

# Research on the Business Path of Rural financial Development in Commercial Banks

## --Takes the Agricultural Bank as an Example

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### Abstract

In recent years, our country put forward to rural financial services development to promote rural financial revitalization of guidance, national commercial Banks and other rural financial institutions, especially the four major state-owned Banks began to develop rural pratt & whitney financial services, in this process, the major institutions by means of financial technology, to realize the promotion and development of rural finance, at the same time, with financial development to boost the development of the local economy.As one of the four major state-owned banks, Agricultural Bank of China has launched a series of innovative financial businesses such as "ABC e manager" and "e agricultural loan" according to its own conditions and the actual situation of the existing rural market, which provides a reference precedent for the development of rural financial services of commercial banks in China.

### Keywords

Commercial Bank; Rural Finance; Agricultural Bank.

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## 1. Agricultural Bank

In recent years, the country to develop rural revitalization strategy, the rural pratt & whitney financial services to strategic height, rural financial services for rural revitalization of plays an important role, major commercial Banks, rural financial institutions, are developing rural financial services, according to the local actual situation, innovative products and services, improve the living standards of local rural residents, the blue ocean market, realize economic and social benefits.

## 2. Literature Review

The development of rural inclusive finance has a significant role on rural economy. The study of Wang Shujuan (2019) shows that the development of rural inclusive finance has a significant effect on rural economy in the short term. Although it is positive related in the long term, the effect is not very significant.Tan Sichao (2018) shows that the low level of rural economic development and the large income gap between urban and rural areas have an obvious inhibitory effect on the development of rural inclusive finance. The development of rural finance must be based on improving the income level of farmers and narrowing the gap between urban and rural residents.Aboard, Dipasha Sharma (2016) studied the data from 2004 to 2013 for the development of financial inclusion in India.At the same time, as for the influencing factors and development direction of rural inclusive finance, Wang Tingting and Yang Liang (2017) believe that as the strategic focus of inclusive finance and financial development, rural inclusive finance is difficult due to the influence of policy environment, financial model and financial technology.Yang Zhengping (2017) and others also proposed that the total number of new rural financial institutions, convenient transportation, per capita GDP and

urbanization rate are all positively affecting the development of inclusive financial services, while the interactive items of financial market competition level, deposit and loan ratio and urban-rural income gap will hinder the further development of inclusive finance.

### **3. The Current Situation of Rural Financial Development in China**

The development of rural finance plays an important role in the development of rural economy, and the development of rural economy will also react on the development of rural finance. In the early stage, rural financial institutions mainly absorbed savings to provide loan support for the construction and development of cities. Although the finance and structure would also provide credit loans for rural areas, the loan amount was provided.

The degree is relatively small, and the scope of promotion is very limited, thus leading to the emergence of rural financial suppression, which will further lead to the imbalance between urban and rural economic development. In recent years, the country to develop rural financial services, introduced some policies to promote the development of rural pratt & whitney financial services, by early January 2020, 96.05% of the towns have set up bank financial services institutions, increased by 8.45% over the same period in 2015, improve the national administrative villages with basic coverage of financial services, the accessibility of rural financial services, increasing rural loans, rapid development of rural finance, mainly due to:

#### **3.1 Strong Support from National Policies for Rural Finance**

At the third Plenary Session of the 18th CPC Central Committee in 2013, China formally proposed to vigorously develop inclusive finance. In January 2016, The State Council put forward the Plan for Promoting the Development of Inclusive Finance (2016 to vigorously develop inclusive finance--2020), transforming financial inclusion into a national strategy. The state emphasizes the need to promote the reform of rural finance, strengthen the supervision of rural finance, and actively mobilize major banks to participate in improving the level of rural inclusive finance, so that inclusive financial services can truly promote the development of rural economy. The national policy mainly from three aspects: one is, the corresponding tax breaks, countries not only vigorously strengthen to promote the development of pratt & whitney financial services, strengthen the construction of rural financial services infrastructure, at the same time for financial institutions support small financial services, can be exempted from the corresponding such as VAT tax, in addition, to pratt & whitney financial loan services may face risks and set up reserves can be deducted before tax. Second, to stimulate the development of rural inclusive financial services through some monetary policies, which mainly refers to the targeted reduction of inclusive financial services and the deposit reserve ratio to promote rural finance. Third, the corresponding supervision system and credit system are designed for the loans of small and micro enterprises and farmers to reduce the risks of rural financial services and reduce their adverse impact factors.

