

Synergistic Empowerment of Fiscal and Financial Policies: A Study on the Path to Improve the Quality and Efficiency of Rural Financial Services in the Context of Rural Revitalization

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Abstract

Comprehensively advancing rural revitalization is the core task of building a country strong in agriculture in the new era. As the lifeblood of the modern economy, finance is the key to break the funding constraints on the development of agriculture, rural areas and farmers, and activate the vitality of the rural economy. In recent years, the annual Central Document No.1 has continuously focused on the development of a coordinated fiscal and financial support mechanism for agriculture. China's policy system for agriculture-related finance has been continuously improved, the scale of agriculture-related credit has expanded steadily, and the coverage and availability of rural financial services have been significantly enhanced. However, constrained by the urban-rural dual structure, the inherent vulnerability of the agricultural industry, and information asymmetry in the rural financial market, the current rural financial services still face pain points such as mismatch between supply and demand, high transaction costs, and an inadequate risk mitigation mechanism, which restrict the further improvement of the quality and efficiency of financial support for agriculture. Based on the theory of rural financial development and the theory of imperfectly competitive markets, this paper sorts out the practical effects of China's financial services for agriculture, rural areas and farmers, analyzes the core bottlenecks in the current rural financial market, and proposes a systematic path to improve the quality and efficiency of financial services for agriculture, rural areas and farmers from the dimensions of policy coordination, supply optimization, model innovation, digital empowerment, and credit system construction, so as to provide theoretical reference and practical guidance for boosting comprehensive rural revitalization and building a country strong in agriculture.

Keywords

Rural Revitalization; Agriculture-Related Finance; Fiscal and Financial Coordination; Information Asymmetry; Rural Credit System

1. Introduction

The Report to the 20th National Congress of the Communist Party of China clearly proposed to accelerate the building of a country strong in agriculture and comprehensively promote rural revitalization. Issues relating to agriculture, rural areas and farmers are of fundamental importance to the national economy and people's livelihood, and the effective supply of capital factors is the core prerequisite for activating the endogenous development momentum of rural areas. As the core hub of resource allocation, the quality and efficiency of financial support for agriculture directly determine the progress of rural revitalization. In recent years, the annual Central Document No.1 has made continuous arrangements for fiscal and financial support for agriculture, clearly requiring the improvement of a coordinated fiscal and financial input mechanism for agriculture, giving full play to the incentive role of structural monetary policy tools, and promoting financial institutions to increase capital investment in agricultural and rural areas.

In this context, China's financial institutions have continued to sink the focus of their services, the innovation of agriculture-related financial products and service models has been deepened, and the construction of the rural financial service system has achieved phased results. At the same time, however, there are still deep-seated structural contradictions in China's rural financial market, which still cannot meet the diversified financing needs of comprehensive rural revitalization. Based on the core theoretical logic of finance, this paper analyzes the realistic dilemmas of current financial services for agriculture, rural areas and farmers, and explores feasible paths to improve quality and efficiency, which has both important theoretical value and practical significance.

2. Development Status and Practical Effects of China's Financial Services for Agriculture, Rural Areas and Farmers

In recent years, under the continuous guidance of national policies, the construction of China's rural financial system has advanced steadily, fiscal and monetary policies have exerted synergy, and innovative practices across the country have flourished. The breadth and depth of financial support for agriculture have continued to increase, providing solid financial support for comprehensive rural revitalization.

First, the policy coordination framework has been continuously improved, and structural tools have precisely guided the allocation of credit for agriculture. The People's Bank of China has continuously optimized the policy framework for rural finance, implemented a differentiated required reserve ratio to give policy preference to financial institutions serving county-level areas and focusing on agriculture, rural areas and farmers. At the same time, it has flexibly used structural monetary policy tools such as re-lending for supporting agriculture and small businesses, rediscounting, and the inclusive micro and small loan support tool to inject low-cost and long-term liquidity into the rural financial market, and guide financial institutions to tilt credit resources to the agriculture-related sector. The

fiscal department provides risk mitigation for agriculture-related credit through interest discounts, awards and subsidies, and risk compensation, which effectively leverages the leverage effect of financial resources and forms a coordinated pattern of "monetary guidance & fiscal backing" for supporting agriculture.

