

Impact of Agricultural Financial Support on Agricultural Economic Development in South China

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Abstract

Aim: In order to establish and improve the rural financial system and solve the problem of insufficient funds in rural areas, to push forward and promote the development of agricultural economy, rural construction and farmers' income. **Results:** Due to the influence of various factors, there are many problems in the development of rural finance in China. Not only are there few funds and networks, but also there is a big gap between financial products and services and urban finance. The problem of difficult loans for small and medium-sized enterprises and ordinary farmers in rural areas is very prominent, and the gap in rural capital deposit and loan is very serious. A large number of rural capital outflows cannot effectively support the development of agricultural economy. **Conclusion:** At the same time, the problems and deficiencies in the development of rural finance in Guangdong Province are found out, and the corresponding policy recommendations are put forward to provide ideas and reference for the improvement and perfection of the rural financial system in Guangdong and even the whole country, the rapid and healthy development of rural finance, and the enhancement of rural finance support for agricultural development.

Keywords

Rural Finance, Rural Economic Growth, Agricultural Economic Development

1. Introduction

Under the realistic background of building a well-off society in an all-round way, it has become an important task for governments at all levels to promote agricultural development and increase peasants' income. It is not only necessary to narrow the gap between urban and rural areas in an all-round way at the macro

level, but also to help the rural poor out of poverty and reduce poverty through “precise poverty alleviation”. To solve the issues concerning agriculture, rural areas and farmers, an important means is to increase the support of funds. Without the inflow of funds into the rural areas, agriculture and peasants, it is impossible to achieve the goal of agricultural development, rural progress and peasants’ income increase. To solve the backward situation in rural areas, an important aspect is to deal with the lack of funds in rural areas [1]. At present, all over the country, China is fighting to alleviate poverty, focusing on supporting the agricultural economy. The state intends to invest a large amount of funds into the agricultural economy, but it is an important issue to be considered how to make good use of these funds and how to give full play to the effectiveness of the investment funds. Rural finance can achieve the rational allocation of funds and improve the efficiency of the use of funds through the financial market. Therefore, reasonable and effective rural finance is of great benefit to the realization of the rapid development of rural economy. This paper studies the model of rural financial development and rural economic growth. This paper takes the agricultural economic data of Guangdong Province as the research object in South China. Combining with practical cases, this paper makes an in-depth study on the methods of rural economic support. Finally, according to the actual situation of China’s rural finance, this paper puts forward operable suggestions.

2. Literature Review

Baba analyzed the relationship between governments and finance in developing countries. The results showed that the more government financial and financial departments intervened, the lower the efficiency of financial institutions was. The inefficiency of government funds allocation was more obvious in rural finance [2].

Rey made a further empirical analysis and drew the conclusion that the government-led agricultural credit system in developing countries was inefficient in promoting rural investment. In 2001, the World Economic Cooperation Organization conducted a special survey on China’s rural financial situation. Through the study, it was found that China’s rural finance has the characteristics of high financing risk and high threshold, and the allocation of financial funds is less marketable, and the distorted situation of allocation is more obvious. As a result, a large number of rural funds cannot be used for agriculture reproduction and modernization, and the phenomenon of loss is prominent [3].

Knight systematically studied the relationship among agriculture, finance and country. He held that a series of restrictive policies imposed by the state on private capital resulted in the long-term unwillingness of private capital to invest in agriculture. He also pointed out that the state played an important regulatory role in the field of financial investment and believed that only by straightening out the relationship among the three can finance and agriculture work together for a long time and develop together [4].

Sturm pointed out that as an important participant in the rural financial mar-

ket, farmers' income increase and the development of China's rural finance are mutually reinforcing. Studying the relationship between the two has far-reaching significance for the improvement of China's financial system and the development of the financial market [5].

Luo Bilang has studied China's rural economy and land reform in the past 40 years. China's rural economy is mainly through the two aspects of "stable land property rights" and "promoting the transfer of cultivated land". Stabilizing land property rights through the acquisition of land ownership may restrict the development of agriculture [6].

