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Research on the Development of Rural Microcredit under the Background of Rural Revitalization

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Abstract

Against the backdrop of the comprehensive implementation of the Rural Revitalization Strategy, rural microcredit has shown increasingly promising prospects and has gradually become one of the most critical instruments for promoting rural development and supporting farmers in achieving prosperity. Its importance in improving farmers' livelihoods is beyond question. This paper systematically analyzes the parallel progress of rural microcredit and the rural revitalization process, exploring the dual impact mechanism—both positive and negative—of microcredit on rural revitalization. It further elaborates on the contributions of rural microcredit to developing rural industries, protecting the ecological environment, fostering new trends in rural civility, enhancing governance efficiency, and improving the quality of life in rural areas. However, complacency is unwarranted. Rural microcredit must be recognized as a double-edged sword. This study identifies the negative impacts, risks, and challenges that persist, including deficiencies in the rural credit system, existing legal loopholes, relatively weak risk prevention and control capabilities, and insufficient innovation in service models and product design. Accordingly, this paper proposes reasonable and targeted countermeasures, such as optimizing the rural credit system, closing legal gaps, strengthening risk management, and enhancing service and product innovation. Overall, this study aims to provide theoretical support and practical guidance for the further development of rural microcredit within the context of rural revitalization, thereby continuously generating momentum for rural economic growth and livelihood improvement, and ultimately contributing to the accelerated realization of the strategic goal of rural revitalization.

Keywords: Rural Microcredit; Rural Revitalization; Credit System; People's Well-Being; Economic Development; Financial Support

1. Introduction

The Rural Revitalization Strategy constitutes the overarching framework for addressing issues concerning agriculture, rural areas, and farmers in the new era. It is essential for achieving the

Two Centenary Goals and realizing the Chinese Dream of the great rejuvenation of the Chinese nation. Within this strategic context, rural microcredit plays a vital and irreplaceable role. However, rural microcredit remains in a developmental stage, characterized by notable shortcomings and substantial room for improvement. Although existing studies recognize its potential, they often fail to provide a systematic examination of its dual effects—both beneficial and challenging—during the revitalization process. A clear research gap persists in holistically addressing the interconnected issues of credit systems, legal frameworks, risk management, and product innovation. Against this backdrop, this paper conducts an in-depth investigation into the development of rural microcredit. The main objectives are to: analyze the real-world interaction between rural microcredit and rural revitalization; identify and elaborate on its positive outcomes across industrial, ecological, cultural, governance, and livelihood dimensions; and critically assess its negative effects and inherent risks. Based on these findings, the study aims to propose targeted and practical countermeasures.

The significance of this research lies in its potential to provide valuable theoretical insights and actionable guidance for the future development of rural microcredit. In doing so, it seeks to contribute sustained momentum to rural economic development and the improvement of people's wellbeing, thereby supporting the accelerated realization of the strategic goals of rural revitalization.

The structure of this paper is as follows: following the introduction, Section 2 reviews the relevant literature and identifies the research gap. Section 3 analyzes the positive role and achievements of rural microcredit in promoting rural revitalization. Section 4 examines the existing challenges and potential risks. Section 5 puts forward corresponding countermeasures and recommendations. Finally, Section 6 presents the conclusion and prospects for future research.

2. Rural Microcredit

2.1. Research Background and Significance

The rural revitalization strategy is the necessary path and condition to address the most prominent contradiction in Chinese society in the new era and to achieve the two centenary goals and the Chinese Dream of the great rejuvenation of the Chinese nation. Rural microcredit is playing an increasingly important role in rural finance and has developed into one of the most important components of financial services to date. Rural microcredit is now playing an indispensable role in boosting the rural economy, increasing farmers' income and promoting rural industrial upgrading. However, it should be noted that although rural microcredit has many advantages, many of its drawbacks and risks can also be seen, such as the imperfect credit system of microcredit, many legal loopholes, weak risk prevention and control capabilities, insufficient service and product innovation, slow product renewal speed, information lag, etc. These deficiencies and problems have greatly limited the development speed of rural microcredit and hindered the advancement of rural revitalization. So, in the face of this critical situation today, a preliminary and in-depth understanding of rural microcredit in the context of rural revitalization is of great theoretical and practical significance.

