

# On the Influence of Financial Services on the Development of County Economy

## -- Taking Shouxian County, Anhui Province as an Example

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### Abstract

In recent years, financial services have played an important role in the development of county economy. Finance is the core of modern economy, and county is the hub connecting urban and rural areas. How to combine financial services with county economy is a hot research topic at present. Taking Shouxian County, Huainan City, Anhui Province as an example, this paper first clarifies the relationship between county economy and county financial services, then analyzes the current situation of Shouxian county's economic and financial development, then discusses the ways in which financial services affect the economy, and analyzes the problems existing in the promotion of County Development by financial services. Finally, based on the above analysis results, specific policy recommendations are given.

### Keywords

County Economy; Financial Services; Innovation-driven Development.

## 1. Introduction

County economy is a regional economy with regional characteristics and complete functions, which takes the county-level administrative divisions as the geographical space, the county-level political power as the main body of regulation and control, and the market as the guide to optimize the allocation of resources. County economy is an important part of regional economy in China. At present, the basic theme of China's county economic development is to pursue high-quality economic development as the guide, comprehensively and deeply promote the modernization of the county, and build a harmonious, rich and civilized county. Specifically, it is to comprehensively promote the marketization, financialization and informatization of county economy, with the core of connotative urbanization, new industrialization and agricultural industrialization, and promote rural revitalization [1].

No. 1 central document in 2021 pointed out that the county should be taken as an important entry point for urban-rural integration development, strengthen overall planning and top-level design, break the institutional drawbacks of urban-rural division, and speed up the opening of the institutional channel for equal exchange and two-way flow of urban and rural factors [2]. In order to effectively improve the county economy, financial services are an indispensable part. Financial institutions should make concerted efforts for common development. Insurance financial institutions should provide guarantee and banks should provide sufficient funds. As early as No. 1 central document in 2019, it was pointed out that all links of financial services for "agriculture, rural areas and farmers" should be opened up, and the incentive and restraint mechanism for financial institutions in the county banking industry to serve "agriculture, rural

areas and farmers" should be established, so as to realize that the growth rate of inclusive agriculture related loans is generally higher than the average growth rate of various loans. Rural commercial banks, rural cooperative banks and rural credit cooperatives should be promoted to gradually return to their original sources and serve the local "three rural" areas [3]. After three years of efforts, China's county economy has developed steadily, and a well-off society has been built in China, which has historically solved the problem of absolute poverty.

In terms of local administration, the financial services of Shouxian County in Anhui Province are also working hard for the development of county economy. As the main force of local finance rooted in Shouxian county and serving "agriculture, rural areas and farmers", Anhui Shouxian rural commercial bank actively practices the social responsibility of financial enterprises. Through on-the-spot visits and docking, we can find out the credit demand, implement a series of measures such as precise assistance, and actively reduce fees and make profits to help the development of the county economy. However, at present, the financial development of Shouxian County, Huainan City, Anhui province needs to be improved. The specific performance is: the financial service system is not perfect, the deposit utilization rate is low, and the innovative development capacity needs to be improved. In view of the financial services and economic development of Shouxian County, Huainan City, we put forward the following main questions: what is the current situation of economic and financial development of Shouxian county? How can financial services promote economic development? How will Shouxian County improve its financial services? In view of these three problems, we will discuss them in the following research.

Since the 1960s, the relationship between financial development and economic growth has been a controversial topic in the academic circles. With the proposal of financial deepening theory and the development of relevant systems, the research on the relationship between finance and economy has become more in-depth. Amore (2013) expanded the research indicators reflecting the development degree of financial innovation, focusing on the growth rate of bank credit. The research found that the loan support of the government and financial institutions to non-financial enterprises increased the patent output of their technology and products, thereby improving the output efficiency, thus directly affecting economic growth [4]. Other experts believe that financial development and economic growth have little relationship. Zhao Zhenquan, Yu Zhen and Yang Dongliang (2007) studied the nonlinear relationship between financial development and economic growth in China based on the multivariate threshold model, and found that there is no significant correlation between the two in total [5]. Comprehensive domestic and foreign literature research, both quantitative model research and summary, the purpose of which is to find the relationship between finance and economy. However, there are still some deficiencies in the development of Finance and county economy. With the development of the times, financial services have penetrated into every aspect of people's daily life. Through the study of Shouxian County, Huainan City, Anhui Province, this paper finds out the development countermeasures for the financial service industry of Shouxian County, which can promote the development of the county economy.

