

Research on the Promoting Role of Rural Financial Innovation in Rural Economic Growth under the Rural Revitalization Strategy

Jiahao Guo*, Xiang Wang, Haoyang Wu

Xinjiang Agricultural University, Urumqi Xinjiang, 830000, China

*Corresponding author: Jiahao Guo, Jiahao Guoalden2005@qq.com

Copyright: 2025 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY-NC 4.0), permitting distribution and reproduction in any medium, provided the original author and source are credited, and explicitly prohibiting its use for commercial purposes.

Abstract: The Rural Revitalization Strategy is a major strategic measure to solve the “Three Rural Issues” in China, and rural financial innovation plays a crucial role in this process. This paper deeply analyzes the internal relationship between rural financial innovation and rural economic growth, elaborates in detail on the main models and development status of rural financial innovation, explores its promoting mechanism for rural economic growth, including aspects such as improving the efficiency of resource allocation, promoting agricultural industrialization, and facilitating the upgrading of rural consumption. At the same time, it analyzes the challenges faced by current rural financial innovation, and based on theoretical analysis, puts forward targeted policy suggestions. The aim is to provide theoretical support and practical guidance for further promoting rural financial innovation and achieving the sustainable and healthy growth of the rural economy.

Keywords: Rural Revitalization Strategy; Rural Financial Innovation; Rural Economic Growth; Promoting Mechanism

Published: Mar 24, 2025

DOI: <https://doi.org/10.62177/apemr.v2i2.214>

1. Introduction

The Rural Revitalization Strategy, as the overarching approach to solving China’s “Three Rural Issues” in the new era, is of great and far-reaching significance for realizing agricultural and rural modernization, narrowing the urban-rural gap, and promoting social fairness and justice. Rural finance is a core component of the rural economy, and the development level of rural finance directly affects the growth rate and quality of the rural economy. Against the backdrop of the Rural Revitalization Strategy, the traditional rural financial model has become increasingly difficult to meet the diverse development needs of the rural economy, making rural financial innovation an inevitable trend. Rural financial innovation can not only provide more sufficient and efficient capital support for rural economic development but also effectively promote rural economic growth by optimizing the allocation of financial resources, driving the upgrading of the agricultural industry, and boosting rural consumption. Therefore, an in-depth study of the promoting role of rural financial innovation in rural economic growth is of great theoretical and practical significance for the implementation of the Rural Revitalization Strategy.

2. Literature Review

Scholars at home and abroad have conducted extensive research on the relationship between rural financial innovation and rural economic growth. Abroad, ^[1] scholar Patrick put forward the “supply-leading” and “demand-following” theories of financial development, arguing that financial development can both actively guide economic growth and develop in tandem

with economic growth. This theory provides a basic framework for understanding the relationship between rural financial innovation and rural economic growth.^[2] Scholar Levine, through empirical research, found that financial innovation can improve the efficiency of financial markets, facilitate the effective allocation of capital, and thus drive economic growth. This conclusion also holds some applicability in the field of rural finance.

Domestic scholars have also delved deeply into this field.^[3] Scholar Wang Shuguang pointed out that rural financial innovation is the key to solving the problem of rural financial repression. By innovating financial products and service models, it is possible to improve the accessibility and efficiency of rural finance and promote rural economic development.^[4] Scholar Li Jianjun believes that rural financial innovation can drive the development of agricultural industrialization. By providing financing support for the agricultural industry chain, it can promote the large-scale, specialized, and modern development of agricultural production.^[5] Scholar He Guangwen's research shows that rural financial innovation can facilitate the upgrading of rural consumption. By launching consumer financial products suitable for rural residents, it can enhance their consumption ability and stimulate rural economic growth.

However, most of the existing research focuses on the impact of a certain aspect of rural financial innovation on rural economic growth, lacking a systematic analysis of the overall mechanism by which rural financial innovation promotes rural economic growth. At the same time, research on the new problems and challenges faced by rural financial innovation under the specific context of the Rural Revitalization Strategy is not in-depth enough. Therefore, based on existing research, this paper will further explore the promoting role of rural financial innovation in rural economic growth and the relevant mechanisms, and put forward targeted policy suggestions.

3.The Connotation and Main Models of Rural Financial Innovation

3.1 The Connotation of Rural Financial Innovation

Rural financial innovation refers to the creative changes and improvements in aspects such as financial systems, financial institutions, financial products, and financial services within the rural financial field, in order to meet the diverse needs of rural economic development. The purpose of rural financial innovation is to improve the efficiency and service quality of rural finance, increase the supply of rural finance, and promote the sustainable development of the rural economy.

3.2 The Main Models of Rural Financial Innovation

Financial Product Innovation: This includes the development of a diverse range of rural credit products, such as small-amount credit loans, supply chain finance loans, and agricultural industry chain loans, to meet the financing needs of different rural business entities. At the same time, it also involves the innovation of rural insurance products, such as agricultural insurance and rural small-amount personal insurance, to provide risk protection for rural economic development.

