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# Research on Financial Services Supporting Agricultural Industrialization in Tai'an City

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**Abstract:** As a major agricultural city, Tai'an has long been committed to the development of agricultural industrialization and provided some financial support. However, the support of financial services for agricultural industrialization is not sufficient. Therefore, studying the path of financial services supporting agricultural industrialization in Tai'an City has significant theoretical and practical significance. This article first analyzes the necessity of financial services to support agricultural industrialization, which is reflected in the cultivation of leading enterprises, investment in production factors, infrastructure construction, production base construction, introduction, development and promotion of high-tech, and the high risks of agricultural industrialization that require financial services to support. Then, the current situation and existing problems of financial services supporting the development of agricultural industrialization in Tai'an City were analyzed, including insufficient rural financial support for agriculture, too single financial service products, optimization of financial service methods, inadequate credit guarantee system, poor financial credit environment, insufficient insurance services, and insufficient government financial support for agricultural industrialization. Finally, propose corresponding policy recommendations: Strengthen the support for agriculture in rural cooperative finance. Strengthen the support for agriculture through policy based finance in rural areas. Strengthen the support for agriculture in rural commercial finance. Strengthen the support for agriculture through private finance. Optimize financial service methods. Innovate financial service products. Improve the credit guarantee system. Optimize the financial credit environment. Improve insurance services. To establish a long-term and effective agricultural industry development system, the Tai'an Municipal Government needs to play its own guiding and supporting role.

**Keywords:** Agricultural Industrialization, Financial Services, Rural Revitalization

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## 1. Introduction

Agricultural industrialization requires the support of financial services, including the cultivation and development of leading enterprises, investment in production factors, infrastructure construction, production base construction, introduction, development and promotion of high-tech, high-risk issues in agricultural industrialization, as well as the demand for talent, equipment, technology, research and development, innovation, supply chain construction, logistics construction, etc Large scale construction requires a large amount of funds.

However, the profitability of finance and the weakness of

agriculture often lead to some degree of failure in rural financial markets [1], resulting in insufficient financial support for agricultural industrialization [2]. Firstly, from a financial perspective, the funding needs for agricultural industrialization cannot be met: the funds required for agricultural industrialization cannot be solved through formal finance [3]; Informal finance cannot effectively supplement the demand for agricultural industrialization funds; Financial support cannot effectively induce agricultural credit [4, 5]. Secondly, in terms of financial services, the financial services for agricultural industrialization are not perfect: the functions of financial institutions are not sound, and the scope of services is relatively narrow [6]; The level of financial services is not high; Weak risk sharing in financial services;

Weak regulation of financial services; The supporting environment for financial services is lacking [7, 8].

This requires moderate government intervention and a combination of various policy measures to play a role in building an agricultural financial service system, preventing and controlling agricultural risks, improving rural financial legal systems, and establishing a path for financial services to support agricultural modernization, promoting better financial services for agricultural development.

## 2. The Necessity of Financial Services Supporting the Development of Agricultural Industrialization

(1) The cultivation and development of leading enterprises in the process of agricultural industrialization require the support of financial services

On the one hand, the industrialization of agriculture is still in its early stages. Although there are many agricultural enterprises, their overall scale is not large. Most agricultural enterprises are relatively small, and their growth is difficult and slow [9]. It is difficult to develop into regional leading enterprises solely on their own. This requires the support of financial services to help some enterprises develop into leading enterprises [10]. On the other hand, for leading enterprises that have already reached a certain scale, the expansion of their scale, upgrading of equipment, optimization of production processes, and enhancement of competitiveness all require financial support from financial services [11].

(2) The input of production factors, infrastructure construction, and production base construction in the process of agricultural industrialization require the support of financial services

Firstly, in the process of agricultural industrialization, the acquisition of production factors requires the support of financial services. Firstly, seeds, fertilizers, pesticides, greenhouses, feed, tractors, harvesters, etc. require a large amount of capital investment; Secondly, the agricultural talents required in the process of agricultural industrialization also require a certain amount of financial investment in order to obtain them [12].

