Study on the Availability of the Farmer Cooperatives Financing Demand

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Abstract. Farmer cooperative has gradually become an important organization carrier of increasing farmers’ income and promoting rural economic development. With the rapid development of farmer cooperatives in Shenyang, their demand for fund increased. However, there are still a considerable number of cooperatives that can not obtain credit support from formal financial institutions, the problem of financing restricted the further development of cooperatives. Based on the investigation of the farmer cooperatives in Shenyang, this paper analyzes the features of cooperative financing demand, degree of satisfaction of demand and the causes of financing problems. Finally this paper puts forward policy suggestions to provide some possible reference countermeasures for solving the formal credit financing problem of local cooperatives.

Introduction

Since Farmer Cooperatives Act was implemented in 2007, farmer professional cooperatives have developed rapidly in the country, involving planting, breeding, forestry, agricultural socialization and other fields, and played an important role in promoting agricultural efficiency, farmers’ income and rural development. Under this background, farmer cooperatives also have sprung up in Shenyang, as of the end of June 2014, there are 3889 farmer cooperatives in Shenyang, involving 9 districts and counties (cities), covering more than 1300 administrative villages, promoting 270000 rural households. However, in sharp contrast to the momentum of rapid development of cooperatives, there still exist many difficulties and problems in the process of cooperatives development, among which one of the problems is the lack of fund and financing difficulties, which greatly restricted the growth of cooperatives. Based on this, this paper takes farmer cooperatives in Shenyang as samples, investigates and analyzes the features of cooperative financing demand, degree of satisfaction of financing demand and the causes of financing problems, in order to provide some decision-making for effectively solving the problem of farmer cooperatives financing and deepening the reform of rural financial.

Features of Farmer Cooperatives Financing Demand

Greater Demand of Formal Credit Fund for Cooperatives

Judging from the data of 68 surveyed cooperatives, 56 cooperatives indicate the presence of a funding gap in the operating process of production, purchase and sale, accounting for 82.4\% of the sample. In terms of financing channels, 91.07\% of the cooperatives with financing needs want to finance from the formal financial institutions, 67.86\% want to finance from the credit cooperatives, 21.43\% want to finance from the postal savings bank, thus, the postal savings bank gradually expands its credit business in some rural areas, and becomes a force which supports “three rural”(the support of “agriculture, rural areas and farmers”). Only 8.93\% of the cooperatives with financing needs want to finance from the private loans and other financing channels.

Cooperative Loans for Production Use, Large Amount of Fund Demand and Long Loan Term

Judging from the use of the loan capital of surveyed cooperatives, most capital are used for renovation and expansion of production base, accounting for 32.14\%, followed by the purchase of means of production, member products and equipment, accounting for 23.21\%, 19.64\% and 19.64\%
respectively, then the capital turnover, brand construction and so on. Thus, fund demand of surveyed cooperatives is mainly productive management demand, rather than a pure capital turnover demand. Judging from the loan amount that cooperatives want, more than 60% of the cooperatives want to loan more than 300000 yuan, 33.93% want to get the loan of 300000-500000 yuan, 25% want to get the loan of 500000-1000000 yuan. It is shown that the scale of fund demand of surveyed cooperative is large. Judging from the loan term that cooperatives expect, 58.93 percent of the cooperatives expect the loan term to be 1-2 years, 25 percent of the cooperatives expect the loan term to be 3-5 years, the cooperatives who choose 1 year or less short-term loans are relatively small, accounting for 7.14%. Loan term that the sampled cooperatives expect is medium term, and that coincides with the use of the cooperatives loan fund, the loan is mainly used for expanded reproduction and scale management demand.

Greater Demand and HigherExpectations for Government Financial Support

The survey shows that farmer cooperatives have a greater demand for financial support from the government, especially in the case of the financing services in formal financial markets that can not be satisfied, and the cooperatives have higher expectations for financial support provided by the government. The results show that more than sixty percent of the cooperatives express that they “strongly” and “very strongly” need government to provide credit service. At the same time, in the interview with some farmer cooperatives, most cooperatives expressed the urgent requirement, “the need for the government to increase financial support for cooperatives”, expected that the government will introduce some policies to solve the problem of financing difficulties of the cooperatives.

