

Opportunities, Challenges and Countermeasures of China's Rural Internet Finance Development under the New Situation

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Abstract: Rural internet finance is a new business mode combining traditional rural finance with internet technology, which has the functions of accelerating the innovation of rural financial products and inclusive finance, and has important practical significance for promoting agricultural modernization and solving the problems of agriculture, rural areas and farmers. On the basis of expounding the present situation of China's rural Internet finance development, this paper analyzes the opportunities and challenges faced by China's rural Internet finance development, and puts forward some countermeasures to promote the healthy development of rural Internet finance from five aspects: strengthening the supervision of rural Internet finance, perfecting the rural credit system, establishing and perfecting the risk control system of rural Internet finance, increasing the publicity of rural Internet finance, and cultivating rural Internet finance talents.

Keywords: Rural internet finance, Risk control, Credit system, Coping strategy.

1. Introduction

Rural finance can provide financial support for rural economic development, and improve the level of agricultural modernization by re-integrating the supply chain [1]. At the same time, rural finance can promote the development of rural investment, improve the weak links of traditional agriculture in the production process, and enhance the competitiveness of rural economy [2]. In addition, rural finance can also effectively promote agricultural technological innovation, and enhance China's agricultural competitiveness on the basis of improving agricultural production efficiency [3]. Therefore, rural finance is the foundation of China's rural economic development and plays an important role.

In recent years, with the promotion of the "internet plus" development strategy, traditional rural finance has effectively promoted the upgrading of rural financial market with the help of Internet technology and gradually integrated into big data, blockchain and other technologies, and the development of new formats of rural Internet finance has also shown a positive trend. Especially in 2016, Document No.1 of the Central Committee clearly pointed out that Internet finance should be applied to the fields of agriculture, rural areas and farmers, which pointed out the direction for the development of rural Internet finance in China [4]. In recent years, several mainstream e-commerce platforms in China have increased their cooperation with financial institutions, constantly improving the operation mode and service mode of rural finance through "online+offline", increasing the innovation space of rural financial products, broadening the financing channels of rural economy and enhancing the economic vitality of rural areas. However, the development of China's Internet finance business in the field of "agriculture, rural areas and farmers" is still in the primary stage, and farmers lack awareness of Internet finance. Although China's Internet finance has shown a strong development momentum, different business models have been created at present, but there are still some shortcomings in each business model, which can't meet the needs of rural economic development [5].

Therefore, based on the current domestic new situation, it is of great practical significance to deeply analyze the opportunities and challenges faced by China's rural Internet finance development and explore ways to promote the healthy and sustainable development of rural Internet finance.

2. China's Rural Internet Finance Development Status

Under the traditional rural financial model, rural financial entities are mostly commercial banks. Because of the vast rural area and uneven population distribution in China, in order to cover the rural financial market, we can only take the way of expanding offline service stores. However, a lot of money needs to be invested in this way. Since 1998, rural financial entities have successively merged and merged rural financial branches [6]. With the development of Internet and information technology in China, rural e-commerce as a new industry has developed rapidly, and it has also promoted the development and innovation of rural internet finance. At present, China's rural Internet finance is still operated by traditional financial institutions such as major commercial banks, and these financial institutions have been engaged in rural finance-related businesses before developing rural Internet finance business. Therefore, there is bound to be a strong competitive relationship between developing rural Internet finance business and traditional rural finance business. Besides major commercial banks are laying out rural Internet finance, many technical enterprises represented by Ali, Suning and JD.COM are also actively expanding the field of rural Internet finance. These enterprises can form strategic alliances with traditional financial institutions and promote the innovative development of rural Internet finance.

