

Actuality and Problems of the Financial Support of Agricultural Industrialization in Jilin Province

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Abstract

Jilin Province is one of the biggest agricultural bases in China, and the development road of agricultural industrialization is the necessary approach for Jilin to Construct the new socialism village and realize the agricultural modernization. At present, the agricultural industrialization level of Jilin is lower, and the development speed is slow, and the main cause is that Jilin lacks in a perfect agricultural industrialization financial support system, which makes the financing in the rural finance market become very difficult, and the resource allocation efficiency of agricultural industrialization become very lower.

Keywords: Jilin Province, Agricultural industrialization, Rural finance

The rural industrialization finance support system is the organic entity that both supplier with demander interact each other. The supply is mainly provided by the financial organizations and institutions such as the rural credit cooperative, and various managers in the rural industrialization chain are the demand objects in the rural finance.

1. Actuality of the financial support of Jilin agricultural industrialization

1.1 Actuality of the financial supply of Jilin agricultural industrialization

1.1.1 Development of regulated financial institutions

(1) Agriculture Bank of China should be the main financial institution to support farmers, but the commercialization reform makes the bank remove large numerous of rural branches, and up to the late of 2008, the quantity of the branches of Agriculture Bank reduced 40, and decreased to 597, a decrease of 6.3%, and the employees reduced 1995 than the last year, and decreased to 13780, a decrease of 9.3%.

(2) Agriculture Development Bank of China is the policy bank serving for the development of agriculture, and up to the late of 2008, the quantity of Jilin branches of Agriculture Development Bank was 59, without increase comparing with the last year, and the quantity of employee was 1924, an increase of 81 (4.4%) than the last year.

(3) Rural credit cooperative is the core force in the rural regulated financial institutions, and its branches almost spread all over towns and far villages. Up to the late of 2008, the asset sum of Jilin rural credit cooperative was 70.72 billion Yuan, and the quantity of branch was 1593, and the quantity of employee was 20771. The agricultural loans authorized by Jilin rural credit cooperative in 2008 were 34.92 billion Yuan, an increase of 7 billion Yuan than the year of 2007 (25%), and the balance of agricultural loans was 26.8 billion Yuan, which increased almost three times than the late of 2004, and satisfied most demand of the rural economic development.

(4) Other rural regulated financial institutions also include part commercial banks and rural postal savings, and up to the late of 2008, there were 1092 postal savings institutions in Jilin, and the proportion of the fundamental branches in far rural areas was about 60%, which directly provided financial services for about ten million rural population in 624 towns in Jilin Province.

1.1.2 Development of nonofficial financial institutions

In 1980s, some self-organized rural cooperative fund organization occurred in Jilin, and because of their flexible credit interests and high income, they occupied many business of the rural credit cooperative, and blocked the normal development of the rural credit cooperative. To solve this problem, the government issued a series of polices to limit the existence and development of nonofficial finance, but the effect is not obvious. At present,

the scale and amount of the rural underground finance in Jilin is still in the middle upper level, which indicates that the civil debit and credit finance in Jilin is quite popular. For example, in the survey of 300 households in the Bayi Group of Xingfu Town of Changchun City of Jilin Province, about 80% of farmers' debits and credits were implemented with relatives, friends, or neighbors. Therefore, the nonofficial finance has occupied very important state in the rural finance.

1.2 Analysis of Jilin agricultural industrialization objects' financial demands

At present, the financial institutions could not satisfy the financial demands from farmers, heading enterprises, and farmers' professional economic cooperative organizations.

First, farmers' demand for capitals is short-term, small, scattered, flexible financial demand lacking in security guarantee conditions, and there are large numerous farmers in Jilin, and each farmer is potential service object of financial demand, but the regulated finance could not offer the financial service for each farmer, either the cooperative finance or the civil finance.

Second, the raw production materials of those big agricultural industrialization enterprises mainly are farm products, and because of the influences of natural environment factors in the production process, farm products could not be predicted, which further limits the development of big agricultural enterprises, and increases the risk of credit. 79% key heading enterprise in Jilin are small and middle enterprises, and the quantity of big enterprise is only 20%. That indicates that the agricultural industrialization of Jilin is still in the initial stage of development, and it is driven by small and middle heading enterprises. The management state of quite part of agricultural industrialization enterprises is not good, which brings large difficulties for the management of the credit of banks and credit cooperatives, and the supply and demand of credit begin to be misplaced obviously.

