

Study on the Construction of the Chinese Rural Credit System

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Abstract

The rural finance of China is still weak in the Chinese financial system. Without the support of the capital factor, the new rural construction of socialism could not be realized, but the investment of the capital factor and the enhancement of the humanistic morality must be based on the good credit information resource. The rural financial departments should fully support the construction of the new socialism village, but the capital investment of the financial department must depend on good rural credit environment. In recent years, with the support of local governments and the society, the construction of the rural credit project has achieved significant effect, but many problems such as the weak credit consciousness and deficient control measures still exist in many rural financial institutions. The problem of difficult loan still confuses farmers, counties, small and middle enterprise, and rural financial institutions.

Keywords: Rural finance, Credit system, Policy advices

1. Actualities of the Jilin rural credit system

The rural credit system means the organic integer of the financial environment and financial orders among rural financial institution (credit association), borrower (farmers, small and middle rural enterprises), and rural basic government, and the guarantee system to supply and return credit capitals, and reduce the credit risk. Concretely speaking, it is a kind of operation mode of “farmer + inspection + credit” which takes the farmer in the wide rural region as the unit, establishes the farmers’ information indexes including the basic information, production management, main income source, and housing structure, and evaluates farmers’ credit grade in virtue of them, and farmers could apply loans from the rural credit cooperative association according to that.

1.1 Rural credit and credit supply has been in the scattered state for a long term

In a long term after the system of contracted responsibilities on the household basis with remuneration linked to output was implemented in wide rural villages, low-level agricultural modernization and abundant labor force resource could make farmers to accomplish the farm cultivation and realize the demand for dressing warmly and eating their fills by their productivities and labor force resources. In this term, the rural production activities are only farm cultivation, so the relative credit behaviors only exist in those activities such as small-scale farm byproduct trade, petty cash borrowing, and human relationship communication. With the development of rural economy and the continual enhancement of the urbanization degree, the rural production activities have not been limited in farm cultivation, and extended to the credit relationships among working outside, rural private enterprises, and rural financial institution. Therefore, the rural credit range is being extending. But the character of scattered and small rural credit is still predominant because of the limitations such as the decentralization of working outside, the small scale of rural enterprises, and low-level of rural products.

1.2 The rural credit information circulation system still in the initial term of construction

The opening degree of the rural credit information is lower. First, the time to construct the Chinese credit system is late, and the time from the bank credit registration consultation system begun to prepare to be constructed to the corporate and personnel credit information database run in the net is less than 14 years. At present, the financial institution to provide the credit support to rural enterprises and farmers is mainly rural commercial bank. By the limitation of many factors such as the data acquirement difficulty, and the management system of the rural commercial bank, except that most rural enterprise credit information could normally enter into the credit system, the acquirement and report of the farmer credit information which is related with the credit of the rural commercial bank still need to be largely pushed, and according to the present individual credit system data reporting requirement, the networking and reporting of the information of these farmers are still lagged. Second, residents’ non-bank information existing in commerce and industry, taxation, and telecom, has not been brought

into the personnel credit information database. The asymmetric state of information between the financial institution and farmer would influence the benefit analysis of the financial institution to the farmer, and the credit risk could not be forecasted normally. At the same time, in the instance when the credit information circulation system is imperfect, the faith breaking punishment mechanism could not be established effectively, and the faith breaking behaviors could not be punished effectively, and in the same way, the faith keepers' behaviors could not be encouraged effectively.

2. Problems existing in the rural credit system

2.1 The comprehensive credit management institution is deficient

The construction of the rural credit system needs a standard, uniform, objective, just and high-effective social credit management system to effectively overcome the disturbance of the department benefit, the drive of the selfish departmentalism, and the high cost of the cooperation. Because of the deficiency of the management institution and the credit management of various departments, the government could not comprehensively manage the rural credit status. The construction of rural credit is one basic project of the regional credit system construction, which evolves various aspects, and needs various governmental departments to plan as a whole, and many relative functional departments such as town government, village committee, finance, discipline inspection committee, drumbeating, justice, and taxation to participate together, and provide suited policy supports and services from policy, system, and service. But at present, some governmental departments could not emphasize and invest this work, and they only drumbeat and construct the organization system, but won't essentially drive the key works such as helping to collect the credit association loans, punishing the faith breaking behaviors by the power of the whole society, and the encouragement and limitation mechanism and the social atmosphere that "the faith keeper will be benefited and the faith broker will be punished" have not be established well.

2.2 The credit management system is not healthy, and the legal guarantee is deficient

The punishment of the faith breaking behaviors and the maintenance of the credit order finally should depend on the deterrent force of laws, which is same to the construction of the Chinese rural credit system. The deficiency of the law guarantee of Chinese rural credit system is mainly embodied in two aspects including unhealthy legislation and inadequate enforcement. First, there are no legal regulations and behavior standards about the rural credit in China, and the punishments of the collection, management, evaluation, and faith breaking behaviors about the rural credit information is no rule to follow. And the punishments about the purposive debt skipping behaviors have not been regulated definitely, which promotes village enterprises to evade paying debts. Second, the enforcement of rural financial cases is very difficult, and the enforcement efficiency is lower, and the favoritism enforcement still exists. After some village enterprises evade the debts, they could not be punished correspondingly, which could further promote the moral risk of breaking faith for village enterprises.