2.2. Current Status of research at Home and Abroad

Compared with the initial exploration process of rural microcredit in China, research in this area was initiated earlier abroad, and the stage of improvement was also earlier. Therefore, we can appropriately draw on the research conclusions of foreign scholars and combine them with the actual situation of our country to conduct a more comprehensive and perfect exploration. Research on microcredit abroad mainly focuses on operational methods, risk assessment and control, performance evaluation, etc (Hermes, 2007). Among them, Jonathan Morduch, a well-known scholar in the field of economics who studies microcredit, has a deep understanding (Morduch, 1999) of the research on the effect of microcredit on poverty alleviation (Khandker, 2005), and finally concludes that microcredit can to some extent promote poverty alleviation and help the poor get rid of poverty earlier. This conclusion has been of great help in the country. Based(Armendariz,2010)on this, scholars in the country have explored in depth the role of rural microcredit in rural revitalization, its future prospects, potential problems, and coping strategies, in light of the real situation (Yunus, 2007) in the country. For example, Li Lili, a renowned economist in China, precisely pointed out that rural microcredit has a promoting effect on rural revitalization and a considerable driving force for improving the economic level of rural areas, but coexisting with it, microcredit also has its specific drawbacks, such as an imperfect credit system, lagging service products, and insufficient sources of funds. There are serious problems such as weak risk prevention and control.

2.3. Research Methods

This article employs a variety of research methods to ensure authenticity, reliability, and scientificity. The specific methods are as follows:

(1) Literature review method: Sort out and summarize relevant literature and academic achievements at home and abroad on rural revitalization and rural microcredit, with a focus on works and cutting-edge achievements in areas such as improving the credit system of microcredit, risk prevention and control, promoting service product innovation, and how this credit promotes economic development in the context of rural revitalization. Sort out the research system and lay the theoretical foundation. To provide sufficient and stable theoretical support for the research of this paper.

(2) Case analysis: Select the more classic rural areas in the eastern, western and central regions of China (such as the typical Deqing County in Zhejiang in the eastern region, Danling County in Sichuan in the western region, Jinzhai County in Anhui in the central region, etc.) as the subjects of specific case analysis in this article, and explore in depth the practical practices of rural microcredit in the local areas, and further explore the real obstacles faced by the local areas for this credit, As well as the difficulties and potential risks in the implementation of relevant policies by the government, practical, convenient and replicable accurate measures have been discussed respectively for these problems to add practical persuasiveness to the research conclusions of this paper.

3. The Role of Rural Microcredit in Rural Revitalization

3.1. Boosting Industrial Prosperity

Thriving industries are undoubtedly the core driving force for rural revitalization. Only with thriving industries can local economic development be better promoted, people's income levels be raised, and people's well-being be improved (Beck, 2007). But the shortage of funds is the main bottleneck restricting the development of industries. However, rural microcredit has the three major characteristics of "small amount, low threshold, and fast lending", which precisely correspond to the main obstacles to the development of industries in rural areas. It can provide better support for the financial needs of the development of industries in rural areas and also provide favorable support for the upgrading of rural industries.

3.2. Promote Ecological Livability

Ecological livability is an essential requirement for rural revitalization. As the saying goes, "Green mountains and clear waters are better than mountains of gold and silver." In today's world of rapid economic development and continuous technological innovation, ecological and environmental protection has become an important requirement for economic development and a key criterion. Rural microcredit provides a financial basis for ecological protection and rural environmental protection, and also promotes green industries in rural areas. It provides financial guarantees (Zeller, 2002) for the reduction of industrial pollution and the improvement of the ecological environment for residents. Further exploration, we can delve deeper into these funds for environmental purposes, and based on actual cases, we can conclude that the funds for microcredit are mainly used for the purification and treatment of sewage, the centralized removal and environmental treatment of garbage, and the treatment of pollution in animal husbandry and breeding. The following is a real case: In Yixing City, Jiangsu Province, a small sewage treatment station was established through rural microcredit to meet the standards for sewage discharge; Changde City, Hunan Province, has set up garbage sorting stations using rural microcredit and purchased a large number of organic fertilizer processing facilities, which has increased the reuse rate of garbage and effectively solved the key environmental pollution problem of "garbage surrounding villages and sewage flowing everywhere" in rural areas. From these actual cases, it can be seen that the rural microeconomy has provided significant impetus and laid an important foundation in promoting the greening of rural industries, facilitating the transformation of rural energy and environmental protection, and promoting an ecological and livable environment.