Financial Service Model Innovation: The application of Internet finance in rural areas is gradually becoming more widespread. Through online platforms, convenient payment, wealth management, credit, and other financial services are provided for rural residents. In addition, the promotion of rural financial service stations, mobile financial services, etc., has improved the coverage and accessibility of rural financial services.

Financial Institution Innovation: In addition to traditional financial institutions such as rural credit cooperatives and the Agricultural Bank of China, new rural financial institutions have emerged in recent years, such as village and township banks, rural mutual fund cooperatives, and micro-credit companies. These new financial institutions are characterized by strong flexibility and proximity to the rural market, and can better meet the diverse financial needs of rural areas.

Financial System Innovation: The government has introduced a series of policy measures to support rural financial innovation, such as targeted reserve requirement ratio cuts for rural financial institutions and tax incentives, creating a favorable policy environment for rural financial innovation. At the same time, efforts are also being made to explore the establishment of a rural financial risk sharing and compensation mechanism to reduce the risks of rural financial institutions.

4.The Promoting Mechanism of Rural Financial Innovation for Rural Economic Growth

4.1 Improving the Efficiency of Resource Allocation

Rural financial innovation can optimize the allocation of rural financial resources in various ways. On the one hand,

innovative financial products and service models can more accurately identify the financial needs of different rural business entities, guiding funds to the most promising and profitable projects, and improving the efficiency of fund use. For example, supply chain finance loans can provide targeted financing support according to the characteristics of the capital needs of each link in the agricultural industry chain, promoting the coordinated development of the agricultural industry chain. On the other hand, financial institution innovation and financial system innovation can improve the rural financial market system, break the monopoly of traditional financial institutions, introduce a competitive mechanism, enhance the vitality and efficiency of the financial market, and thus achieve the optimal allocation of resources.

4.2 Promoting Agricultural Industrialization

Agricultural industrialization is an important driving force for rural economic growth, and rural financial innovation provides strong support for it. Through innovative financial products, such as agricultural industry chain loans and agricultural supply chain finance, sufficient funds can be provided for new agricultural business entities such as leading agricultural enterprises, farmers' cooperatives, and family farms, supporting them in expanding production scale, introducing advanced technologies and equipment, and expanding market channels. At the same time, rural financial innovation can also promote the integration and upgrading of the agricultural industry, driving the development of agriculture towards large-scale, specialized, and modern directions. For example, by supporting leading agricultural enterprises to establish close interest connection mechanisms with farmers, the standardization and branding of agricultural production can be realized, and the added value and market competitiveness of the agricultural industry can be improved.

4.3 Facilitating the Upgrading of Rural Consumption

Rural financial innovation can effectively promote the upgrading of rural consumption. With the improvement of rural residents' income levels and the transformation of their consumption concepts, the rural consumption market has great potential. Innovative consumer financial products, such as rural small-amount consumer loans and credit cards, can meet the consumption needs of rural residents in housing, home appliances, education, medical care, and other aspects, enhancing their consumption ability and quality of life. At the same time, the innovation of rural financial service models, such as the popularization of Internet finance, provides rural residents with more convenient consumption payment and wealth management channels, promoting the prosperity of the rural consumption market.

4.4 Supporting Rural Innovation and Entrepreneurship

Rural financial innovation provides the necessary capital and financial service support for rural innovation and entrepreneurship. New rural financial institutions and innovative financial products, such as start-up guarantee loans and angel investments, can provide start-up capital and venture capital for rural entrepreneurs, reducing the threshold and risks of starting a business. At the same time, the innovation of financial service models, such as the establishment of entrepreneurial financial service platforms, can provide one-stop services for rural entrepreneurs, including entrepreneurial training, project docking, and financing consultation, stimulating the vitality of rural innovation and entrepreneurship, promoting the development of new rural industries and business forms, and injecting new impetus into rural economic growth.

5. The Challenges Faced by Current Rural Financial Innovation

5.1 Weak Rural Financial Infrastructure

Although some progress has been made in the construction of rural financial infrastructure in recent years, there is still a large gap compared with urban areas. The coverage rate of financial outlets in some rural areas is low, and the convenience of financial services is insufficient. At the same time, the construction of the credit system in rural areas is not perfect, and there is a lack of effective credit evaluation and risk management mechanisms, increasing the risks and costs for financial institutions to carry out their businesses.

5.2 Shortage of Rural Financial Innovation Talents

Rural financial innovation requires professionals who understand both finance and the rural economy and agricultural production. However, currently, there is a shortage of financial talents in rural areas, and the professional quality and innovation ability of financial practitioners need to be improved. At the same time, due to the relatively poor working environment and treatment in rural areas, it is difficult to attract and retain excellent financial talents, which restricts the

development of rural financial innovation.