3. Opportunities Faced By China's Rural Internet Finance Development

3.1. The speed of rural informatization has accelerated, providing a good business environment for the development of rural Internet finance

According to the Statistical Report on Internet Development in China [7], by the end of 2020, the Internet penetration rate in China's rural areas has exceeded 50%, and there are more than 300 million rural Internet users, and the speed of rural informatization is showing an accelerating trend; In addition, in 2019, the retail sales of China's rural networks exceeded 1.7 trillion yuan, an increase of nearly 8 times compared with 2014, effectively driving farmers to increase their income. Thanks to the help of several major e-commerce giants in China, many new rural economic forms such as "Internet Town" and "Taobao Village" are developing rapidly, and the informatization and e-commerce of China's rural economy are deepening and accelerating. As for the application of Internet finance, by the end of 2019, the number of online bank accounts in rural areas in China exceeded 500 million, the number of Internet payment transactions exceeded 10 billion, and the transaction volume exceeded 160 trillion yuan, which provided a good business environment for the development of rural Internet finance in China.

3.2. The rural financial development policy has been continuously improved, providing good policy support for the development of rural Internet finance

Under the impetus of supply-side reform and the development of "internet plus", favorable policies of rural finance have been continuously introduced [8]. In recent years, the state attaches great importance to the construction and development of rural Internet finance, and has issued a series of related policies, the intensity and influence of which are on the rise. On the one hand, it reflects that the country is accelerating the construction of financial technology and digital technology to meet the living needs of the broad masses of people; On the other hand, it reflects that the supervision mechanism of rural Internet finance in China is constantly improving, which provides strong policy support for the healthy development of rural Internet finance. At present, China's rural Internet finance has made some progress, and the role of informatization and digital economy in rural revitalization is particularly obvious. Therefore, it can be expected that various favorable policies on the innovation and development of rural Internet finance will be continuously introduced and continuously improved in the future.

3.3. The development of rural Internet finance can reduce costs and realize rural inclusive finance.

Internet technology has many advantages, such as sharing and openness. Rural Internet finance can make full use of these advantages, "move" financial services online, eliminate the traditional rural financial model's demand for offline financial entities' service outlets, improve the geographical and spatial coverage of rural finance, and enable farmers in

remote areas to enjoy rural financial services, thus realizing real inclusive finance. With the development of big data technology, rural Internet financial institutions can collect all the scattered financial transaction data, sort out and analyze them again, and finally form the reference index of customer financial information data, which can greatly reduce the cost of traditional rural finance to obtain relevant information. For example, Taobao, JD.COM and other e-commerce platforms can sort out and analyze the Internet consumption information of rural customers, and then evaluate the credit risk. At the same time, the evaluation results can be used as reference indicators such as repayment rate and loan amount. In addition, rural Internet financial institutions can develop rural financial products with the help of Internet technology innovation, meet the dual requirements of quantity and quality of rural financial services, and effectively improve the depth of rural financial services.

4. Challenges faced by China's Rural Internet Finance Development

4.1. Rural Internet finance has not developed for a long time in rural areas, and the financial legislation and supervision system are imperfect.

Internet finance in rural areas belongs to a new financial model. Although the development momentum is relatively strong and many business models have been produced at present, the development time in rural areas of China is short, especially the lack of Internet financial products in promoting the development of agriculture, rural areas and farmers. According to the data, in 2015, the total scale of China's Internet finance business for "agriculture, rural areas and farmers" exceeded 12 billion yuan, and in 2020, it exceeded 320 billion yuan. Although the market scale of China's rural Internet finance shows a rapid growth trend, its role in supporting agriculture is still unable to compete with traditional rural finance [9]. In addition, the overall cultural level of farmers in China is not high, and in order to deeply understand rural Internet finance-related businesses, it is necessary to master the knowledge of finance and Internet technology, which is very difficult for farmers, so it is not conducive to the popularization of rural Internet finance business. At the same time, the business model and operation mode of rural Internet finance are particularly complicated, the traditional financial supervision system has been continuously broken through, and the financial risk control is particularly complicated. At present, China's existing Internet finance laws and regulations are lagging behind. Disputes arising from the operation of rural Internet finance are mostly handled according to the administrative regulations of administrative departments, and the regulatory authorities and regulatory methods have not yet reached the actual needs of rural Internet finance development. In terms of supervision system, the supervision direction of rural Internet finance by the supervision department is unclear, the supervision of some businesses is insufficient, and the supervision measures have not been strictly implemented. Sometimes, even one business type is supervised by multiple departments, which wastes manpower and material resources.