Secondly, the infrastructure construction of agricultural industrialization requires the support of financial services. The infrastructure construction of agriculture, including water conservancy construction, transportation construction, and logistics construction, affects the industrialization of agriculture, all of which require a large amount of funds; At the same time, the development of agricultural industrialization and the construction of agricultural product logistics chains require a large amount of capital investment; Necessary capital investment can extend the agricultural industry chain, optimize the structure of agricultural products, promote the market-oriented and scientific development of agricultural production and management, fundamentally promote the development of agricultural industrialization,

and enhance the overall competitiveness of the agricultural industry [1].

Finally, the construction of agricultural product production bases in agricultural industrialization requires the support of financial services. In the construction process of agricultural product production bases, the construction of infrastructure, procurement of mechanical equipment, and improvement of agricultural products all require a large amount of funds, which creates a strong demand for financial services support.

(3) The introduction, development, and promotion of high-tech in agricultural industrialization require the support of financial services

Firstly, the process of agricultural industrialization is also the transformation of agriculture from traditional extensive management to modern intensive management. The development of agriculture towards industrialization and intensification requires the participation of high-tech. The introduction, development, and promotion of high-tech require financial support [13].

Secondly, the development of high-tech in agricultural industrialization has significant external effects, but high-tech development itself is a high-risk behavior, and the weakness of the agricultural industry deepens the risk of agricultural high-tech development. In the absence of external intervention, commercial financial institutions usually control financial support for agricultural technology innovation behavior due to risk prevention considerations [14].

(4) The risks of agricultural industrialization require the support of financial services

Firstly, the weakness of agriculture determines the high risk of agricultural industrialization. The risks of agricultural industrialization mainly include natural risks, market risks, and contractual risks. Taking natural risks as an example, in the past, agricultural production relied heavily on the weather. With the development of agricultural technology, the passive situation of producers has greatly changed. Technological progress has reduced the impact of natural disasters on agricultural production, but it has not completely eliminated this impact. The natural risks of agricultural industrialization development cannot be underestimated. In addition, market risk and contractual risk also determine the high risk of agricultural industrialization. Coupled with the existence of moral hazard, financial institutions exhibit typical reluctance to lend during the process of agricultural industrialization, which is the primary reason for insufficient financial service support for agricultural industrialization [15].

Secondly, information asymmetry exacerbates the risks of agricultural enterprises. Whether it is natural risk, market risk, or contractual risk, the probability of losses or defaults on both sides of the transaction is theoretically equal. But in fact, compared to dispersed farmers, enterprises often have a certain scale and fixed business premises, paying more attention to market reputation and the long-term benefits of honesty and trustworthiness. Therefore, most of the time, enterprises become the victims of risks, putting them at a disadvantage.

### 3. The Shortcomings of Financial Services Supporting Agricultural Industrialization in Tai'an City

(1) Insufficient financial service support for agricultural industrialization

At present, there is still a problem of insufficient financial support for agriculture in rural areas of Tai'an City. The funds required for agricultural industrialization cannot be solved through financial services, which clearly hinders the process of agricultural industrialization in Tai'an City.

The rural financial services in Tai'an City are mainly provided by rural cooperative financial institutions (rural credit cooperatives), rural policy financial institutions (Agricultural Development Bank of China), and rural commercial financial institutions (Agricultural Bank of China).

However, under the long-term development strategy of heavy industry, light agriculture, and heavy city, light rural areas, even these three financial institutions have invested a large amount of limited funds into non agricultural fields. Below the township level, the service outlets of rural financial institutions are insufficient. In addition, with the development of financial technology in recent years, the operating outlets of financial institutions in rural areas are gradually shrinking. In addition, factors such as the cultural level of farmers have to some extent increased the complexity of the loan process, and financial institutions are also more strict in risk assessment, while also considering more benefits. Agricultural industrialization has long loan cycles, low returns. The difficulty in controlling risks and other characteristics have led to a continuous increase in the supply gap of agricultural loans, which to some extent hinders the development of agricultural industrialization.