5.3 High Financial Risks

The rural economy is characterized by the coexistence of natural risks and market risks, and agricultural production is greatly affected by factors such as natural disasters and market price fluctuations. In addition, the credit awareness and risk awareness of rural financial market entities are relatively weak, and the risk of default is high. These factors lead to relatively high risks in rural financial innovation, increasing the concerns of financial institutions in carrying out their businesses and affecting the enthusiasm for rural financial innovation.

5.4 The Need to Strengthen Policy Support

Although the government has introduced a series of policy measures to support rural financial innovation, there are still some problems in the implementation and execution of these policies. Some policies lack pertinence and operability, and the support for rural financial innovation is insufficient. At the same time, the coordination and compatibility among policies are inadequate, making it difficult to form a policy synergy, which affects the effectiveness of rural financial innovation.

6. Policy Recommendations

6.1 Strengthen the Construction of Rural Financial Infrastructure

Increase investment in rural financial infrastructure, improve the coverage rate of rural financial outlets, and promote new financial service models such as mobile financial services to improve the convenience and accessibility of financial services. At the same time, strengthen the construction of the rural credit system, improve the credit evaluation and risk management mechanisms, and reduce the risks and costs for financial institutions.

6.2 Cultivate and Introduce Rural Financial Innovation Talents

Strengthen the construction of the rural financial talent cultivation system. Through vocational training, degree education, and other means, improve the professional quality and innovation ability of rural financial practitioners. At the same time, formulate preferential policies to attract excellent financial talents to work in rural areas and provide talent support for rural financial innovation.

6.3 Improve the Rural Financial Risk Prevention Mechanism

Establish and improve the rural financial risk sharing and compensation mechanism. Through government subsidies, insurance, guarantees, and other means, reduce the risks of financial institutions. At the same time, strengthen the credit education and risk management training for rural financial market entities, improve their credit awareness and risk awareness, and reduce the risk of default.

6.4 Strengthen Policy Support and Coordination

The government should further improve the policy system supporting rural financial innovation, increase the intensity of policy support, and improve the pertinence and operability of policies. At the same time, strengthen the coordination and compatibility among policies, form a policy synergy, and create a favorable policy environment for rural financial innovation.

7. Conclusion

Rural financial innovation holds an important position and plays a crucial role in the Rural Revitalization Strategy. Through various mechanisms such as improving the efficiency of resource allocation, promoting agricultural industrialization, facilitating the upgrading of rural consumption, and supporting rural innovation and entrepreneurship, it can effectively promote rural economic growth. However, currently, rural financial innovation faces challenges such as weak rural financial infrastructure, shortage of talents, high financial risks, and the need to strengthen policy support. In order to further promote rural financial innovation and achieve the sustainable and healthy growth of the rural economy, it is necessary to strengthen the construction of rural financial infrastructure, cultivate and introduce rural financial innovation talents, improve the rural financial risk prevention mechanism, and strengthen policy support and coordination. Only in this way can the role of rural financial innovation be fully realized, providing a solid financial guarantee for the implementation of the Rural Revitalization Strategy.

Funding

no

Conflict of Interests

The author(s) declare(s) that there is no conflict of interest regarding the publication of this paper.

References

- [1] Patrick, H. T. Financial Development and Economic Growth in Underdeveloped Countries [J]. *Economic Development and Cultural Change*, 1966, 14(2): 174-189.
- [2] Levine, R. Financial Development and Economic Growth: Views and Agenda [J]. *Journal of Economic Literature*, 1997, 35(2): 688-726.
- [3] Wang Shuguang. Rural Financial Innovation and the Opening of the Rural Financial Market [J]. *The Banker*, 2010, (01): 100-103.
- [4] Li Jianjun. Research on Rural Financial Innovation and the Development of Agricultural Industrialization [J]. *Issues in Agricultural Economy*, 2012, (08): 79-84.
- [5] He Guangwen. Rural Financial Innovation and the Development of Consumer Finance [J]. *China Rural Finance*, 2014, (03): 27-29.
- [6] Zhang Bing. *The Theory and Practice of Rural Financial Innovation* [M]. Beijing: China Financial Publishing House, 2015.
- [7] Luo Jianchao. The Models and Path Choices of Rural Financial Innovation [J]. *Issues in Agricultural Economy*, 2016, (03): 4-11.
- [8] Huang Jikun. Rural Financial Innovation and Agricultural Modernization [J]. *China Rural Economy*, 2017, (06): 2-11.
- [9] Tian Jietang. The Development and Innovation of Internet Finance in Rural Areas [J]. *China Rural Finance*, 2018, (05): 24-26.
- [10] Ma Jiujie. The Risk Management and Policy Support of Rural Financial Innovation [J]. *Issues in Agricultural Economy*, 2019, (02): 32-40.
- [11] Li Yong. Reflections on Rural Financial Innovation under the Rural Revitalization Strategy [J]. *Financial Theory and Practice*, 2020, (03): 106-111.
- [12] Tan Yanzhi. Research on the Impact of Rural Financial Innovation on Rural Economic Growth [J]. *Economic Geography*, 2021, 41(04): 170-178.