3.3. Promoting Civilized Rural Customs

Rural civilization is the spiritual foundation for rural revitalization. Through the fund of rural microcredit, emphasis can be placed on the development of rural culture, the promotion of rural traditional culture, the improvement of farmers' quality (Ghosh, 2013), and the provision of good financial guarantee, material guarantee and development impetus for the cultivation of simple folkways, good family traditions and civilized rural customs. Among them, in the most difficult aspect of improving farmers' quality, local conditions can be effectively examined, such as using microcredit funds to carry out publicity activities on civilized qualities, related cultural promotion activities, vocational skills training, popular science publicity and other lectures. To promote the

inheritance and innovation of culture, enhance farmers' confidence in themselves and their own culture, and promote the high integration of rural civilization and cultural revitalization.

4. Problems Facing Rural Microcredit in the Context of Rural Revitalization

4.1. Imperfect Credit System and Assessment System

At present, the credit system for rural microcredit in China is steadily advancing, but the credit assessment system is still in the optimization stage. The rural credit rating system, compared with the urban credit rating system, places less emphasis on hard conditions such as farmers' assets and income, and pays more attention to the proportion of integrity, which leads to less credibility in the rating results. On the one hand, the rural credit information collection system is relatively backward, resulting in a relatively chaotic and difficult collection of information; On the other hand, there is a lack of a unified national quantitative standard for rural credit evaluation and the proportion of integrity, which makes it difficult to accurately assess the credit status and integrity of borrowers and increases the risk (Conning, 2007)of taking on credit. In addition, due to the backward level of education in rural areas, some farmers have a relatively weak sense of credit and there is a phenomenon of maliciously evading debts, which has greatly affected the healthy development of rural microcredit.

4.2. The Capacity for Risk Prevention and Control is Relatively Weak

Rural microcredit risks are classified into three categories: external environment risks, borrower risks themselves, and operational risks of financial institutions. External environmental risks are caused by uncontrollable factors such as natural factors, institutional reforms, market changes, such as floods, droughts, pests and diseases, which lead to reduced crop yields, unstable farmers' income, loss of repayment ability and inability to repay (Dupas, 2013); The borrower's own risks stem from the individual characteristics and credit awareness of farmers or rural small and micro enterprises, such as the fact that most rural small and micro enterprises have a relatively small level of operation, weak risk resistance capacity, and mistakes in management decisions, which can easily lead to poor operation resulting in losses and bankruptcy, weakened repayment capacity, and inability to repay on time. Or farmers have weak credit awareness and lack of information, which leads to incomplete and inadequate understanding of credit contracts; The operational risks of financial institutions are caused by internal mistakes within rural microcredit institutions, such as incomplete risk warning mechanisms, chaotic management processes, and insufficient professional capabilities of personnel, which lead to pre-loan review risks and post-loan management risks.

4.3. Inadequate Innovation in Products and Services

4.3.1. The Loan Structure is Unreasonable

The loan amounts and terms are mostly small and short-term, not applicable to some agricultural projects (Cull, 2009) that require large amounts of capital and are long-term, such as

tropical fruit cultivation, where farmers may face repayment pressure without reaping the fruit income. The repayment methods are also relatively limited, with monthly interest payments and one-time repayment at maturity not applicable to some tourism workers whose income depends on the off-season or hot season.