## **2. Economic and Financial Development Status of Shouxian County**

### **2.1. Comparative Analysis of Shouxian County's GDP**

Gross domestic product (GDP) refers to the value of all final products and services produced in the economy of a country or region in a certain period (a quarter or a year). It is often recognized as the best indicator to measure the national economic situation. It can not only reflect a country's economic performance, but also reflect a country's national strength and wealth. Therefore, the GDP of a county reflects the economic performance of the county. The

economic development of Shouxian county can be seen from the changes of GDP in the following table 1 for three consecutive years.

**Table 1.** Changes in GDP of Shouxian county from 2019 to 2021

Production value / year	2019	2020	2021
GDP (100 million yuan)	212.8	223	243.8
GDP growth rate (%)	4.2	2.1	8.9

It can be seen from the above table that the GDP of Shouxian county is increasing year by year. Under the impact of the epidemic in 2020, the GDP growth rate of Shouxian County slightly decreased, but in 2021, social production resumed, and the GDP growth rate increased rapidly. It is expected that the GDP of Shouxian county will continue to show an upward trend in the future.

## 2.2. Comparative Analysis of the Gross Output Value of the Three Major Industries in Shouxian County

From the perspective of industries, the gross output value of the three major industries in Shouxian county is rapidly increasing in 2021. The tertiary industrial structure changed from 25.5:24.6:49.9 of the previous year to 24.1:25.9:50.0, of which industrial added value accounted for 18.8% of GDP. Table 2 shows the production growth of Shouxian county's primary, secondary and tertiary industries in 2021.

**Table 2.** Added value and growth rate of three major industries in Shouxian County in 2021

Industry	Primary industry	Secondary industry	Tertiary industry
Added value (100 million yuan)	58.8	63.1	121.9
Growth rate (%)	7.1	10	9.3

## 2.3. Current Situation of Shouxian County's Fiscal Revenue and Expenditure

In 2021, Shouxian county realized a total fiscal revenue of 2.58 billion yuan, with a year-on-year increase of 6.8%, an increase of 4.4 percentage points over the same period of the previous year. Among them, the local fiscal revenue was 1.91 billion yuan, an increase of 9.8%. Among the tax revenue, the value-added tax increased by 9.1%, and the enterprise income tax decreased by 11.3%. The annual fiscal expenditure was 7.35 billion yuan, down 12.1%.

## 2.4. Impact of Financial Services on County Development

At the end of 2021, the balance of various deposits of financial institutions in the county was 45.14 billion yuan, an increase of 8.4% over the previous year. Among them, the balance of savings deposits of urban and rural residents was 32.47 billion yuan, an increase of 15.2%. The balance of various RMB loans of financial institutions was 38.09 billion yuan, an increase of 17.9% over the previous year. Table 3 shows the loans with different maturities of financial institutions in Shouxian County in 2021.

**Table 3.** Loans of Shouxian financial institutions with different terms in 2021

Balance / term	Short term loan	Medium long term loan	Long term loan
Balance (100 million yuan)	147.4	220.6	133.6
Growth rate (%)	3.6	28.4	27.6

At the end of 2021, the deposit loan ratio of financial institutions in the county was 84.38%, an increase of 6.8 percentage points over the beginning of the year. From the perspective of bank profitability, the higher the deposit loan ratio, the better. This shows that the financial institutions in Shouxian county have greater support for the real economy. The next step in the

development of financial services in Shouxian county should continue to relax the loan restrictions and release more liquidity.