Second, the scale of agriculture-related credit has expanded steadily, and the coverage and availability of services have continued to improve. With the continuous improvement of the policy system, the scale of agriculture-related loans issued by China's financial institutions has continued to grow. The physical outlets and online channels of rural financial services have continued to sink, basically realizing full coverage of bank outlets in counties and basic financial services in administrative villages. The availability of financial services for rural residents and agriculture-related business entities has been significantly improved. The growth rate of inclusive agriculture-related loans has consistently outpaced the average growth rate of all loans, and the inclusive nature of financial support for agriculture has become increasingly prominent, effectively alleviating the difficulties and high costs of financing for agriculture-related business entities.

Third, regional innovative practices have flourished across the country, and the adaptability of products and services has been continuously enhanced. Since 2025, based on the characteristics of regional agricultural development, all localities have actively promoted the innovation of rural financial products and service models, forming a number of replicable and scalable practices for supporting agriculture. Guangdong Province has built a three-dimensional inclusive financial policy system of "capital injection & fee reduction awards and subsidies & default compensation", and guided the precise flow of fiscal and financial resources to agriculture-related business entities through the precise empowerment of fiscal funds. Fujian Province has innovated an integrated policy model of "re-lending & rural revitalization loans & rural revitalization demonstration sites", which has opened up the coordination channel between monetary, fiscal and industrial policies, and continuously expanded the credit supply in the agriculture-related sector. Based on the advantages of its characteristic agricultural industry, Zhejiang Province has innovated exclusive guarantee products for local specialty agricultural products and policy-oriented agricultural insurance, took the lead in formulating national operational guidelines for mortgage loans for animal husbandry and fishery assets, and continuously expanded the scope of effective collateral for agriculture. Its balance of agriculture-related loans and the scale of inclusive agriculture-related loans rank among the top in the country, providing a demonstration sample for the innovation of rural finance nationwide.

3. Core Dilemmas of Current Financial Services for Agriculture, Rural Areas and Farmers and Their Financial Logic Analysis

Despite the remarkable achievements of China's financial support for agriculture,

affected by the urban-rural dual structure, the inherent vulnerability of the agricultural industry, and the inadequate development of the rural financial market, the current financial services for agriculture, rural areas and farmers still face many deep-seated bottlenecks, which have clear underlying logic in finance.

First, market failure caused by information asymmetry is the core root of the mismatch between supply and demand in rural finance. According to the information asymmetry theory, the effective operation of the financial market relies on information symmetry between borrowers and lenders, while the rural financial market is a typical market with severe information asymmetry. On the one hand, the main business entities in China's agriculture-related sector are mainly smallholder farmers, family farms, and farmer specialized cooperatives, which are generally characterized by small scale, scattered distribution, imperfect financial systems, and lack of standardized credit records. It is difficult for financial institutions to obtain their real operating conditions and risk levels through traditional channels, resulting in extremely high information acquisition costs for pre-loan investigation and loan review. On the other hand, information asymmetry can easily lead to adverse selection and moral hazard: adverse selection is manifested in that business entities with weak risk tolerance and insufficient repayment ability are more motivated to seek high-cost credit, while high-quality entities may withdraw from the market due to excessive financing costs; moral hazard is manifested in that after obtaining credit, agriculture-related entities may divert funds to non-agricultural production areas, exacerbating credit risks. Information asymmetry makes it impossible for financial institutions to accurately price the risk of agriculture-related credit, and they can only control risks by raising interest rates and tightening credit granting, eventually forming a vicious circle of "difficulty in financing" and "high cost of financing".