(2) The financial service products are too single, and the financial service methods need to be optimized

Financial service products are too single. There are differences in the economic situation and agricultural development level in different rural areas of Tai'an City, which leads to different demands for financial services from different agricultural production and operation entities in the process of agricultural industrialization. However, currently, many rural financial service products in many places are too single to meet the requirements of different agricultural industries.

(3) Insufficient credit guarantee system, poor financial credit environment, and insufficient insurance services

Firstly, the credit guarantee system is not sound enough. Due to the lack of a sound credit guarantee system, financial institutions generally have a mentality of "loan reluctance" due to risk considerations, which makes it difficult for agricultural production and operation entities to obtain credit financing. Secondly, the financial credit environment is poor. There is a widespread problem of information asymmetry in rural financial markets, which has caused long-term credit shortages and increased transaction costs for financial

institutions, exacerbating the financing difficulties of agricultural industrialization.

(4) Insufficient financial support from the government for agricultural industrialization

The total amount of financial funds invested in the agricultural sector is insufficient, and the allocation of financial funds invested in the agricultural sector is unreasonable. The insufficient financial services for the development of agricultural industrialization cannot be resolved through existing financial investment and incentive mechanisms.

### 4. Measures for Supporting Agricultural Industrialization Through Financial Services in Tai'an City

(1) Strengthen financial support for agriculture

Firstly, strengthen the support for agriculture in rural cooperative finance. Rural credit cooperatives play a major role in supporting agricultural industrialization, and strengthening their support for agriculture can effectively accelerate the pace of agricultural industrialization. Tai'an City needs to guide rural credit cooperatives in Tai'an to achieve standardized upgrading and gradually develop into structurally reasonable cooperative financial institutions; Encourage rural credit cooperatives to actively introduce social capital, maximize the absorption of idle rural funds, increase the total amount of financing, strengthen their market competitiveness, enhance their scale, and better serve local agriculture.

Secondly, strengthen the support for agriculture through rural policy finance. Agricultural policy finance should always adhere to the principle of long-term and low interest rate lending, and encourage the development of agricultural industrialization to the greatest extent possible. In order to effectively adapt to the development demands of agricultural industrialization, policy based financial institutions mainly focused on agricultural development banks need to continuously expand their business scope, expand the loan scale of the agricultural industry, provide financial services for the construction of characteristic agricultural product bases, agricultural resource collection and protection, and build a sound financial support system for agriculture.

Thirdly, strengthen the support for agriculture in rural commercial finance. Firstly, Tai'an City needs to accelerate the regulation of the rural financial market, create a healthy market environment, reduce service costs, avoid operational risks, and enhance its profitability in the rural market. At the same time, it needs to improve financial and tax policies to reduce the cost of entering the rural market, thereby attracting more commercial financial institutions to extend their service tentacles to rural areas and serve agriculture. Secondly, commercial financial institutions need to deepen their own reforms and establish specialized "agriculture, rural areas, and farmers" service departments in order to provide

more professional services for the development of the agricultural industry and continuously improve the quality of agricultural support services.

(2) Innovate financial service products and optimize financial service methods

Firstly, optimize the methods of financial services. Rural financial institutions should be guided by the needs of agricultural farmers and enterprises, and explore low-cost and easy to promote rural financial services; Simplify financial service procedures, scientifically adjust loan cycles, and reasonably reduce loan interest rates for agriculture; Continuously expanding the scope of collateral and orderly promoting pilot projects for mortgage of land contract management rights.