### **3. How Financial Services Affect the Economy**

#### **3.1. Improve Financing Level and Efficiency**

Finance can increase the total amount of factors and play a agglomeration effect of factors. Finance can provide capital accumulation for regional economic development, thus improving the level of financing. The financial market can play a agglomeration effect through direct financing and indirect financing. In terms of direct financing, banks or some non bank financial institutions raise funds by issuing bonds, thus changing the asset structure, increasing the source of funds and improving the efficiency of financing. In terms of indirect financing, banks and other financial institutions have many outlets, which can widely absorb miscellaneous funds from all aspects of society, and a small amount makes a large amount of money. In addition, indirect financing can also reduce the financing cost. Financial institutions have a targeted understanding of the borrower's information, improve the financing level, and reduce the financing cost of the whole society. In summary, finance can improve the level and efficiency of financing, thus promoting economic development.

#### **3.2. Promote the Development of Scientific and Technological Innovation and Attracts Talents**

Scientific and technological innovation faces many challenges, such as high cost and high risk. From the research and development of technology by scientific research personnel, to the production and manufacturing, and then to the popularization in the market to generate income, every work in the middle cannot be separated from the support of funds. As a necessary guarantee for social development, finance can provide support for scientific and technological innovation and avoid economic risks. Therefore, scientific and technological innovation cannot be separated from the innovative development of finance, and a good financial market is also an important guarantee for scientific and technological development. In terms of employment, a large number of talents enter the financial industry every year. According to the data of the National Bureau of statistics, there were 6.07 million financial employees in China in 2015, an increase of more than 2 million over the past decade, with an average annual increase of 200000. According to the data, by the end of 2020, the total number of employees of 127 securities companies (including subsidiaries) with data available was 333200, and in 2020, 4396 people joined the securities industry; As of December 31, 2020, there were 8.428 million agent sales personnel registered in the insurance intermediary regulatory information system of insurance companies across the country; By the end of 2015, there were 4262 legal person institutions and 3.8 million employees in China's banking financial institutions. The influx of outstanding talents in the financial industry has made great contributions to the country's economic development.

#### **3.3. Promote Regional Economic Development**

Finance plays an important role in regional economic development. Goldsmith pointed out that financial development and economic growth are related and synchronized. If the economy of a certain region develops rapidly, the financial development level of the region will be higher. The research results of Zhong Junwei and others show that competition among local governments, tax and fiscal expenditure, financial capital flow and cross regulation among the three have an important impact on the spatial balance of regional economic development. The practice and development of world-class financial centers such as New York, Tokyo and the bay area of London have fully proved that financial capital is a key core element in the process of modern regional economic development and an important resource to effectively enhance the

competitiveness of cities and regions and obtain competitive advantages [6]. On the other hand, the faster the regional economy develops, the higher the demand for finance. Therefore, finance and regional economic development are mutually reinforcing and interdependent.

## **4. Problems in Promoting County Economic Development by Financial Services**

### **4.1. Imperfect Financial Service System**

The rural financial service system is not perfect, which is mainly restricted by the economy. From the perspective of the overall development of the county economy, rural financial services lag behind the development of the county economy. Most of the rural financial institutions tend to provide loans to large-scale enterprises, and pay little attention to loans in the agricultural field, resulting in unreasonable distribution of funds. In terms of loans, commercial banks have strict conditions and procedures for granting loans, and generally require tangible collateral. As low-income poor people, they naturally do not have such collateral as land and real estate, which makes it difficult for unqualified borrowers to obtain loans from banks. On the other hand, some farmers have weak legal awareness. When they encounter debt problems, they are likely to avoid debt and cause credit losses. The distribution of outlets of rural financial institutions is also unreasonable. Commercial banks, insurance companies and other financial institutions can be seen everywhere in developed cities and towns. It is difficult to see various financial institutions in underdeveloped rural areas. In rural areas, policy oriented commercial banks are the main ones, such as rural cooperatives, but the outlets have not been fully popularized, and there are even no bank outlets in many remote places. In addition, there is a certain gap between rural development and urban development. The introduction of advanced technologies is not enough. The application of cloud computing, big data and other advanced technologies in financial services needs to be improved.

### **4.2. Low Deposit Utilization Rate of Financial Institutions**

Most of the deposits absorbed by rural financial institutions have flowed out. Most financial institutions invest their funds in developed areas, but rarely provide financial services to the local area, which makes the utilization rate of deposits of financial institutions low, thus restricting the development of county economy. In addition, with the development of the stock and bond market and the improvement of people's investment ideas, some people who have a little knowledge of finance will selectively purchase stocks and bonds in order to obtain higher profits, reducing the proportion of deposits, causing some funds to flow into the stock and bond market.

