into the annual assessment system of villages and towns. Build a rural credit information service platform that integrates information such as industry, commerce, finance, social security, taxation, justice, etc., adopt

"database plus network" technology to achieve platform information collection and sharing, and build an effective residential credit mobile platform, so that the government and financial institutions can share and update resources in real time. County financial stability is a key factor in promoting economic growth in Linhai, and it is also one of the important foundations for Linhai's rural revitalization strategy. Financial stability should have an evaluation index system, build a sound rural credit system, speed up the collection of county financial stability evaluation indicators, incorporate the information of informal banking financial institutions (including small loan companies, private lending, etc.) into the county financial stability evaluation index system, and use big data platform to update, analyze and evaluate in real time (XU GX , GUO JN, and CHEN RP, 2017). At the same time, formulate relevant rules and regulations, establish crosssystem and joint supervision of big digital platforms to ensure the scientific and reasonable financial data and the accurate and reliable evaluation.

### **Increase Innovation in Rural Financial Products**

The establishment of the financial system under rural revitalization needs the support of financial products. Financial products are the medium of financial activities. Financial institutions must continue to increase their innovation in financial products to solve the problems of poor compliance and poor adaptability of many financial products with local policies and industries in practice. We should expand the types of financial products, innovate financial products based on local conditions, and increase investment in rural financial products such as rural social insurance, bumper harvest micro loan card, and nongshangtong. We should strengthen the communication and understanding of enterprises, industrial and commercial households and farmers, reduce information asymmetry, and innovate more new microfinance models and personalized special service products. In addition to the original mortgage and pledge loan modes, new forms such as intellectual property loan, property right loan and mutual guarantee between residents and enterprises shall be added. We will innovate repayment methods such as "revolving loan" and "annual review system", vigorously promote electronic application, and support SMS payment, electronic platform repayment and payment.

### **Strengthen the Training of Rural Residents' Financial Quality**

Rural residents' loans are often restricted by financial factors and financial knowledge. It is very important to change residents' original financial habits. Strengthen the propaganda of rural financial knowledge, the government and financial institutions' agricultural staff will go to townships to carry out financial activities in the countryside, such as: drawing cartoons on rural walls, distributing financial knowledge leaflets, providing residents with free course training, set up financial accounting professional positions for enterprises at low prices, and cooperate with the local village government to purchase financial books for residents to consult. It is also possible to encourage outstanding talents, especially financial talents, to return to their hometowns through certain policies, strengthen residents' financial literacy and legal awareness, and create a good financial atmosphere.

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