2.3 The government could not match with the financial departments well

At present, the financial department could not fully implement and execute relative monetary policies, could not fully support the economic development, and the drumbeating of relative governments and enterprises to farmers is still not enough. The communication could not be implemented in time, and the linkage between the industry development items and the credit investment intention of the local government with the financial department is not close. Especially, village committees could not sufficiently help farmers to select the items, use the loans, return the loans, and eliminate the risk, and relative departments have not brought the credit work into the work category of the town government, and have not combined the rural economy and financial support with the construction of the credit mechanism, so the rural credit environment is worse, and banks are worried about loaning, and farmers are difficult to loan.

2.4 The present rural credit guarantee mode is imperfect

The multi-farmer guarantee mode must be evaluated and checked by various relative departments in the town credit association and the county credit association, which could prevent and eliminate the risk of rural credit to some extents. But with the increase of the management, credit demand, and capitals, this guarantee mode could not satisfy the demand of rural financing and prevent the credit risk obviously. The deficiency of the credit guarantee is one of most important causes to deteriorate the ecological environment of rural finance, and the ability of the financial institutions to protect their own rights is still deficient, and the powerful punishment measures are deficient baleful borrowers, and the financial creditor's rights could not be protected effectively, and the normal financial orders in the rural regions have been seriously influenced. There are not definite legal items to restrain those borrowers falling behind.

3. Policy advices for Jilin rural credit system

3.1 *Providing good legal environment*

As the main management body of credit, relative departments of the central bank have the obligation to provide necessary credit information, eliminate the information walls, set up various standards and powers to open the credit data to make the credit data could be used normally, and set up the punishment standards and measures for the faith breaking behaviors. It is very important to confirm the punishment standards and measures for various faith breaking behaviors, and the central bank should set up the relative standards, conditions, and rules about various credit participating bodies, change the confused management and deficient inspection, uniform and standardize the market admittance and market behaviors, and uniform and establish the faith breaking punishment mechanism, and the market exist mechanism, to promote the orderly running of the credit activities.

3.2 *Strengthening farmers' credit consciousness*

The credit construction in rural areas should be the demonstration project to advocate the “village civilization”, largely develop the “credit town”, “credit village”, and “credit farmer”, implement the preferred credit supports for faith keepers, and punish the faith breakers, and purify the rural finance ecological environment. For those faith keepers, the credit encouragement polices such as “loaning first, preferred interest rate, and simplified procedures” are implemented to make wide farmers to experience the value of “credit”, and fully realize that the credit could help them to loan from the banks, and make the concept of “the credit keeper benefits and the credit breaker loses” to gradually enter into all people, and obviously promote the rural credit environment. First, the existing enterprise and individual credit systems are used to construct the information platform, and provide the credit information resource to perfect the rural credit system. For example, large numerous of farmers' credit information accumulated in the “three-credit engineering” by the rural credit association would enter into the individual credit system, and provide more comprehensive information support for rural credit investment and farmers' undertaking in the city. At the same time, the information sharing between the individual credit system and other departments in the society should be fully pushed. Second, the non-bank information acquirement should be pushed, and the credit information resources should be enriched continually, and the firm information base should be established for the construction of the rural credit system. Finally, the credit knowledge resources should be used to develop the credit knowledge drumbeating and education activities in wide rural areas.

3.3 *Quickening the construction of the rural credit guarantee system*

The town agricultural loan guarantee company should be gradually established to develop a fast lane between rural enterprises and banks and lead more capitals to flow into the “agriculture”, and provide the development platform for higher level, higher stage, and bigger scale rural enterprises, and establish the multi-farmer guarantee organization in the wide areas, which means that the farmers engaging in the agricultural items in some scale are organized voluntarily to compose one group, such as 5-10 households, and pay certain caution money for the cooperative guarantee, and make the joint guarantee agreement, and the bank provides the loan for the members in the group in the useful-life, and the members in the group assume the guarantee joint responsibility together, with quick and convenient procedures. To push the construction of the rural credit project, the credit support force to “three-agriculture” should be strengthened, and especially, the agricultural planting and fostering enterprises and the professional rural cooperative economy organization should be supported, and the rural loan guarantee and the credit system construction should be fully supported. The town government and the county government and relative departments should highly emphasize the construction of the rural loan guarantee and credit system, and fully strengthen the lead and work instruction in many aspects such as procedure, personnel, and capitals. The county government should establish the risk reserve system for the agricultural loan guarantee company, and pay the county rural risk fund to the agricultural guarantee company according to 5-10% amount of the guarantee company capital stock, which is mainly used to charge against the management loss and the subrogation compensation payment, and compensate the bad guarantee debt loss, and extend the capital stock in the guarantee management. For the present three loan guarantee companies in China, the government should invest certain risk reserve to encourage them according to their guarantee amounts for rural enterprises' loans. The town government should invest no less than 30% capital stock in the establishment of the agricultural guarantee company.

3.4 *Strengthening the governmental functions*

Local governments should bring the construction of the rural credit system into the total plan of the construction of the new socialism village and the harmonious society, and make and make known to lower levels the evaluation and development plan, and bring it into the government work target layer to layer, which could promote the governments to further exert the “dominant” level. Then, the government should actively explore

and establish the suited encouragement and restriction mechanism. On the one hand, the government should emphasize the utilization of the credit grading result in the public management and the service system, actively explore the positive encouragement mechanism of “faith keepers will benefit”, and enhance the influence of the “credit” in the public. On the other hand, the government should actively harmonize relative functional departments to fully utilize various measures including politics, economy, law, and consensus, and develop the special governance activity properly, and expose those faith breaking behaviors, and increase the faith breakers’ breaking cost, and strengthen the punishment strength. In the construction of the new socialism village, both the rural economic development or the new farmers’ cultivation and the rural spirit civilization construction all need a good credit environment and system, so the good rural credit system should be established vigorously.

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