Third, the farmers' professional economic cooperative organization has common profit with farmers, and it can link the industry chains fixedly, and form effectively interest linkage mechanism, and it is the most effective carrier of the agricultural industrialization. This kind of cooperative organization could link scattered farmers with the agricultural enterprises to form the interest community. However, the governmental departments and regulated financial enterprises could not effectively support of the farmers' professional cooperative organization, and relative legal guarantee is deficient, and farmers' capital accumulation is still limited, so the development of the farmers' professional economic cooperative organization is hard to satisfy the practical demand of the development of the agricultural industrialization.

2. Problems in the Jilin agricultural industrialization financial support system

2.1 The organization structure of the financial support system has serious deficiencies

Up to now, the perfect agricultural industrialization finance support system has not been formed in Jilin, and the financial organization form and the space structure are not perfect, and the sort of financial institution is single.

(1) The organization form of the rural finance support system is not perfect. At present, the rural finance of Jilin gives priority to state-owned regulated financial institutions, lacking in the compensation of nonofficial financial institutions (such as the cooperative foundation). The capital quantity of rural financial institutions is less, but their responsibility is heavy, and they are not balanced extremely, and the serious structure unbalance exists in asset structure, capital source, and capital utilization.

(2) The space structure of the rural financial support system is not perfect. The economy of Jilin is the mode of development pole of Changchun, and the economy of the middle region focused in Changchun City is developed, and the financial institution distribution is perfect, but the economy in the east and northwest regions is still lagged, and the distribution density of financial institutions is small. But whether in the middle regions or in east and northwest regions, financial institutions are mainly centralized in urban regions and the financial institutions in rural regions are seriously deficient.

From 1990s, the agricultural bank begun to implement the policy of "cutting employees and increasing efficiency", and remove or merge many branches. Up to the late of 2008, there were 597 branches of agricultural bank in Jilin, a decrease of 40 than the year of 2007 (decreasing 6.3%), the quantity of employee was 13710, a decrease of 96 than the last year (decreasing 0.7%). There were 59 branches and 1924 employees (a decrease of 81 than the year of 2007, decreasing 4.4%) of the agricultural development bank. There were 1478 branches of rural credit cooperative, a decrease of 115 than the year of 2007 (decreasing 7.2%), and the employees decreased 1171 than the last year, and decreased to 19600, a decrease of 5.6%. The farmers in some far regions could only enjoy the financial service supplied by the rural credit cooperative.

(3) The sort of the rural financial institution is single. There are two kinds of institutions including debit and credit in the rural regions of Jilin Province, and the development of non-bank financial institutions such as

investment and insurance is seriously deficient, which induces the abnormality of the rural financial development.

2.2 The efficiency of the financial support system is weakened

The efficiency of the financial support system means the capital investment and output of financial institutions, i.e. the relationship between the financial institutions and the economic growth. Only with effective property right, sufficient competition, and strict bankruptcy limitation, the financial organization system could present higher efficiency. The weak rural financial support system of Jilin is mainly presented in following aspects.

First, because the state-owned commercial banks removed their financial business in rural regions, the rural credit cooperative lacks in competitive opponents in the rural financial market, so the efficiency of the financial resources is very low, and the support to the rural economic development is deficient.

Second, because of numerous farmers in Jilin, the rural financial resources should be sufficient, but many rural financial resources flowed to the city or the industries with higher profit because of the profit of capitals. At the same time, because of man-made interference, part loans from rural financial institutions flowed to the rural industry with low efficiency, not to the demand of eliminating poor farmers' poverty and the development of rural economy.

Third, because of the rural credit cooperative occupies absolute monopolization state in the rural financial market, the sort of rural financial business becomes very simple, which could not satisfy the demand of the financial service in the development of rural economy. At the same time, because of many disadvantageous factors such as bad reputation, the financing of the rural credit cooperative becomes very difficult.

2.3 The function of the rural financial support system is not perfect

First, the rural policy finance has not assumed the burden of support farmers, and its function is very simple. The Jilin Agricultural Development Bank is the unique agricultural policy bank authorized by the State Council of China and the People's Bank of China, and its main responsibility is to finance based on the government credit according to policy guidance and legal regulations, assume the agricultural policy finance business, pay the financial aid-agricultural capitals as an agent, and serve for the development of the agriculture and the rural economy. However, the economy of Jilin is not developed, and the capital compensation offered by the financial department of the government is very limited, and the financial reform of China regulated that the agricultural development bank should implement the corporation management and independent operation, so the large gap is existing between the capital supply and the capital demand of the agricultural development, which largely weaken the policy aid-agricultural force of the agricultural development bank.