Second, high transaction costs and mismatched risk and return inhibit the endogenous motivation of financial institutions to support agriculture. According to the transaction cost theory, the credit decision of financial institutions depends on the cost-benefit ratio of credit business. Compared with urban industrial and commercial credit, the transaction cost of agriculture-related credit is significantly higher: the scattered and small-scale financing needs of agriculture-related entities lead to much higher operating costs of a single credit for financial institutions than large-scale corporate loans; agricultural production is greatly affected by natural conditions, seasonal fluctuations and market prices, with inherent vulnerability and high risks, which significantly increase the post-loan management and risk disposal costs of financial institutions. At the same time, there is a serious mismatch between the risks and returns of agriculture-related credit: the profit margin of agricultural production is generally low, and the affordability of agriculture-related entities to credit interest rates is limited, so financial institutions cannot cover high risks by raising interest rates; the rural mortgage guarantee system is not sound, and

agriculture-related entities generally lack qualified collateral that meets the requirements of commercial banks. In the event of credit default, it is difficult for financial institutions to recover losses by disposing of collateral. Constrained by the mismatch between costs and benefits, commercial banks, as market-oriented business entities, have inherently insufficient endogenous motivation to serve agriculture, rural areas and farmers, and it is easy to see the phenomenon of the outflow of credit resources from rural to urban areas.

Third, the rural financial ecological system is not perfect, and there are obvious shortcomings in the risk mitigation and sharing mechanism. A sound financial ecology is the basis for the effective operation of the financial market, while China's current rural financial ecology still has many shortcomings. First, the mortgage guarantee system is not sound. A large number of rural assets such as forest rights, land management rights, live livestock and poultry, and warehouse receipts of agricultural products are difficult to be converted into qualified credit collateral due to the lack of a standardized value evaluation system and a circulation and trading market, resulting in the dilemma that agriculture-related entities "have assets but cannot use them for mortgage". Second, the agricultural insurance system lags behind in development. The depth and density of agricultural insurance are insufficient, the coverage of insurance types is limited, and the risk diversification capacity to cope with extreme natural disasters and market price fluctuations is insufficient, which cannot provide an effective risk buffer for agriculture-related credit. Third, the intermediary service system such as rural property rights trading, asset evaluation and credit rating is underdeveloped, which cannot provide professional supporting support for rural financial business, further increasing the operating costs and risks of the rural financial market.

4. Path Optimization to Improve the Quality and Efficiency of Financial Services for Agriculture, Rural Areas and Farmers

In view of the core bottlenecks in the current rural financial market, it is necessary to base on the theoretical logic of finance, exert efforts from multiple dimensions such as policy coordination, supply optimization, model innovation, digital empowerment, and ecological construction, systematically improve the rural financial service system, solve the problem of market failure, and comprehensively improve the quality and efficiency of financial services for agriculture, rural areas and farmers.

First, improve the fiscal and financial coordination mechanism and build a positive incentive policy guidance system. In view of the imperfect competition of the rural financial market, it is necessary to correct market failure through appropriate policy intervention, and build a coordinated support mechanism of "precise drip irrigation of monetary policy & risk mitigation of fiscal funds" for agriculture. On the one hand, continuously optimize structural monetary policy tools, improve the differentiated

required reserve ratio policy, expand the issuance scale and coverage of re-lending for supporting agriculture and small businesses and rediscounting, guide financial institutions to sink the focus of services, and accurately transmit low-cost liquidity to the agriculture-related sector. On the other hand, strengthen the leverage effect of fiscal policy, improve the fiscal interest discount, fee reduction awards and subsidies, and risk compensation mechanism for agriculture-related loans, provide a risk bottom line for agriculture-related credit through fiscal funds, reduce the credit risk and operating costs of financial institutions, solve the problem of mismatched risk and return, and stimulate the endogenous motivation of financial institutions to serve agriculture, rural areas and farmers. At the same time, strengthen the coordination and linkage of monetary, fiscal and industrial policies, form policy synergy around key industries and key areas of rural revitalization, and guide the precise allocation of financial resources.