3. Theoretical Foundation of Rural Financial Development and Rural Economic Growth

McKinnon modified the Harold-Domar model on the assumption that savings propensity is a variable function of economic growth rate. In addition, considering that savings will be influenced by many other factors, if all the other influencing variables are expressed as μ , then the savings rate can be expressed as:

$$s = s(\Delta Y/Y, \mu) \quad (1)$$

By substituting the expression of savings rate into Harold-Domar model $G = s/V$ [7], the deformation formula of the model can be deduced:

$$G = s(\Delta Y/Y, \mu)/V \quad (2)$$

4. An Empirical Study on the Relationship between Rural Finance and Agricultural Economic Development

4.1. Selection of Indexes

An evaluation index system of the comprehensive development level of rural finance and rural economy is constructed, which includes the basic contents of rural finance and can reflect the development of rural finance in a more comprehensive way. The index system includes: total rural deposits, total rural loans, the ratio of total rural deposits to agricultural GDP, the ratio of rural loans to agricultural GDP and the ratio of deposits to loans, and the index numbers are shown in **Table 1**.

4.2. Sources and Processing of Data

In order to avoid the interference of different dimension data on data analysis, the method of "extreme difference" is chosen to conduct dimensionless processing on the selected and calculated data. The dimensionless formula is:

Table 1. Variables of rural financial development.

Variables	Total rural deposits	Total rural loans	The ratio of total rural deposits to agricultural GDP	The ratio of rural loans to agricultural GDP	The ratio of deposits to loans
Number	X1	X2	X3	X4	X5

$$L^* = \frac{L - L_{\min}}{L_{\max} - L_{\min}} \quad (3)$$

In Formula (3), L_{\min} and L_{\max} refer to the minimum and maximum values in the index data, respectively. L is the actual index value, and the mean and variance of the original variables are 0 and 1 after dimensionless. The data of each variable after treatment are shown in **Table 2**.

4.3. Results and Analysis of Empirical Analysis

Specifically speaking, the development of rural finance in Guangdong Province increased by one percentage point can promote the growth of agricultural economy in Guangdong Province by about 0.69%. This shows that the development of rural finance in Guangdong Province has a good role in promoting and driving the development of agricultural economy in Guangdong Province. But it can also be seen from the data that the efficiency of Guangdong rural finance in promoting agricultural economic development is not too high, and there is no “multiplier effect”. How to optimize and improve the financial system to promote the effect of rural finance in Guangdong Province, so as to further promote the development of agriculture in Guangdong Province is an important problem that Guangdong rural finance must face in the construction and improvement process, but also the important task that Guangdong government and financial departments at all levels must think about deeply.

5. Problems in Rural Finance

5.1. Serious Outflow of Rural Capital and Huge Gap of Agricultural Development Funds

There are three main channels for capital inflow and outflow from the rural areas. The first is the financial channel, that is, to make rural capital outflow through taxation, and then to make capital inflow into the rural areas through financial subsidies; the second is the financial channel, the subject of the channel is commercial banks, that is, to achieve the inflow and outflow of funds in the rural areas through bank deposits and loans; the third is other channels, such as private lending.

Table 2. Dimensionless results of empirical raw data.

Year	X1	X2	X3	X4	X5	Y
2010	0.1904	0.1309	0.3616	0.2112	0.4546	0.2831
2011	0.2473	0.1293	0.3876	0.1368	0.6770	0.2084
2012	0.3805	0.1531	0.6095	0.1644	1.0000	0.4494
2013	0.5624	0.4111	0.8006	0.5448	0.4877	0.5779
2014	0.4851	0.5467	0.5472	0.6238	0.1876	0.7457
2015	0.4077	0.6768	0.3935	0.7346	0.0000	0.8352
2016	0.5872	0.8396	0.5678	0.8677	0.0620	0.9287

(Data from the public statistics of the Guangdong Provincial Bureau of Statistics)

In recent years, the total amount of rural capital outflow far exceeds the gap of the demand for credit funds. After the funds obtained by farmers are deposited in rural financial institutions, they do not flow into agricultural development and rural construction by means of loans, but flow out of the rural areas (mainly flow into cities through banks and other financial institutions). As a result, supply and demand of funds in rural areas of South China is imbalanced, and many farmers and small and medium-sized enterprises in rural areas suffer from “difficult financing and expensive financing”.