Second, because of the adjustment of the macro financial policies of China, the state-owned commercial banks removed and merged basic institutions in rural regions. Up to the late of 2008, there were 364 branches of the Industrial and Commercial Bank in Jilin, a decrease of 4 (decreasing 1.1%), and the quantity of employees reduced 117, and decreased to 12967, a decrease of 0.9%. The quantity of the branch of the Construction Bank increased 1 than the last year, and achieved 298, an increase of 0.3%, and the quantity of employees was 8232, an increase of 171 (increasing 2.1%). The quantity of the branch of China Bank reduced 6 than the last year, and decreased to 198, a decrease of 2.9%, and the quantity of employee reduced 6, and decreased to 5356, a decrease of 0.1%. The quantity of the branch of the Agricultural Bank reduced 40 than the last year, and decreased to 597, a decrease of 6.3%, and the quantity of employee was 13170, and reduced 96, a decrease of 0.7%. At the same time, loans in state-owned commercial banks begun to centralize in big enterprises, big cities, and big projects, in defiance of the loan demands in rural regions.

Third, because of the unsuitability to the development of rural economy, Jilin rural credit cooperative begun to implement the reform since 1996, and standardized the work according to the cooperation principle. After 10 years' reform, it still has not changed its deficiency in the system, which limited the development of the rural cooperative finance. At the same time, because of the advantages such as universal cash saving and withdrawing and convenient balance of the postal savings, Jilin rural credit cooperative is in the dry tree with the postal savings to directly compete, and many rural capitals flowed outside. Because of lacking in the confidence of the rural economic development, the capitals which should be invested in the agricultural production were invested in other industries. In a word, the invested agricultural capitals are deficient, which made the rural economy develop slowly.

Fourth, the laws and regulations of the civil financial supervision in Jilin are deficient, and the supervision measures are lagged. The supervision of rural finance is mainly realized by administration orders, assisting by economic punishment, and at present, there are not any laws and regulations about the supervision. In the "Some Opinions of the Supreme People's Court on Issues in the Trial of Cases on Debit and Credit" issued in 1996, and

the interest rate of civil credit could be properly higher than the interest rate of the bank, which is a kind of quite blurry standard. In addition, because of the large difference among the interior of the financial supervision department and the interior of the theoretical cycle, the supervision department became at loose ends. In a word, there is not a special financial supervision law in China, the civil debit and credit behaviors could not be supervised according to the law.

Fifth, the agricultural insurance with narrow covering range and imperfect mechanism is hard to resist various risks existing in the agricultural production. According to the data statistics from the Jilin PICC Branch in 2008, the total income of the agricultural insurance charge of Jilin was 688.89 million Yuan, and the sum of compensation was 895.42 million Yuan, and the yearly average loss ration achieved 129.98%, which made the agricultural insurance be in a dilemma, i.e. if the insurance charge rate was constituted according to the commercial requirements, farmers could not pay it, but if the insurance charge rate was constituted according to the standard which farmers could accept, the insurance company could not pay it. At the same time, because of weak insurance consciousness, farmers could not fully realize that the agricultural insurance was the effective approach to reduce the agricultural risk and maintain their own interests. In addition, the agricultural insurance laws are not perfect, and there is not a set of complete laws to definitely regulate the operation of the agricultural risk and the national support policies, and the local finance could not pay the policy insurance allowances, which all make the agricultural insurance develop difficultly.

3. Conclusions

First, the development of the rural finance in Jilin is still in the initial stage, and the gross of the rural financial asset and the agricultural loan of the financial institutions grow slowly, and the loans to village enterprises decrease largely, even the zero-loan exist in some regions, and the loan structure is largely unreasonable.

Second, various regulated financial systems largely reduced their financial branches in rural regions, and their capital investment transferred to the city from the villages, and the supply of the rural financial capitals was largely deficient, and the nonofficial finance lack in the protection of laws and the leading of the policies.

Third, national commercial banks exit from rural regions, and the policy agricultural development bank could not effectively support the rural economy. Though the rural credit cooperative becomes the main supporter in the agricultural industrialization, but its scale and ability is still limited, and its burden of bad assets is too heavy, and some credit assets are not related with the agriculture, so its support to the agricultural industrialization should be further enhanced.

Fourth, various objects of the agricultural industrialization are largely different for the financial demand. For example, farmers need short-term and temporary production capitals, and the leading enterprises need convenient and comprehensive financial service, and the farmers' professional cooperative economic organizations need the credit capitals in the process of production, transportation, and distribution of farm products. Different financial demands should be satisfied by the regulated and nonofficial financial organizations together.

Fifth, the countermeasures and suggestions of the running efficiency of the four-dimensional model of the Jilin agricultural industrialization financial support system are proposed in this article from many aspects such as the reorientation of the policy finance, the commercial finance, and the cooperative finance function, the leading and supervision of civil finance, the policy adjustment and the mechanism construction, and the construction of the agricultural insurance institution. And based on that, the agricultural industrialization financial support system which could fit for the situation of Jilin Province is established finally.

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