An Analysis of Rural Land Mortgage Financing Model in Western China—Based on the Study of Two Typical Mortgage Pilot in Ningxia

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Abstract. At present, in the western region is to develop agricultural land mortgage pilot work. How to perfect the existing mortgage financing model to solve the problem of financing difficulty become crucial. This article selected two typical cases of Ningxia, and analyzed their difference from the change pattern of system, mortgage way, risk prevention mechanism, financing object and loan amount. From the comparative analysis of the existing models, the existing land mortgage legal system, the registration of rural land confirmation and the risk prevention mechanism are found to be not comprehensive. Finally, it summarizes some Suggestions to improve the rural land mortgage financing model in the western region to promote rural economic development.

1. Introduction

For a long time, the problem of "agriculture, rural areas and farmers" has always restricted the development of rural economy in China. In the process of agricultural production financing, because farmers lack the effective collateral of financial institutions, the problem of "financing difficulty and difficulty in financing" is caused in rural areas. In order to improve the difficulties faced by rural loans, many rural areas in western China have been carrying out the practice of rural land mortgage financing. Ningxia is an important pilot for the implementation of farmland mortgage financing in the western region. The "Tongxin model" and "Pingluo model" in Ningxia are two typical agricultural land mortgage models.

2. Ningxia Farmland Mortgage Financing Model of Operation

2.1 Tongxin Model: Counter-guarantee Mortgage Financing Model

Tongxin County is located in the central region of Ningxia, with a total area of 4,662 square kilometers and a total population of 325,000. Among them, the agricultural population is 204,000, accounting for 62.8%. Tongxin County is rich inland resources, and the total area of farmland in the county is 212,500 mu. Tongxin County is arid and rainy, and the land is barren, so it is not suitable for large-scale agricultural development. The economic conditions of local peasant households are generally poor, and the operation mode is mainly based on single-family farming. Tongxin County has carried out the land property right mortgage pilot program since 2006. Through several years of exploration and practice, the reform pilot has achieved obvious results. "Tongxin model" is to rely on the village as a unit of the land association counter-guarantee mortgage model to meet the needs of farmers’ small loans.

The operation flow of "Tongxin model" is shown in Fig. 1. The operation steps are as follows:

(1) Establishing a land association through the village committee.
(2) The farmer needs to make a written application to become a member by not exceeding two fifths of the land management rights. The land to be bought into the land must be the land ownership certificate and the address level above medium.

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(3) A joint insurance group consists of three members, plus the standing member of a land association as a loan guarantor. The farmers who apply for the loan need to sign the mortgage contract with the guarantor and the land association.

(4) The land association and financial institutions sign the mortgage guarantee agreement. If the farmer fails to make the payment in time within the stipulated time, the association will pay the mortgage, and the land management rights of the mortgage shall be disposed of by the land association.

Figure 1. The operation flow of "Tongxin Model".

2.2 Pingluo Model: Direct Mortgage Financing Model

Pingluo County is located in the northern part of Ningxia Yinchuan plain, with a total area of 2634.23 square kilometers, of which the cultivated land area is 82.18 million mu. Pingluo County has a large land area and good soil quality. In 2011, Pingluo County became a pilot area for rural land property rights reform[1]. In 2012, Pingluo County began to promote the registration of land rights and began to carry out rural property mortgage loans in the county. Through these years; the loan business volume of "Pingluo model" has been increasing. By the end of May this year, the total amount of "two-right" mortgage loans in the countryside had reached 911 million Yuan, and the number of transactions reached 18,800.

The operation flow of "Pingluo model" is shown in Fig. 2. The operation steps are as follows:

(1) The farmers who want to apply for loans fill in the application form according to their own capital needs and the actual situation of the land, and apply to the village committee. The village committee will issue relevant supporting documents according to the actual land situation of the farmers.

(2) Farmers apply for loans from financial institutions through loan letters and certificates of land rights.

(3) According to the relevant materials submitted by the farmers, financial institutions go to local professional land appraisal institutions for evaluation. The land appraisal institute shows the land value assessment report.
(4) According to the ownership certificate of the land management authority and the land value assessment report, going to the related agencies for mortgage registration.

(5) The bank approved the loan to the applicant. If the farmer fails to make the payment on time, the bank can apply for the management of the land according to the mortgage agreement.

![Diagram](image)

Figure 2. The operation flow of "Pingluo Model".

3. Comparative Analysis of Pingluo Model and Tongxin Model

The two typical models of Ningxia have their own characteristics. Through the analysis of the operation process of the two modes, we can sum up the differences.

The change pattern of system: The "Pingluo Model" produced under the guidance of central policy and government, and it is the mode of government guided system change. However, the "Tongxin Model" is the spontaneous model innovation of local financial institutions and farmers to alleviate the shortage of local agricultural funds. It is a model led by the market. In "Tongxin Model", farmers are more independent, and the participants in the whole financing process are only farmers, land associations and financial institutions.