Analysis on the Degree of Satisfaction of Farmer Cooperatives Financing Demand

Low Formal Credit Availability

The survey shows that only 23 of the 56 farmer cooperatives with credit demand get some loans from formal financial institutions, accounting for 41.07%; Only 8.7% of the cooperatives which get loans from formal financial institutions express that loan can satisfy its fund demand; The cooperatives which express loans can basically satisfy the demand accounts for 39.13%, the cooperatives which express loans can’t satisfy the demand accounts for more than fifty percent, at 52.17%. Thus, the actual loan amount of cooperatives is far lower than expected. Statistics show that credit fund coming from rural credit cooperatives accounts for 73.91%, credit coming from the postal savings bank accounts for 21.74%, agricultural bank and other banks accounts for only 4.35%, thus, formal financial services institutions of the sample cooperatives are mainly rural credit cooperatives, followed by the postal savings bank, which also reflects that the agricultural bank and other rural financial institutions don’t take action for the service of farmer cooperatives.

Smaller Loans Amount, Shorter Term, Difficult Loans without A Fundamental Change

Judging from the situation of the recent formal credit of farmer cooperatives, the largest loan amount is 2 million yuan, the minimum is 50000 yuan, large difference between them. Separately, the line of credit at 110000-300000 yuan range accounts for the largest, at 30.44%, followed by 510000-1000000 million yuan range, accounted for 21.74%, overall, the credit line of the cooperatives is small, credit line of 500000 yuan accounts for 65.22%.

Judging from loan term, most of the loans of the cooperatives are 1 year or less short-term loans, accounting for 78.26% of the total cooperatives that loaned; 1-2 years loans accounts for 21.74%, no more than three-year loans. The survey shows that 60.87% of the cooperatives express that it is difficult to get loans from the rural credit cooperatives and other formal financial institutions, 26.09% of the cooperatives consider it is very difficult, taken together, accounted for more than eighty percent, only 13.04% of the cooperatives express it is easy. From the survey, no matter from the perspective of loan amount or loan term, actual situation of formal credit of the cooperatives is far lower than expected, and there are still some problems in getting loans.
The Significant Individual Differences of Satisfaction Degree of Credit Demand among Cooperatives

The survey shows that satisfaction degree of credit demand of cooperatives has significant individual differences, which mainly reflects in the scale of the cooperative and whether it is a demonstration cooperative. The credit availability of large-scale farmer cooperatives is significantly higher than small cooperatives, and lines of credit significantly larger, and the loan amount of small cooperatives significantly smaller. The satisfaction degree of credit demand of demonstration cooperatives, especially the national and provincial demonstration cooperatives is much higher than that of the non-normative cooperatives, formal credit constraints of non-normative cooperatives is very obvious.

Cause Analysis on Financing Difficulties of Farmer Cooperatives

Credit Supply Constraints of Formal Financial Institutions

Firstly, the credit products formal financial institutions provide for the cooperatives are few and single. At present, The loans rural financial institutions provide for cooperatives are primarily limited to traditional varieties, such as microfinance, co-guarantee loan and so on, these loans have the characteristics of low line, short term, and doesn’t adapted to the requirements of farmer cooperatives.

Secondly, formal financial institutions have a weak ability to grasp market opportunities, and their initiative of expanding the business of the cooperatives is poor. On one hand, in the process of service to the cooperatives, rural financial institutions emphasize risk too much, lack of initiative and enthusiasm to expand the cooperative credit, the awareness of developing new customer is weak; On the other hand, Financial institutions have always insisted on providing loan for large and quality customers, lack of consciousness of innovation, motivation and patience of cultivating and tapping farmer cooperatives supply chain finance.

Farmer Cooperatives’ Own Factors

The first is that the financial discipline is lax and qualification signal can’t be released. The survey finds that most cooperatives don’t set up a special accounting staff, there is no clear financial system. The operation of cooperatives is basically controlled by director and a few other wise men, the method of profit sharing is simple. The irregular financial management results in that the cooperatives can’t release real information about the management state when they loan to banks, which directly affects the assessment of the cooperative operation of financial institutions, leading to asymmetric information, making it difficult for financial institutions to effectively communicate with cooperatives.

