Study on Financial Products and Service Innovation in Rural Internet

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\textbf{Abstract.} This paper analyzes the status of rural finance for poverty alleviation in Tiandong County, organizes the issues in the rural finance for poverty alleviation in Tiandong County, focuses in finding the causes for insufficient willingness of rural financial institutions to supply, and subsequently seeks out the motives in the innovative development of targeted poverty alleviation through rural internet finance in Tiandong County; proposes the innovative ideas and mode selection for internet finance for poverty alleviation in Tiandong County, based on the idea that the integration of internet finance and rural finance in the context of information economy, financial depression and interest rate liberalization is bound to promote the development of rural inclusive finance.

\textbf{Introduction}

Internet finance is a current hot topic. It is changing people's financial thinking and financial modes with the suddenness of a thunderbolt and has a deep influence on the transformation and development of rural society and economy\cite{1}. In July, 2015, the Guiding Opinions of the State Council on Promoting the “Internet Plus” Action Plan was formally published, and modern agriculture and inclusive finance and other directions are included in the “key fields of the Internet Plus Action Plan”, promoted and supported at a national level. The financial products and service innovation for rural internet has important theoretical and realistic significances in resolving problems like the difficulty of rural borrowers in financing and the difficulty of financial institutions in loaning\cite{2}. Theoretically, overall exploration conducted from the perspective of the inherent characteristics of “Agriculture, Rural areas and Farmers”, financial institutions’ own characteristics and transaction costs will provide theoretical reference and guidance for solving rural financial problems. Practically, as our country’s rural internet finance is still in the starting stage, there are intricate contradictions in the rural internet finance. All these issues can be put down to the fundamental cause that transaction costs in rural finance is too high. With finance products and service innovation in the internet, it is possible for rural finance to better play a supportive role in rural economy and gradually promote sustainable development of “Agriculture, Rural areas and Farmers”.

\textbf{Objectives of Project Research}

The research objective of this project is to summarize the status and experience of development of national internet finance with the real foundation without which China's rural finance will not exist as a starting point and a dynamic and developing methodology as guidance, build and analyze a theoretical framework for rural financial products and service innovation with transaction costs as a main thread, propose a path of products and service innovation that adapts to the characteristics of “Agriculture, Rural areas and Farmers” and effectively save financial transaction costs on the basis of existing studies, explain innovative rural finance products and services using a method combing theoretical analysis and practical operation, resolve the problems of transaction costs being too high utilizing social capital, mortgage mechanisms and security mechanism etc., discuss specific mode
for rural finance products and service innovation that is suitable for characteristics of demand and supply for rural finance in Tiandong County[3], intend to build Tiandong County’s rural internet finance platform based on APP, WebChat and Website on this basis, and link more than 0.4 million people around Tiandong County with this platform, especially mass peasants, with their financial demand as a starting point and their actual application capacity as a technical requirement to let considerate farmers become the real user of mobile internet.

Contents of Project Research

On this basis that the relationship between rural finance development and rural economy growth with innovation as a main drive has been analyzed, analyze the demand of the farmer revenue increment and the construction of agricultural modernization and rural infrastructure for innovative rural finance products and services from the angle of demand pull.

On the basis that the market structure of subjects and the status of products and service innovation in rural finance were discussed, summarize main issues in products and service innovation of rural finance, analyze the influence of environmental factors on rural finance products and service supply in hope of seeking out the cause for the inadequate willingness of financial institutions for provision and subsequently find the motive in rural products and service innovation from the perspective of supply.

From the angle of rural finance demand, supply and information asymmetry of both sides of supply and demand etc., on the basis that credit transaction process of Tiandong County was analyzed, analyze the reasons why the rural financial transaction costs in Tiandong County is too high; give the relationship between reduction in transaction costs and rural finance products and service innovation in Tiandong County.

The path for rural finance products and service innovation in Tiandong County is analyzed. Currently, our country’s rural finance products and service innovation mainly has payment and settlement category, mortgage innovation category, security innovation category, joint guarantee and credit enhancement category and organizational innovation category based on rural cooperation. The project explains innovative rural finance products and services using a method combing theory and practice, resolves the problems of transaction costs being too high utilizing social capital, mortgage mechanisms and security mechanism etc., increases supply vision of rural financial institutions, alleviates credit restrictions in rural finance; refers to foreign and domestic experiences in rural finance product innovation, build Tiandong County’s rural internet finance platform based on APP, WebChat and Website and seek an innovation path that adapts to rural practice in Tiandong County.