#### **3.2 Commercial Banks Will Incorporate Inclusive Finance into Their Strategic Development Plans**

National policy support, for the commercial Banks to support business provides power and confidence, at the same time, due to the fierce domestic financial market competition, both in product design, or in interest rate adjustment, market expansion is limited, the existing market is unable to meet the needs of the Banks own development, in addition, pratt & whitney financial business, is also in the current China the agricultural population of high countries, commercial Banks to the market, the important choice. Therefore, at the present stage, each commercial bank has incorporated the rural inclusive finance business into their respective strategic development plans. The rural financial market the "blue ocean" field as the next new economic growth point, at present, the major commercial Banks, especially in, agriculture, industrial, construction, state-owned Banks have set up a special department to develop pratt & Whitney financial business, adjust the loan policy, take out special funds, for pratt & Whitney financial services, encourage the development of pratt & Whitney financial business, at

the same time, the Internet, smartphones, make commercial Banks borrow electronic channels, make farmers, small micro enterprises more convenient and fast access to financial services, innovative financial tools.

#### **4. The Problems Existing in the Development of Rural Finance**

Although in recent years, China has vigorously promoted the development of rural finance, but due to China's rural financial services Show real development only after a few years, and in the past people often equate pratt & whitney financial with preferential financial, rural pratt & whitney financial or a rely on market to adjust the financial model, is on the premise of ensuring profit for relatively weak farmers, small micro enterprises in the form of financial services, rather than simply by relying on government subsidies, to ensure its operation. At present, the main problems existing in the development of rural finance are as follows:

(1) Relevant national policies and regulations to be improved, countries develop pratt & whitney financial business time is not long, a can adapt to the current Chinese rural economic environment to promote the development of rural pratt & whitney financial policies and regulations need some time, and because of the vast country, different areas, the current policies and regulations are difficult to have universality, adjust measures to local conditions around relevant laws and policies are difficult to achieve.

(2) The supporting basic facilities for rural financial development are relatively backward. In rural China, especially in some remote, poor areas in China, there is relatively backward infrastructure, China's rural areas, relatively wide, if the commercial Banks can't cooperate with each other, separate investment infrastructure utilization rate, the same cost income is not high, lead to low investment income.

(3) New technologies are less applied in rural finance. The development of science and technology has provided certain support for the development of finance. First of all, the application of advanced science and technology to rural financial services is relatively poor, and the innovation of financial sad products and services is not enough. At the same time, the practitioners of rural financial institutions have relatively insufficient grasp of advanced technology. On the other hand, farmers, as the financial demanders of the rural financial market, are still difficult to accept the application of financial technology, especially for some particularly remote areas, where the financial application of advanced science and technology is more difficult to promote, and the application level is even worse.

(4) The inclusive financial inclusion system needs to be improved. Existing large state-owned Banks are actively produced in the rural financial services, but the material resources, financial resources, agricultural operators for not into the scale of small customers, and commercial Banks used to the main service object set for high quality, high-end, large-scale customers, the idea to be changed, for the strategic thought completely in the national development ideas.

(5) The rural financial credit evaluation system needs to be improved. Without a good credit evaluation system, commercial banks that develop rural credit will face greater risks if they do, and have a large cost of rural financial services, leading to low yield of rural financial services, which is difficult to mobilize the enthusiasm of commercial banks to develop rural financial services.

#### **5. Factors Affecting Rural Financial Development.**

In recent years, the development of rural financial has made some progress, the development of rural economy plays an important role, however, also can see the development of rural financial in China is also the corresponding problems, the influence of these problems are various, to make the development of rural financial better actual effect, we need to analyze the influence of rural financial services:

(1) Changes in the rural population structure.

