

Analysis of Rural Households' Consumptive Loan Demand and the Influencing Factors

Li-Hong YU^{a,*}, Xiao-Qing WANG^b

College of Economic and Management, Shenyang Agriculture University, Shenyang, China

^a1350414668@qq.com, ^b386336519@qq.com

Keywords: Rural households; Loan demand; Living Consumption.

Abstract. This study is about rural households' demand of living consumptive loan in Shandong province. After carrying out follow-up survey for 6 consecutive years, the results show that the household consumptive loan demand is vigorous, and it has obvious regional differences, which is inversely proportional to the level of local economic development; the farmer's age, the size of family, income, assets of family, social resources they all have significant impacts on consumer loan demand. Paying attention to the rural consumptive credit and developing it are proposed based on above.

Introduction

In September 17, 2012, the CBRC promulgated < the measures for the administration of loans to farmers>, it pointed out that the household loan refers to the domestic and foreign currency loans the banking financial institutions issue to the households who meet the conditions for the use of production operations and living consumption. With the establishment and improvement of rural market economy and the improvement of the living standards of farmers, the scope of the demand of households' loans continues to broaden. [1] Is the households' loan used for living consumption demand? Or it is used for production requirements? Or it is used for both of them? In order to better meet the households' demand for loans and guide households to the rational use of loans, it is particularly important to master what kind of demand households have. However, the mainstream view is that households in developing countries have a main production-oriented demand for formal credit, and a consumptive demand for informal credit. [2] But with the rapid development of Chinese rural economy, the use of the demand of households' loan has changed greatly; the research above can not fully reflect the real demand and use of loans of households in China. This paper chooses Shandong Province as an example, using 2686 households' loan demand survey data for six consecutive years, making empirical analysis of changes of households' consumption loan demand and its influencing factors, and according to the analysis we put forward policy recommendations to improve the supply of loans in Chinese rural areas.

The Selection of Sample and the Basic Situation of Sample Area

In order to make the samples more representative, according to the degree of development of the rural economy in Shandong province and the financial market environment, we choose the east, middle, and west of Gaomi City, Jiyang county and Caoxian three regions to carry out a questionnaire survey. Rural economy in Gaomi area is relatively developed, while in Caoxian is relatively backward, the situation in Jiyang is medium. We choose 1 Township from each region randomly on December 2007 according to the rural per capita net income, the same again we choose 4 villages from the town randomly to investigate, and a survey in December of each year, for 6 consecutive years until 2012. The quantity of survey sample is 2686, including 835 samples in Gaomi City, 914 samples from Jiyang, and 937 samples from Caoxian. The survey mainly inspects farmers' basic situation including annual loan demand, life consumer loan demand and farmers' household characteristics.

The Total Demand of Farmers' Loan and the Characteristics of Consumptive Loans Demand to Farmers

The number and amount of loans to farmers demand increase year by year, different regions are significantly different. The number and amount of loans to farmers demand have increased, with different increasing range in different years. The number of demand of loan in Gaomi has the fastest growing speed, from 265 households to 335 households, growth rate is 10.44%; the amount of demand is the highest, from 6.14 million yuan per household to 7.05 million yuan per household. The growing speed of the number and amount of households loan demand in which area is lower than that in Gaomi, the number of households increases from 253 to 312, the proportion of it increases from 27.68% to 34.14%, growth rate is 23.32%; the average amount increases from 5.72 million Yuan to 6.52 million yuan. Caoxian as a traditional agricultural area, the growing speed of number and the amount of loan demand were lower compared with the first two areas, the number of households increases from 241 to 295, the growth rate is 31.48%, the average amount increases from 5.07 million Yuan to 6.05 million yuan. This suggests that in areas of different development levels, the number and amount of farmers demand for loans is both growing, but in the more developed economy area, the growing speed is relatively higher. This may be due to farmers in rich areas relatively having more investment opportunities, and less in poor areas, the difference of demand number ratio in rich area is from 6.02% in 2007 to 8.64% in 2012. Overall, the proportion of households in demand increases from 28.26% to 35.07%, the average amount increases from 56 thousand and 600 Yuan to 65 thousand and 600 Yuan. Therefore, in recent years, farmers' loan demand is vigorous. Meeting the farmers' demand for loans is a long-term and urgent research topic.