Find counter measure advices for ensuring emergence and sustainable development of rural finance products and service innovation in Tiandong County on the level of policies, supply and environment respectively.

Key Issues Needed to be Solved in the Project

Seek new paths towards reducing transaction costs of finance product and service. In theoretical methods, this paper induces all the issues of rural finance products and service innovation in the paradigm of transaction costs, can offers explanations for reduction in transaction cost from innovation motives, whether in demand pull or in supply advancement, and united the paths for rural finance products and service innovation based on the reduction in transaction cost.

Build a transaction model. In this paper, a dynamic game equilibrium model for analysis is firstly built, issues of multi-phase cooperation between farmers in financial institutions in Tiandong County are discussed, and multi-phase earnings of farmers in financial institutions in Tiandong County are converted into present values using a discount method for comparison. If benefits from cooperation is larger than that from non-cooperation, it means there is possibility for cooperation, thus the conclusion is obtained through the model. As long as the transaction cost of both sides in the transaction is low enough and lower than a certain value (dependent on the model), rural credit
transaction can move on, and then theoretical support is given to discuss rural fiancé products and service innovation from transaction costs. Secondarily, in the analysis of mortgage mechanism innovation and credit enhancement and joint guarantee innovation for saving transaction costs, self-developed models are also used to conduct analysis.

Innovate and build a transaction platform. Secondarily, the status and experience of development of national internet fiancé is summarized. On this basis, we intend to build a rural internet finance platform based on APP, WebChat and Website, use the theory of intermediaries to analyze that the relationship between internet-based rural credit association as a rural fiancé institution and the farmer i.e. lender and borrower leads to saving in transaction costs and increase in overall welfare, thus demonstrates that organization innovation and credit product innovation in rural credit associations based on internet are effective.

Technical Path and Programs

Rural internet finance products and service innovation is a product on the condition that the demand and supply for products and services are out of balance[4]. This paper analyzes issues of rural finance products and service innovation from the angle of demand and supply respectively. In terms of demand, this paper first starts with the demand pull of innovation motive and analyzes whether innovative finance products and service can promote rural economy growth and farmer revenue increment from the point of macroscopic view, secondarily, analyzes that new products and services are all needed in new rural construction and modernization trends of agricultural industry from the point of mesoscopic view, and then analyzes small and medium sized rural enterprises, different demands of different types of farmers in an effort to discuss the direction of rural finance products and service innovation from the perspective of demand, and further starts with supply advancement, analyzes the innovation status of supply subjects and issues in rural finance, analyzes the causes of insufficient willingness of supply subjects for provision, analyzes the diving role of system environment, credit environment and policy environment and other factors in rural internet finance products and service innovation supply. According to the theoretical studies and rural practices, this paper concludes that transaction costs are the sticking point that limit the insufficient willingness of rural supply, figures out a new way for rural internet finance products and service innovation from the perspective of reducing transaction costs, and finally proposes a rural internet fiancé platform that fits Tiandong County.

Prospect of Research

By combining the case of constantly improved mutual beneficial network credit investigation system for bid data of Tiandong County, modes like “Rural E-commerce plus rural internet plus financial poverty alleviation”, “Internet finance company plus rural bank + farmers”, and “internet fiancé company plus mutual finance plus production association”.

On the basis of the status and issues of financial poverty alleviation in Tiandong County, with mutual beneficial network as a tool, the suggestions of financial alleviation is proposed: 1. Increase precise identification efficiency, reduce identification costs in a way that acquisition and innovation precision identification are strengthened[5]; 2. Innovate targeted poverty alleviation measures, rely on internet finance platforms to make best use of bid data to relieve poverty, cultivate persons who are good at getting rich and support leading enterprises to drive poverty alleviation and enriching, guide and encourage poor farmers to participate in targeted poverty alleviation work to increase poverty alleviation efficiency, reduce proportion of return to poverty; 3. Increase investment, complete rural internet finance system, improve guarantee system data, escalate rural internet fiancé environment and other aspects, and propose suggestions that are suitable for sustainable and health development of rural financial poverty alleviation in Guangxin.
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