The structure and quantity of rural population are important factors determining the level of rural financial development. At this stage, influenced by the national policy of family planning, the number of rural population has decreased significantly and the natural growth rate has decreased; plus in recent years, a large number of rural population has worked and settled down, and the permanent resident population has declined greatly. And, the existing The permanent rural permanent population is mostly left-behind children and left-behind elderly. At the present stage in China, the phenomenon of population aging has appeared, the number of elderly population is huge, the rural elderly population over 60 years old exceeds the urban elderly population, and the rural permanent resident population accounts for 39.4% of China's total population.

**Table 1.** Changes in the rural population structure

year	2013	2014	2015	2016	2017	2018	2019
Urban urban population (ten thousand)	73111	74916	77116	79298	81347	83137	84843
Rural permanent resident population (ten thousand people)	62961	61866	60346	58973	57661	56401	55162
Total population of Chinese mainland (ten thousand people)	136072	136782	137462	138271	139008	139538	140005

(2) Changes in the disposable income of Chinese rural residents.

In recent years, China's economy forward, the national residents per capita disposable income rising, at the same time, due to the country to develop rural revitalization strategy, rural economic development of various policies, rural residents per capita disposable income (as shown in the table), due to the residents per capita disposable income, the next period of time, rural residents for financial products, financial services will be further improved, will promote the further development of rural finance.

**Table 2.** Changes in the disposable income of Chinese rural residents

2013	2014	2015	2016	2017	2018	2019	
Urban residents can be per capita Dispend income (RMB)	26955	28844	31195	33616	36400	39102	41897
Per capita disposable income of rural residents (RMB)	8896	9892	11422	12363	13400	14502	15672
per capita disposable income (yuan)	18311	20167	21965	23821	25974	28228	30733

(3) The number of new agricultural entities has increased substantially

According to the third national agricultural census in 2017, the national agricultural economy was conducted by the end of 2016.

There are 20,743 households, including 3.98 million agricultural business households and 2.04 million agricultural business units. From the third national agricultural census, in recent years, the level of rural modernization has been continuously improved, and agriculture has gradually formed. Industry industrialization. The living standard of rural residents is also constantly improved. The development of rural economy will promote the development of rural finance. At the same time, the development of rural finance will also provide certain support for the development of rural economy.

## 6. Agricultural Bank of China's Exploration in Rural finance

Commercial banks often ignore the grass-roots and vulnerable groups in their operation process. After the state put forward the strategy of developing inclusive finance, Agricultural Bank incorporated the development of rural inclusive finance into its own development strategy, mainly through the following ways:

(1) Using fintech to support the development of rural inclusive finance is the key for China's existing commercial banks to enhance the core competitiveness of enterprises under the condition of increasingly fierce competition. The application of fintech can not only expand finance to a wider range, make financial services more convenient, but also effectively reduce operating costs. In recent years, agricultural bank of China relying on the Internet platform established "ABC e housekeeper", and continuous operation mode innovation, attaches great importance to the Internet financial services "three", rural and rural commodity circulation as the breakthrough point, expanding its financial services function, gradually established a "county wholesalers-farm stores-farmers" general mode, formed the electricity, settlement, financing in a multi-functional ecosystem, help farmers greatly save transaction costs, improve transaction efficiency.

(2) Innovation adjust measures to local conditions, pratt & whitney financial development model, before, the agricultural bank of China face rural business units also in accordance with the ordinary enterprise model, but in fact the rural business unit wide range, and more quantity, if according to the previous model, will lead to high resource idle rate, cause the rise in operating costs, the lack of operating profits. In the practice and exploration of inclusive financial services, the Agricultural Bank of China has greatly expanded the connotation and extension of inclusive financial services, and effectively improved the quality of inclusive financial services. On pratt & whitney financial service content, according to the customer operating characteristics in the whole life cycle and different stages of business demand, not only provide small micro enterprise loans, farmers loans and other credit services, but also provide comprehensive deposits, finance, insurance, consulting, and other "loan" service, meet the pratt & whitney customer development production and diversified financial demand upgrade consumption.