### **4.3. Insufficient Innovation of Financial Products**

The service objects of rural financial institutions are mainly rural population and rural small and medium-sized enterprises. Because the rural people have limited education and do not know the knowledge of financial management, most of them are risk averse, that is, they are unwilling to accept financial affairs other than deposits. Therefore, some banks and other savings institutions in rural areas only offer deposit and loan business, which is monotonous and the profit rate is not high, so they can not meet the needs of financial assets circulation. This not only limits the development of banks themselves, but also hinders the development of county economy.

## 5. Policy Recommendations

### 5.1. Establish and Improve the Financial Service System

To speed up the development of county economy, we can not do without the strong support of the government. The government should continuously improve the credit management system according to the current market economic development, optimize the service forms, and better integrate the financial services with the county economy. Strengthen financial services in an all-round way, take the developed areas as the leading force to guide the county financial institutions to develop in the direction of modernization and scientization, so that they can effectively make up for the problems of insufficient funds and poor management in the county financial services to a certain extent. Therefore, our government needs to, according to the actual situation of the development of specific counties, In combination with the corresponding "agriculture, rural areas and farmers" policies, formulate practical and feasible economic policies in line with the local development situation, so as to promote the rapid and efficient improvement of the county economic level [7]. In addition, financial institutions should pay enough attention to microfinance. The per capita GDP of county economy is far lower than that of big cities. Therefore, small and medium-sized enterprises have a high demand for small loans. Financial institutions can appropriately launch some small financial products for the masses to choose, absorb a small amount of money and invest in the development of the county.

### 5.2. Enhance Innovation Awareness

Rural financial services should strengthen the sense of innovation and cultivate the sense of innovation to meet the needs of developing county economy. Financial institutions should constantly launch new financial products to provide more investment opportunities for ordinary people. Financial institutions should vigorously publicize financial management knowledge and let people change their thinking of only believing in deposits. Financial institutions should set up more outlets in rural areas and set up ATMs, POS machines and other equipment to better serve the villagers. For the businesses that have been carried out in large cities, we small cities should also actively follow their footsteps. Through business innovation, financial institutions have narrowed the distance between the masses and the financial service industry, enhanced understanding, and jointly contributed to economic development. At the same time, the rural financial service industry should also pay attention to the development of science and technology, increase the application of big data, cloud computing and other cutting-edge technologies in the system, formulate an all-round digital transformation strategy, and provide targeted personalized services for farmers.

### 5.3. Improve the Rural Financial Development Environment

Strengthen the credit awareness of rural residents and popularize relevant business knowledge of financial services. When rural residents have problems with their funds, appropriate assistance should be given, and loans can be extended. To increase the scale of commercial banks' bank outlets in rural areas and better serve farmers, government departments should strengthen supervision and not allow commercial banks to withdraw or reduce the scale of bank outlets in rural areas. At the same time, it is also necessary to ensure the investment of funds for agriculture, rural areas and farmers in rural areas, to ensure that the funds for agriculture, rural areas and farmers are really invested in the development of local rural areas, and to avoid the occurrence of the undesirable phenomenon that some financial institutions invest all the funds for agriculture, rural areas and farmers in urban enterprises in order to obtain higher profits.

#### 5.4. Government Strongly Supports the Work of the Financial Sector

The government should actively support the financial service industry and often help financial institutions to study and solve economic problems. It is necessary to strengthen contacts with financial institutions, regularly communicate development strategies with financial departments, and prepare for future development. The government should give appropriate support to rural commercial banks and give certain preferential policies to make commercial banks profitable and willing to enter the countryside to serve farmers. The government should guarantee the capital investment in the financial service industry, promote the construction of a diversified financial service system, and attach importance to the training of scientific and technological personnel in the financial industry. At the same time, the government should strengthen the supervision of the financial market, prevent bad things from happening in time, and promote the development of county economy in a reasonable way.

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