Second, focus on key areas of agriculture, rural areas and farmers, and optimize the precise supply structure of financial resources. Based on the national food security strategy and the demand for rural industrial revitalization, guide financial institutions to optimize the allocation structure of credit resources, and guide financial resources to the key nodes of the development of agriculture, rural areas and farmers. First, fully guarantee the financial demand for the stable production and supply of grain and important agricultural products, increase credit input in the whole chain of grain production, purchase, reserve and processing, cover key links such as the development of high-standard farmland, seed industry revitalization, and the upgrading of agricultural machinery and equipment, and build a solid financial defense line for national food security. Second, increase financial support for county-level affluent industries and the whole rural industrial chain, focus on new business formats such as intensive processing of agricultural products, cold chain logistics, and rural tourism around local characteristic agricultural industry clusters, optimize the allocation of credit resources, and help improve the quality and efficiency of rural industries. Third, increase medium and long-term credit support for rural infrastructure construction, public service improvement, and the modernization of rural governance, fill the shortcomings of rural development, and help build livable and workable beautiful countryside.

Third, innovate financial products and service models according to local conditions, and solve the constraints of mortgage guarantee. In view of the financing demand characteristics of agriculture-related entities, promote the differentiated innovation of rural financial products and service models, and improve the adaptability and professionalism of financial services. First, in line with the agricultural production cycle and industrial characteristics, reasonably set the loan term and repayment method, avoid the mismatch between the credit term and the agricultural production cycle, implement customized financial services of "one plan for one industry cluster, one policy for one industrial chain", and meet the differentiated

financing needs of different industries and different entities. Second, continuously expand the scope of effective collateral for agricultural and rural areas, actively explore new mortgage models such as warehouse receipt pledge of agricultural products, forest right pledge, land management right mortgage, and live livestock and poultry mortgage, improve the value evaluation system and circulation and trading market for rural assets, and turn the idle assets in rural areas into qualified credit collateral. Third, improve the government-backed financing guarantee system, expand the scale of agriculture-related guarantee business, reduce the guarantee rate, improve the risk sharing mechanism between banks and guarantee institutions, provide credit enhancement support for agriculture-related entities, and solve the financing problem of lack of collateral.

Fourth, promote digital financial empowerment, and reduce transaction costs and information asymmetry in rural finance. Relying on modern digital technology, promoting the digital transformation of rural financial service models is the core path to solve the information asymmetry and reduce transaction costs in the rural financial market. First, accelerate the construction of an intelligent rural financial service platform, connect with multiple scenarios and user needs of rural revitalization, promote the transformation of traditional financial services to digital, scenario-based and precise ones, break the time and space constraints of physical outlets, and further improve the coverage and availability of rural financial services. Second, strengthen the application of technologies such as the Internet of Things, remote sensing, artificial intelligence, and big data in the field of rural finance. Monitor the growth of crops through remote sensing technology, realize dynamic supervision of live livestock and poultry through the Internet of Things, integrate multi-dimensional data such as production, operation, consumption, and social security of agriculture-related entities through big data, realize accurate profiling of agriculture-related entities, reduce the information acquisition cost of financial institutions, and improve the ability of risk assessment and control. Third, strengthen the application of digital technology in agricultural insurance, realize accurate underwriting and rapid claim settlement of agricultural insurance, and improve the service efficiency and risk diversification capacity of agricultural insurance.

5. Conclusion and Outlook

Comprehensively improving the quality and efficiency of financial services for agriculture, rural areas and farmers is an inevitable requirement for comprehensively advancing rural revitalization and accelerating the building of a country strong in agriculture, as well as an important starting point for breaking the urban-rural dual structure and achieving common prosperity. At present, China's financial support for agriculture has achieved phased results, but the rural financial market still faces deep-seated problems such as information asymmetry, high

transaction costs, mismatched risk and return, and imperfect financial ecology. In the future, it is necessary to base on the operating rules of the rural financial market, take fiscal and financial coordination as the core starting point, product and service innovation as the core driving force, digital technology empowerment as the core support, and credit system construction as the basic guarantee, systematically improve the rural financial service system, continuously solve the problem of market failure in the rural financial market, promote the in-depth integration of financial resources and the development of agriculture, rural areas and farmers, and inject a steady stream of financial vitality into the comprehensive rural revitalization.

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