Secondly, innovate financial service products. Rural financial institutions should form the core concept of serving agriculture, rural areas, and farmers. In response to the development needs of agricultural industrialization, they should accelerate financial innovation, launch diversified financial service products, and meet the diverse financial needs of rural areas.

(3) Improve the credit guarantee system, optimize the financial credit environment, and improve insurance services

Firstly, improve the credit guarantee system. In terms of introducing agricultural credit guarantee funds, Tai'an City can leverage fiscal funds to leverage private funds, build an agricultural capital integration system, and provide interest discounts and guarantees for agricultural production and operation entities; Fully leverage the guarantee role of fiscal funds, provide agricultural credit guarantee risk subsidies, reduce the risks of guarantee institutions, and make guarantee institutions willing to provide credit guarantees for agricultural production and operation entities.

Secondly, optimize the financial credit environment. There is a widespread phenomenon of information asymmetry in rural financial markets, which has led to a growing lack of credit, increased transaction costs, and exacerbated the financing difficulties of agricultural industrialization. Therefore, there is an urgent need to optimize the financial credit environment in rural areas.

Thirdly, improve insurance services. Firstly, it is necessary to attempt to build a policy based agricultural insurance system, seek in-depth cooperation with insurance companies, guide the insurance industry to provide deep services to agriculture, expand the coverage of agricultural insurance, and increase the types of insurance products for characteristic crops and livestock breeding. Secondly, it is necessary to use financial funds to strengthen support for agricultural insurance, expand the scope of subsidized insurance products, and increase the subsidy ratio of agricultural insurance products. Thirdly, it is necessary to try to promote the pilot work of disaster insurance, guide the insurance industry to set disaster reserves for agricultural insurance, and continuously optimize the diversification strategy of disaster risks. Fourthly, it is necessary to strengthen the supervision of agricultural insurance, guide the insurance industry to continuously optimize service levels, build a reasonably

competitive agricultural insurance market, resolutely punish fraudulent behavior, and ensure the stable development of agricultural insurance.

(4) Strengthening the role of the government

In order to establish a long-term and effective agricultural industry development system, the Tai'an Municipal Government needs to play its own guiding and supporting role. Firstly, we need to increase fiscal support for agriculture, attach great importance to the allocation of funds required for the development of agricultural industrialization, and appropriately increase the investment of fiscal funds in agricultural development. However, the investment of fiscal funds needs to be correctly evaluated in the direction and focus of agricultural production, while assisting in establishing a financing platform for agricultural development, increasing cooperation between the government and banks, and actively attracting social funds to flow into the agricultural production process, Transforming "fiscal allocation" into a new approach of "fiscal investment+social funds" to expand the effect of fiscal support for agriculture. The second is to actively promote the measures taken by the government to support leading enterprises and establish leading enterprises that can drive the development of agricultural industrialization. Relying solely on oneself is a long process, and the government needs to focus on supporting leading enterprises with the ability and potential to drive the development of agricultural industrialization. However, in the process of selecting support objects, it is necessary to improve evaluation standards and avoid the phenomenon of making up the number. Thirdly, agricultural insurance companies should be provided with agricultural support policies, which can improve their profitability through subsidies and tax incentives, thereby guiding funds to flow into the development process of the agricultural industry.

## 5. Conclusion

This article first analyzes the necessity of financial services to support agricultural industrialization, which is reflected in the cultivation of leading enterprises, investment in production factors, infrastructure construction, production base construction, introduction, development and promotion of high-tech, and the high risks of agricultural industrialization that require financial services to support. Then, the current situation and existing problems of financial services supporting the development of agricultural industrialization in Tai'an City were analyzed, including insufficient rural financial support for agriculture, too single financial service products, optimization of financial service methods, inadequate credit guarantee system, poor financial credit environment, insufficient insurance services, and insufficient government financial support for agricultural industrialization. Finally, corresponding policy recommendations are proposed.

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## Conflicts of Interest

The authors declare no conflicts of interest.

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