The second is that weak capital strength restricts their availability of credit. Since the system of cooperatives implements the principles of volunteer to enter into and withdraw freely, free access principle makes the assets of the cooperatives extremely unstable, that makes it hard for cooperatives to form scale operation on one hand, on the other hand also weakens the force of the credit of cooperatives, makes it harder for cooperatives to sign the credit contract with rural financial institutions.

The third is that farmer cooperatives lack standard mortgage collateral. In order to prevent the risk, financial institution requires cooperatives to provide qualified mortgage collateral, but most of cooperatives are in early stages of development, the assets is limited, so the mortgage collateral is extremely lacking. And cooperatives usually have agricultural products, agricultural land management rights and other assets, and the identification of the financial institutions is low, so it is difficult for many cooperatives to obtain credit support from formal financial institutions.

The External Environment Constraints

The business scope of farmer cooperatives is related to agriculture, which faces great market risk and even greater nature risk. It determines that financial institutions need an effective risk sharing
and compensation mechanisms when they loan to cooperatives. But judging from the current situation, the construction of our country is lagging behind in this regard. The first is that rural guarantee system which adapts to the needs of farmer cooperatives is incomplete. Especially agricultural project guarantee, the willingness of guarantee companies is poor. In a certain degree, it restricts the financing needs of cooperatives. The second is that the development of agricultural insurance lags behind. It influences the initiative of credit of financial institutions in a certain degree.

Policy Implications

Strengthen the Construction of the Cooperatives Itself

The first is to improve the managing construction of legal institutions. Improve the system of board of directors, members of the assembly and board of supervisors of farmer cooperatives, strengthen democratic management and decision making of cooperatives; Increase the intensity of education and training of relevant personnel, improve the management ability of managers of cooperatives, strengthen the consciousness of the contract of cooperative members. The second is to strengthen the standardization construction. Farmer cooperatives should perfect financial system, strengthen the training of financial personnel, and improve financial institutions’ financial credence to cooperatives. The Third is to enhance the strength of cooperatives. Farmer cooperatives should strengthen its own organization construction, constantly establish and improve the institutional mechanisms, improve profitability, and enhance their own economic strength, create conditions for cooperatives to win more financial services.

Speed up the Rural Financial Reform, Strengthen the Ability of Serving the Cooperatives of Rural Finance

The first is to encourage financial institutions to increase credit for farmer cooperatives. Encourage commercial Banks to strengthen the credit support for the cooperatives; Rural credit cooperatives should make use of its geographical advantages, popularity advantages and information advantages, actively expand the business of cooperatives, develop cooperatives as key customers; Actively expand the scope of the services of the postal savings bank, enhance the postal savings bank’s ability of serving cooperatives. The second is to promote the innovation of the rural finance product and service. Rural financial institutions should take fully into account the financial demand of the loan targets, design financial products according to the characteristic of the requirements of the cooperatives, and improve the way of financial services for cooperatives. The Third is to create new ways of collateral. Actively explore to expand rural land management rights, rural housing land use right, forest rights and other rights pledge loan; Actively develop construction of credit evaluation system of farmer cooperatives, establish an agricultural credit guarantee system which is multi-level and multi-form.

Change the Role of Government, Create A Good External Environment for the Cooperatives Finance

Firstly, improve the credit evaluation system of farmer cooperatives. Local authorities should join financial institution to promote the establishment and improvement of the credit evaluation system of farmer cooperatives, and improve the discriminative ability of financial institutions for credit cooperatives. Secondly, establish and improve the rural property registration, evaluation, transfer and other intermediary service organizations and markets, create conditions for collateral, circulation and liquidity of rural property rights. Thirdly, local government, agricultural economics station and other departments should play a familiar advantage of farmer cooperatives, actively cooperate with the rural financial institutions to solve the problem of asymmetric information, and assist financial institutions to do a good job of investigation before loan. Fourthly, the government should fund the establishment of risk compensation fund, in order to reduce the risk expectation of financial institutions for loans cooperatives, guide rural financial institutions to continue to increase loans for cooperatives and members.
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