The number and proportion of households' consumer loan demand increase year by year, but the amount and proportion of demand decrease faster. In recent years, demand of the household loan using for consumption increases rapidly, but the amount of demand growth is slow, the proportion has declined. In 2007, the number of households in demand is 759, the number of consumption demand is 336, the proportion is 44.27%; while in 2012, the number of households in demand is 942, the number of using for consumption increases to 522, the proportion is 55.41%. With the number of households in consumptive demand increasing significantly, it is worth noting that the proportion of the amount of demand has a decreasing trend in the total amount of loans, which decreases from 50.93% in 2007 to 41.6% in 2012. The reason is with the development of the rural economy, farmers in rich become much more, the farmers have a need to improve the quality of life, so they hope to meet the needs of life through loans; on the other hand, due to the high loan interest rates of rural credit cooperatives and other financial institutions, around 12%, farmers' loan demand become more rational.

The number of household' in consumptive demand increases year by year, proportion of life and consumption change a lot. There are two main aspects of households consumptive loan demand: One is life demand, mainly including house building or house purchasing, weddings and funerals, daily life and medical treatment; the other is consumptive demand, mainly including education, car purchasing, and decoration. According to the survey, although the number of households living use loan demand has increased, the ratio of it has decreased year by year. The number of it increases from 267 in 2007 to 349, but the ratio reduces from 79.46% to 66.86%. The number of households in consumptive loan demand increases rapidly, and the ratio increases year by year. The number of it increases from 69 in 2007 to 173, and the ratio increases from 20.54% to 33.14%. Among them, the number of educational demand increases, but the ratio changes little, the demand of the car purchasing and decoration are increased rapidly both in aspects of number and ratio. Thus, the household in the life uses of loan demand still accounts for a large proportion, but with the improvement of living standards of farmers, their consumptive demand is increasing, especially the car purchasing and decoration. It is important and urgent to lead a reasonable guide and meet the farmers' demand for consumptive loans.

The Affecting Factors of Rural Households' Living Consumptive Loan Demand

The influences of household age on living consumptive loan demand. Households in different ages have different family responsibilities. Survey shows that farmers in 31-50 year old have the most vigorous demand, but at this age group, the ratio of living consumptive demand is the minimum, just accounted for 45.30%, while the ratio of other age groups accounted for 62.24% and 71.43%. One of the reason is due to that the households below 30 years old is relatively young, the ability of accepting new things is strong, consumptive desire relatively strong, such as the car purchasing and decoration, they are full of confidence for the future income, which make their living consumptive loan demand relatively vigorous; the second reason is households in age of 31-50 have a certain economic power, but it is wary of consumption for them because of their aggravating family burden; the third reason is households over 50 years old have heavy expenses on house building and purchasing, wedding and funerals, and medical treatment, so their living usage of loans is vigorous.

The influences of household population on living consumptive loan demand. The Table 1 shows that with the increase of the number of households' population, the number of loan demand increases, and consumptive loan demand changes greatly. The living consumptive loan demand of family which has less than two people or more than four people is relatively higher, but as a middle family size, the ratio of demand of a three people family is only 165 households, accounted for 46.35%, which is too low to conform to the author's prior expectations. According to the analysis, there are two main reasons for this phenomenon, one is that most two people families are the newly married households, consumptive demand is exuberant, four or more people families shoulder heavy burden of life and have the urgent need of funds to solve weddings, funerals, and health problems; the other reason is three people households usually have strong economic power which have adequate funds, so that they can borrow from relatives and friends to meet their funds demand rather than use high interest rate loans.

The influences of household net income on living consumptive loan demand. Table 1 shows that households with higher or lower income have a relatively higher demand level, while the middle stratum's demand for loans is only 24.09%, which is relatively lower; but the living consumptive loan demand is different, and its ratio decreased with the increase of income, namely consumptive demand of households in low income accounted for 79.37%, and higher income households accounted for 37.69%. The reasons are as follows: one is the lower income households tend to have many of life's problems remained to be solved, such as housing, weddings and funerals, medical expenses, while relatives and friends are also unable to give effective funds help, so it is anxious for them to gain loans to ease life predicament, and even the use of usury; the second is households in higher income have adequate funds in aspect of living and consumption, and it is easy for them to borrow money from friends and relatives for temporary emergency, so their living consumptive demand isn't vigorous.