4.2. Rural credit system is not yet perfect

At present, China's rural credit information environment is

still in the primary stage, and the rural credit system is not perfect. As rural residents seldom use credit products and have little access to Internet finance, the lack of credit data of rural residents is serious, which has not yet reached the requirements of Internet finance industry for the depth of credit data. This hinders the establishment of rural credit system, and also poses certain obstacles to the development of rural Internet finance business. Agriculture is easily affected by factors such as natural environment and seasons, and these factors are mostly uncontrollable. In addition, some farmers have a weak sense of credit and often do not repay their loans. These factors make many financial institutions reluctant to carry out financial business in rural areas, or increase the credit limit of farmers, which forms a certain degree of "financial exclusion", which seriously hinders the healthy development of rural Internet finance in China.

4.3. There are high potential risks in rural Internet finance.

Rural Internet finance is a new model combining traditional rural finance with Internet technology, and financial risks and Internet security risks coexist. China's rural Internet finance business is still in its infancy, and its internal incentive mechanism and punishment mechanism are not perfect. The manpower and material resources invested in the security of Internet finance business are obviously insufficient, and its security and perfection cannot be compared with the traditional rural finance business. Affected by the rural financial environment and system, there is a high risk in the transaction process between rural Internet financial institutions and farmers, and the particularity of agricultural industry leads to the slow development of rural Internet finance. In addition, although China's rural Internet penetration rate is increasing year by year, it is difficult for farmers to form an information database of a certain scale because of the low amount of online transaction data and the few types of transactions, which can't support the demand of Internet financial big data technology, thus increasing the cost of collecting user credit data by rural financial institutions.

4.4. Lack of Internet finance talents in rural areas

Rural Internet finance is the combination of traditional rural finance and Internet technology, and its healthy and sustainable development depends on science and technology, as well as compound talents who master financial knowledge and Internet technology and understand agricultural management. Studies have shown that the sustainable development of Internet finance will further aggravate the financial exclusion of people who can't get online, especially those with low education level [10]. Therefore, the introduction of talents to rural areas has become the focus of the industry. At present, many policies issued by China call on college students and migrant workers to return to their hometowns to start businesses, and encourage college students with financial and Internet majors to go to the countryside to build rural economy. However, due to the limitations of natural environmental conditions, education and medical care and other social environmental conditions, it is difficult for rural areas to attract a large number of Internet finance development talents. Some rural areas are actively looking for and cultivating local Internet finance talents, but most of the people left behind in rural areas are old people with low education level, and their ability to accept

Internet finance is limited, so it is difficult to cultivate them into compound talents needed by the development of rural Internet finance.

5. Strategies to Promote the Development of Rural Internet finance in China

5.1. Strict access standards for rural Internet finance market, and strengthen supervision of rural Internet finance.

Rural Internet finance has both Internet risks and financial risks. Government departments should first strictly enforce the access standards of rural Internet finance market, including financial institutions, employees, financial businesses, etc., and make clear the relevant provisions of access standards, so as to continuously improve the mechanism of rural Internet finance. Secondly, to recognize the reality of unbalanced economic development in the vast rural areas of China, we should adhere to the principle of seeking truth from facts and adapting to local conditions, and constantly push forward the innovation of differentiated Internet financial supervision mechanism in different rural areas on the basis of the existing rural Internet financial supervision framework. At the same time, it is necessary to strengthen the standardized training of the Internet finance industry, promote different forms of training led by the government, and improve the professional quality and standardization level of business activities of the staff engaged in the rural Internet finance industry. In addition, it is necessary to make full use of the advantages of the Internet platform, make full use of information technologies such as big data, and constantly innovate the forms of Internet financial supervision. Once illegal behaviors of rural Internet financial enterprises are found, the financial management department can jointly obtain evidence according to law, trace the process, and impose penalties or force them to quit.