4.3.2. Credit Products are Limited

With the progress of The Times and the increase of industries, many microcredit products are limited and can no longer meet the needs of the general public. There is a lack of diversified, differentiated and innovative credit products

4.3.3. Limited Range of Services

Due to geographical and personnel limitations, the service scope of a small number of rural financial institutions is difficult to cover remote areas, and there is insufficient microcredit service in some remote areas, resulting in some farmers being unable to enjoy convenient financial services.

5. Optimized Strategies and Methods for Rural Microcredit Development in the Context of Rural Revitalization

5.1. Strengthen Risk Prevention and Control Mechanisms

The strengthening of the risk prevention and control mechanism for rural microcredit mainly involves managing risks in three aspects: before, during and after the loan, and determining the corresponding risk prevention and control system and measures in light of the local rural background. Before lending, to avoid relying solely on integrity reports and lacking credibility, methods (Karlan, 2011) such as strengthening pre-loan investigations and optimizing customer access mechanisms can be adopted. Use a combination of online and offline investigation methods to verify both the data and the business conditions on the spot to avoid situations where credit and interest do not match or are asymmetrical. At the same time, based on the characteristics of the surveyed farmers, indicators and reviews are given by taking into account the integrity report, the stability of production and operation, land and property assets, etc. In loans, strengthen monitoring and management of rural microcredit (Ledgerwood, 1999) by establishing risk assessment and early warning models. Real-time tracking of borrowing customers' operating conditions and repayment capabilities can match loan amounts to farmers' operating conditions to prevent excessive or insufficient credit granting. At the same time, strengthen risk management within financial institutions and cultivate the risk prevention and control capabilities of professionals; After the loan, improve the risk guarantee mechanism and jointly introduce credit + insurance products with the government, village committees, insurance companies, etc. to reduce risk losses. At the same time, raise farmers' awareness of credit. For those who fail to repay on time, first find out offline whether the default is caused by uncontrollable factors, then distinguish whether it is malicious debt evasion or temporary hardship. For the former, investigate according to the law, and for the latter, repay through negotiation, installment, extension and other methods.

5.2. Innovate Microcredit Products and Services

Based on rural production and life, agricultural industry characteristics and farmers' demands, from the aspects of product design and service model Carry out product and service innovation,. A variety of products for emerging industries such as rural e-commerce and tourism can be developed, and service stations can be added while simplifying application procedures and processes. Simple data uploads can be made through mobile apps and wechat mini-programs, and intelligent processing can be implemented using today's Internet big data technology to improve the convenience and efficiency of services.

5.3 Improve the Rural Credit System

Establish and expand a complete and sound mechanism (Burgess, 2005) for collecting and sharing rural credit information. In combination with the credit information of various judicial departments, comprehensively depict and improve the credit files of each household. Establish a cross-departmental data sharing mechanism and create a favorable credit environment by strengthening credit education and publicity. Severely punish the untrustworthy in accordance with the law and offer incentive mechanisms and preferential treatment to borrowers with good credit. At the same time, build a credit evaluation system that is compatible, enhance the scientific nature of credit ratings, and use big data AI models to replace traditional manual ratings to reduce subjective errors (Demirguc-Kunt, 2013).

6. Conclusions and Prospects

Rural microcredit plays a significant role in the rural revitalization strategy and is of great significance for promoting rural economic development and improving the living standards of farmers. Although rural microcredit has achieved certain development at present, with its scale expanding, service providers becoming increasingly diverse and products innovating, it still faces many problems such as an imperfect credit system and weak risk prevention and control capabilities. Through the implementation of optimized strategies such as improving the rural credit system, strengthening the risk prevention and control mechanism, innovating products and services, broadening the sources of funds, and enhancing the popularization and education of financial knowledge, rural microcredit can better adapt to the needs of rural revitalization and play a greater role in promoting the prosperity of rural industries, ecological livability, civilized rural customs, effective governance and prosperous life. In the future, with the continuous advancement of the rural revitalization strategy and the deepening of rural financial reform, rural microcredit is expected to have broader development space, further facilitating high-quality development in rural areas of our country and providing solid financial support for the full realization of the goals of the rural revitalization strategy.

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