The influences of household assets on living consumptive loan demand. In Table 1, we can see that loan demand of households that have higher or lower family assets is higher than ordinary households', but the situation of their living consumptive loan demand is similar to the effect of household net income that households demand increases with the decrease of household assets. One reason is households with more assets have relatively adequate funds; second, households with less assets is more willing to use loan to solve the problem of high life expenditure, large funding gap, and absence of suitable channels for funding raising.

The influences of household social resources on living consumptive loan demand. The household social resources refer to the relatives and friends working in the village, township, as well as banks and other financial institutions, and the head of the household's authority in the village. Table 1 shows that the number and ratio of the loan demand of households with social resources is higher, there are 410 households and the ratio is 71.68%, but its living consumptive loan demand is lower, with 135 households and the ratio is 32.93%. Households with no social resources have the opposite situation, and they are in sharp contrast. The reason is that households with social resources have strong comprehensive power to solve the life problem easily, so the loan

is mainly used for production; no social resources households tend to be relatively poor, and need more money to afford the life, so the loans are mainly used for life consumption.

Table 1. The main influencing variables of households living consumptive loan demand in 2012.

Influencing variables	Variable subdivision	Living consumptive loan demand (households)		Household in loan demand (households)		Total number
		number	Ratio of loan demand	number	Ratio of total number	
Age	Below 30	61	62.24	98	17.59	557
	31-50	246	45.30	543	45.75	1187
	Over 50	215	71.43	301	31.95	942
Population	Below 2	99	64.71	153	28.23	542
	3	165	46.35	356	32.13	1108
	4 and above	258	59.58	433	41.80	1036
Net income	10 thousand or less	150	79.37	189	57.98	326
	11 thousand -30 thousand	251	58.10	432	24.09	1793
	30thousand and above	121	37.69	321	56.61	567
asset	100 thousand and below	129	77.71	166	38.88	427
	110 thousand-200thousand	178	54.60	326	23.94	1362
	200thousand and above	215	47.78	450	50.17	897
Social resource	yes	135	32.93	410	71.68	572
	no	387	72.74	532	25.17	2114

Data source: according to the survey data obtained.

Policy Implications

Subdivide the household loan demand and innovate the household loan product. Due to the rapid development of the rural economy in recent years, household loan demand has greatly changed, and it presents some features and rules. Therefore, formal financial institutions should keep pace with the time, pay attention to different households' loan demand and subdivide it, especially household living consumptive loan demand, innovate product of loans for households timely, and make measures on households living consumptive loan, to meet the growing loan demand for households

Increase the number of rural formal financial institutions and promote the competitive development of rural household loan market steadily. Although in recent years great progress is made by the reform of rural formal financial institutions, the number of formal financial institutions in the rural financial market is still insufficient, especially the insufficient supply of loans. Although many financial institutions are located in the countryside, business objectives have deviated from the ordinary farmers. At present, in the rural market especially in less developed areas, rural household loans mainly rely on credit agency, and there is also a serious phenomenon that the other financial institutions put a limit on farmers' credit. So increasing the number of formal financial institutions and encouraging other financial institutions to launch more loans to farmers should be carried out simultaneously, which play a key role in steadily promoting the competitive development of farmer loan market to meet farmers' different demand of loan.

Formulate the corresponding financial support policy and start to expand the market of rural consumptive loans. To face the great opportunity of starting and expanding rural consumptive

market, the central bank and the Banking Bureau and other relevant departments should formulate corresponding policies: one is to encourage farmers to ask for consumptive loans and give some rate subsidies to them; the second is tax relief on financial institutions engaged in household consumer loans; third ,considering farmers' large consumptive loans, it is important to establish a convenient and effective system of loan demand, loan guarantee and loan supply among farmers, businesses and financial institutions, creating a demand and supply channel of farmers' consumptive loans.

Acknowledgment

This paper was supported by the National Natural Science Foundation (71203147); The Ministry of education, humanities and social science research project(14YJA790017); Colleges and universities in Liaoning Province outstanding talent support program (WR2014003); Training program of Liaoning province agriculture Youth Science and technology innovation talent (2014052); Liaoning province social science foundation (L14BJY036); Shenyang Municipal Bureau of science and technology project (F16-233-5-23).

References

- [1] Zhou Zongan, A survey and analysis of farmer credit demand: the case of Shandong Province,J. Journal of Financial Research. 356(2010) 195-206.
- [2] Huang Zuhui, Liu Xichuang, Cheng Enjiang, The demand for credit China farmers: method comparison and empirical analysis of production or consumption, Management World. 3(2007)73-80.