5.2. Improve the rural credit system

In terms of perfecting the rural credit system, the experience of Tiandong Model in Tiandong County, Guangxi is worth learning [11]. First of all, financial institutions and local government departments can jointly set up a collection and evaluation system for farmers' credit information, and the decentralized system platforms built by financial institutions can be integrated into a unified centralized platform, so as to solve the problem that financial institutions have different information indicators for farmers. You can also try to establish a financial information platform that combines the Internet with rural credit cooperatives, realize information sharing among different systems, and provide information basis for risk assessment and service of rural Internet finance [12]. Secondly, government departments should play a leading role and set up guarantee institutions, so as to ensure the legitimate interests of farmers and small and micro enterprises. At the same time, it is necessary to intensify the punishment of dishonesty, minimize the occurrence probability of imperfect rural credit system and dishonesty, enhance farmers' contractual spirit, and promote the smooth development of rural Internet finance business.

5.3. Establish and improve the rural Internet financial risk control system.

At present, the security of rural Internet financial business mainly depends on the risk control ability of the trading platform, which is easily invaded by network hackers. In addition, in order to improve the service quality and efficiency, most rural financial institutions simplify the necessary business processes, which also increases the potential risks invisibly. Therefore, it is urgent to establish and improve the rural Internet financial risk control system and resolutely put an end to potential financial risks [13]. First of all, it is necessary to improve the external risk control mechanism of rural financial institutions, and ensure the safety certification of the whole process of financial transactions. Before financial transactions, the transaction amount of various businesses should be limited to ensure the source of funds; When trading, we should combine various authentication methods such as electronic information authentication, identity authentication and mobile data authentication to ensure the security of the transaction. Secondly, it is necessary to promote the cooperation between rural financial institutions and technological enterprises such as Taobao and JD.COM, make use of the data flow advantages of technological enterprises, and develop innovative low-risk financial products by using modern Internet technologies such as big data.

5.4. Increase the publicity of rural Internet finance.

Compared with cities, the publicity of Internet finance in rural areas of China is insufficient, and it should be strengthened from the following aspects. First of all, the government and relevant departments should give full play to their leading role, comprehensively use multi-platforms and multi-channels to spread rural Internet finance knowledge, so that the broad masses of farmers can understand the important role and significance of rural Internet finance, and improve rural residents' awareness of Internet finance. Local government departments can appoint Internet finance talents to give lectures in rural areas and deliver the latest information on the development of rural Internet finance. At the same time, they should encourage financial institutions to develop various forms of financial services and continuously popularize rural Internet finance knowledge in rural areas [14]. Secondly, it is necessary to educate rural residents on Internet financial security and improve their ability to prevent and identify financial risks.

5.5. Cultivate rural Internet finance talents

Rural Internet finance is a new thing, which mainly depends on rural subjects and Internet technology, and needs compound talents with financial knowledge and Internet technology to make great progress. Therefore, it is necessary to speed up the training of rural Internet finance talents and provide necessary talent support for the healthy development of rural Internet [15]. First of all, to actively introduce talents, we can build a talent training platform with agricultural colleges and universities as the mainstay and rural Internet finance enterprises as the supplement, ensure that the introduced talents are high-quality talents with both theoretical knowledge and practical ability of Internet finance, and encourage them to come to rural areas for development. Secondly, find and train outstanding employees in rural

Internet finance enterprises. Through the training of relevant knowledge for outstanding employees, the knowledge level of rural Internet finance can be improved, and the role of enterprise employees can be brought into full play.

6. Conclusion

As a new thing, rural Internet finance will go through different stages, such as initiation, development and supervision. At present, China's rural Internet finance has achieved a leap from scratch, and it is in the stage of development-supervision. Internet financial risks and high-quality services have become the focus of the majority of rural residents. Therefore, it is necessary to constantly innovate the forms and services of rural financial products with the help of modern Internet technology, so that rural Internet finance can become the "golden key" to help rural revitalization.

At present, China's rural Internet finance lags behind obviously in data construction, and the fixed data samples of rural residents are relatively scarce, and the channels for obtaining relevant data are also narrow. Therefore, at this stage, it is necessary to establish a platform mechanism for data collection, analysis, release and sharing in rural areas, so as to provide a reliable information foundation for the research and policy formulation of rural Internet finance. At the same time, it is also necessary to actively use emerging network technologies such as big data and blockchain to improve the identification, monitoring and handling level of potential risks of rural Internet finance business, and provide technical support for the healthy and sustainable development of rural Internet finance.

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