5.2. Not Effective Guiding of Policy Banks in Agricultural Investment

At present, the Guangdong Branch of the Agricultural Development Bank of China is the main undertaker of the rural policy and finance in Guangdong Province. Its main operation mode is to provide credit support for the purchase of basic agricultural products, the construction of agricultural infrastructure and the development of technology and other rural poverty alleviation projects by means of low interest rate or partial interest-free. The policy-based financial support of the Agricultural Development Bank has not led other commercial banks and financial institutions to invest more funds in rural and agricultural areas. On the contrary, its policy support has produced a “crowding out” effect on commercial agricultural support funds. Therefore, how to guide more commercial financial institutions to pay attention to development of An Hui agricultural economy and the development of agricultural economy through market mechanism is very urgent at present.

5.3. Lack of Motivation for Commercial Banks in Agriculture Investment

There are three reasons for the lack of motivation of commercial banks to invest in agriculture: first, the farmers’ credit awareness is low, many farmers feel that loans from banks are “borrow money from the state” and it does not matter not returning; second, rural areas are still engaged in traditional agriculture, their ability to resist risks is low, and some township enterprises engaged in primary processing business, with a small profit, so they are unwilling to make loans from the perspective of bank income; third, the establishment of rural commercial banks has made many large commercial banks think that it is the responsibility of agricultural and commercial banks to lend to the rural areas. They have found a reason for their business cancellation and have used this reason to foil the supervision and promotion of governments at all levels.

6. Suggestions for Financial Support for Guangdong’s Agricultural Economic Development

6.1. Increase the Supply of Rural Finance

To increase the supply of rural finance, it is necessary to mainly start from the

following aspects. First, give full play to the guiding role of policy banks, that is, strengthen the policy guidance of the Agricultural Development Bank of China in financial supply with the core of Guangdong Branch. Second, encourage large shareholding commercial banks to return to the rural areas through the “Internet business”. Provide financial services to most of the post-70s and post-90s farmers through mobile banking and network banking, and increase the financial supply of large commercial banks to rural areas. Third, actively encourage rural commercial banks to carry out supporting agriculture services. Fourth, vigorously develop village banks. Encourage private capital to set up village banks, especially to support local rural residents to co-invest, and set up village banks and manage them by themselves; support various financial leasing companies to enter the rural agricultural field, and encourage ordinary farmers and township enterprises to obtain all kinds of equipment needed for production through financial leasing, so as to enable the mechanization, modernization and industrialization of the industry to develop rapidly.

6.2. Improve the Financial System

For the different needs of agricultural industrialization, it is supposed to constantly improve the financial system for its service, especially to develop the direct financing system. Through the prosperity of bond, stock and futures markets, it is necessary to promote the continuous improvement and perfection of the rural financial system in Guangdong Province, and improve its ability to support agriculture and benefit agriculture. For all kinds of commercial banks in Guangdong Province, increase the credit input to agricultural production and at the same time, constantly innovate and design financial products and services suitable for agricultural production. In the process of financial innovation, give full play to the role of small and medium-sized financial institutions, especially rural commercial banks, and make them the subject of capital supply. In the meanwhile, actively open the financial market and introduce competition mechanism, so that commercial banks in the competition constantly innovate, so as to provide more quality services for agricultural production.

6.3. Focus on Supporting the Development of Related Industries in Agricultural Industrialization

Firstly, increase credit support for agricultural industrialization industries. Commercial banks should provide special credit support to the relevant industries of agricultural industrialization and provide corresponding business. Secondly, broaden the financing channels for agricultural industrialization and actively implement direct financing. Carry out the direct financing of agricultural industrialization, including bond market and investment funds and other forms of credit, so as to broaden the sources of funds for agricultural industrialization. Finally, provide corresponding insurance services for the related industries of agricultural industrialization. Encourage insurance companies to formulate special insurance business for agricultural enterprises, avoid and reduce losses due

to natural disasters, diseases and insect pests, and escort the sustained and healthy development of enterprises and the smooth implementation of agricultural industrialization.

7. Conclusion

A co-integration test on the development of rural finance and agricultural growth is made. The results show that there is a long-term co-integration relationship between the development of rural finance and the development of agricultural economy in South China. However, from the coefficient of 0.69, it can be seen that the efficiency of rural finance in promoting the development of agricultural economy in South China is not too high. Further promoting the development of agriculture in South China through the optimization and perfection of the financial system is an important issue that rural finance in South China must face in the process of construction and improvement.

Conflicts of Interest

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

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