Mortgage way: "Tongxin Model" is an indirect financing mode and an anti-guarantee mode. It is assumed by the land association and the guarantor to take on the loan risk. Once the default occurs, the land association has the right to dispose the land management right. However, unlike the land association of "Tongxin Model", the village committee of "Pingluo Model" does not play the role of guarantee. "Pingluo Model" is directly by the farmers with the bank for the mortgage business, is a kind of direct mortgage financing pattern. If the farmer fails to repay the loan on time, the bank will apply for the management of farmland. According to the current existing legal channels, the bank application for disposal of farmland management fees is higher, "Tongxin Model" uses land association internal informal disposal rules to avoid the cumbersome process and high fees.

Financing object and loan amount: Tongxin County is arid and rainy, and the land is barren, so it is not suitable for large-scale agricultural development. The economic conditions of local peasant households are generally poor, and the operation mode is mainly based on single-family farming. So Tongxin counter guarantee model is designed in view of the separate management of small-scale, low its loans compared with Pingluo County, the largest single family loans is 50000 yuan, the vast majority of loan for 10000-30000 yuan[2]. At present, Pingluo County is promoting agricultural transformation and upgrading and encouraging rural land mass scale operation. It has successfully introduced 4 national agricultural products processing enterprises and 26 autonomous regional agricultural industrialization leading enterprises. Pingluo mode is mainly aimed at operators of large-scale agricultural production, and its largest single household loan amount is up to 3 million Yuan.

Risk prevention mechanism: Because the members of the land association in the concentric model are generally farmers in this village, and they are familiar with each other, thus reducing the risk of membership defaults to some extent. If there is a default, the land management is
temporarily disposed of by the land association. When the income of land circulation can balance compensation or farmers fill the money, the management of land once again return to the farmers. The anti-guarantee mode of Tongxin County can not only effectively finance the loan risk of financial institutions, but also reduce the risk of avoiding the loan of farmers. Pingluo County government in view of the agricultural land mortgage established agricultural land mortgage financing risk prevention fund, when produce bad loans, risk prevention fund takes 80% of the debt, and financial institutions need only take 20% of the debt [3]. Risk prevention funds reduce the risk of non-performing loans in financial institutions and encourage financial institutions to carry out farmland mortgage services.

4. Inspiration And Advice

Pingluo mode and concentric mode are typical cases of the direct mortgage mode and indirect mortgage mode in western China. The practice of these two models has provided valuable experience for the promotion of farmland mortgage financing business in the western region in the future. Based on the study of two typical models of Ningxia, some suggestions on the development of farmland mortgage financing business in western region are proposed.

4.1 To improve the relevant laws and regulations of farmland mortgage financing

According to the practice experience in Ningxia region, it can be learned that the existing law is not perfect. Perfect laws and institutions are an important basic condition for the western region to vigorously develop farmland mortgage financing business and optimize the existing mortgage mode. Currently, the experiment in the western regions is carried out in the form of local regulations, which lack institutional guarantee and are subject to existing laws. When a default occurs, the financial institution lacks legal support for the disposal of the collateral. So clear agricultural land mortgage rights legally can reduce the legal risk of farmland financing and improve the financing contract execution [4].

4.2 To undertake the registration of rural land confirmation comprehensively

Land confirmation registration is the basis of farmland property right mortgage, no matter which mode of mortgage need to determine the ownership of farmland property rights. The registration of land confirmation can avoid the property rights disputes due to the uncertainty of ownership, thus reducing the risk of non-performing loans. In the western region, the registration of rural land confirmation shall be carried out comprehensively, and the ownership relationship shall be determined and the corresponding certificates shall be issued. In this respect, Pingluo County is relatively good, and has registered the land area of 918,000 mu.

4.3 Improve the risk prevention mechanism

Generally speaking, the loan risk of direct mortgage financing model is higher than that of indirect mortgage financing mode. Therefore, in the future in the western rural areas of the design of the mortgage financing model, a multi-level agricultural land mortgage financing model combining with guarantee and insurance can be designed according to the local actual situation. The government should encourage local insurance companies to design characteristic agricultural insurance that conforms to local scale production, so as to avoid the huge losses caused by natural disasters to farmers and reduce the risk of loans. Improving the agricultural insurance system can promote the healthy development of the comprehensive agricultural land mortgage financing [5]. In addition, Pingluo County's risk prevention fund is also a very good risk prevention measure, can follow the Pingluo model, in Tongxin County or other western regions of the agricultural land mortgage pilot to set up the risk prevention fund. Pingluo County government set up a 10 million Yuan of agricultural land mortgage financing risk prevention fund [3]. All regions can be according to the local demand for loans, government revenues to build a suitable for their own areas of risk fund amount. Risk funds can effectively reduce the loan risk, reduce the pressure of non-performing loans of financial institutions, and encourage financial institutions in the western region to carry out the farmland property rights mortgage business.
5. Conclusion

In economic less developed areas and even in poor areas can try out farmland mortgage financing, the feasibility of agricultural land mortgage financing exist further broadening[6]. In order to break rural financing difficult problem, we must summarize and draw on the experience of practical experience of the pilot. From Ningxia in the study of the two models we can learn about the land mortgage financing mode of the west region should adjust measures to local conditions, and there is no unified mode. The future of the western region mortgage model is more likely to have two or more parallel state. We need to summarize the advantages and disadvantages in practice and learn from each other to perfect the existing mortgage financing model.

6. References


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