By using "big data + Internet finance", according to their respective regional characteristics, solve the business unit "difficult financing, high financing cost", on the basis of online big data, launched the "e agricultural credit" as its online financing business system, launched a "e merchants loan", "e", "e", especially since the outbreak, in order to help small micro enterprises under the influence of the outbreak can return to work and production, especially launched "credit", "continued e loan" and other products. At the same time, based on the platform data, we should grasp the risk control of rural credit and reduce the credit risk of inclusive financial services.

By the end of 2019, agricultural Bank of China had granted preferential business loans of less than 5 million yuan.

The balance is 235.6 billion yuan, 42.3 billion yuan more than the beginning of the year; county physical outlets reach 12,900, covering all counties in China; 60 0,000 service points in rural areas, covering 74% of national administrative villages.

## 7. Research on the Countermeasures of Developing Rural Inclusive Finance Business in Commercial Banks

The development of rural inclusive finance is still an important way to promote the development of rural economy, and in the future rural finance. Exhibition process, is still given priority to with local government support, with other commercial Banks and financial institutions to promote, build urban and rural integration, strengthen the investment in rural industry, developing rural tourism, planting, leisure pension, etc., improve employment opportunities, guarantee labor force, and then adjust the rural population structure, industrial structure. As a commercial bank, on the one hand, it should take the initiative to assume social responsibilities, strengthen the investment and promotion of inclusive

finance, and strengthen publicity. At the same time, on the other hand, as an enterprise, it can improve the popularity of rural finance and reduce the cost of rural finance by means of fintech and other means. On the premise of satisfying the profits, inclusive finance can really play its role. The development direction is mainly as follows:

(1) Formulate development strategies in light of local conditions

Due to the different degrees of rural economic development in the same region in China and the obvious differentiation between various economic entities, commercial banks can adopt different development strategies according to the different conditions of different towns and natural villages. For example, in some economically developed towns, agricultural parks, industrial parks, and various professional markets in the towns, in the process of continuous development, there will be a large demand for financial products and financial services, and commercial banks can design corresponding products according to their own needs to meet the needs. In addition, according to the different population structure and population number of different natural villages, affordable and efficient rural financial services can be launched. For example, clinics and small supermarkets in natural villages can be used to build service points to benefit farmers to form a rural grid model and improve the efficiency of resource utilization.

(2) Design differentiated financial products to meet the needs of rural financial areas

Compared with the city, the level of rural economic development is lower, the disposable income of rural residents is low, the rural permanent resident population is insufficient, and the rural financial credit system needs to be improved, the value of the products guaranteed by rural credit is not high, and the credit availability is poor. In terms of rural financial services, commercial banks should focus on the characteristics of different rural economies, and design different products that can meet different needs, especially to provide appropriate credit products according to the characteristics of farmers' assets and liabilities.

At the same time, the commercial banking industry should actively promote the construction and continuous improvement of the rural credit investigation system to ensure the reduction of its credit and insurance, so as to promote the stable and healthy development of the rural financial market.

(3) Actively build smart rural ecological institutions

Under the current situation, due to the continuous development of rural economy, the production and living needs of rural residents are not or increasing. In the process of promotion, rural finance should be designed on how to meet the daily needs of farmers. For example, we can use some entrusted agencies, self-service banks and mobile banking to provide farmers with account inquiry, cash deposit, proxy payment, daily transfer, financial product purchase and other services, and use the increasing convenience of financial services to further improve the quality of life of rural residents.

## 8. Epilogue

With the development of China's rural economy, the country's strong support for inclusive financial services, commercial banks should.

In order to gain advantages in the market competition, we must combine our own advantages and design innovative financial products and financial services according to local conditions to meet the growing needs of the rural financial market and realize the continuous breakthroughs of banks themselves in this field.

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