Taiwan Peasant Associations and Their Credit Business Characteristics Analysis

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Abstract. The peasant associations in Taiwan established at the period of Japan’s colonial age, the internal organizational structure has branded with Japan’s peasant associations. Since Taiwan was liberated in 1945, after few times of reorganization and support by the nationalist party government, the peasant associations in Taiwan has become a public corporation for “Farmer’s ownership, Farmer’s governance rights, and Farmer’s benefits”, the dominated by credit business of rural finance plays an important factor in promoting the agricultural and rural modernization in the island.

The Profile of Taiwan’s Peasant Associations and Their Credit Business

(a) The organizations and functions of Taiwan’s peasant associations

Now, the non-governmental organizations in Taiwan which has peasant cooperative economic character mainly have two large systems, one is a comprehensive service system of peasant associations, and the other is to provide individual services such as storage and transportation, sales, and other professional technical service of agricultural cooperative system. Taiwan’s peasant association began to engage in credit business in 1955, and which have played a major role in Taiwan’s agricultural and rural economic development field.

Taiwan’s peasant association is a farmer’s organization which has the widest distribution, the biggest influence and the most complete function in Taiwan. Since the first peasant association set up in Sanxia town of Taipei city in 1900, it has 100 years of history. The peasant associations is based on the farmers, to be one of the peasant association members you have to meet one of these five conditions below: 1. Owner-peasant; 2. The farmers who work in a rental land; 3. The farm laborers employed in agriculture; 4. Graduated from the agriculture school, or expertise and invention, engaged in farming personal promotion; 5. Staff who service in the registered agriculture, forestry and pasture. People who’s living in and working on the area of the peasant organization, but do not meet the above 5 conditions, could join the peasant associations as a personal member. All legally registered agricultural cooperative organizations, companies, factories can join the local farmers association to become the group sponsorship members. The member representative assembly is the supreme authority of the peasant associations, elected the members of council and supervisory board, the council appointed the chief executive officer of a farmers association, the director general responsible for business management of farmers associations.

(b) Peasant association credit business in Taiwan

The credit service is the most important part of Taiwan’s agricultural comprehensive service. Taiwan rural township association is an important agricultural financial system in the financial industry. Peasant association operate in a wide area, better geopolitical relations, well-connected with people and huge asset, the credit department plays an important role in the area of rural finance, agricultural policy loans and financial support. Now, Taiwan’s agricultural financial institution takes two levels architecture, the lower is the credit department of the agriculture and fisheries, totally 302 in Taiwan, 1166 business outlets, and total assets about 17 trillion NT. There are 10772 people work
on credit business in Agriculture and fisheries association, 52% of the total. Its business mainly includes the loan and some finance products, all kinds of proxy agent and Payments & Receipts business. The Payments & Receipts business between embers and non-members and peasant credit department implement unified market interest rates, but the members can enjoy the profit return.

The upper level is the vaults of the agriculture in Taiwan, government ownership 44.5%, agriculture and fisheries association holds 51.4%, farming communities and other hold 4.1%. The competent department is Taiwan agriculture commissioner agriculture financial bureau. According to Taiwan's agriculture and finance law, the agricultural vault business includes: 1. To deal with major agricultural construction financing and government special agricultural financing. 2. To cooperate with the agriculture, fisheries policy of agriculture, forestry, fishery finance. 3. To deal with the businesses which are can be handled in the general commercial banks abide by the banking law. 4. Accepting the surplus funds transfer to deposit and accommodation of funds from the credit department of the agriculture and fisheries association. 5. To tutor financial audit and supervision. 6. To handle the credit department financial evaluation, performance evaluation and agricultural financial information exchange and consultation.

The Main Features of Taiwan’s Association Credit Business

(a) To reflect the farmer members’ principal status. Taiwan’s peasant association basically maintain a complete coverage of the farmer members (98%), it is not in service oriented rather than profit, except the financial business, the rest of businesses unprofitable. Distinguished members, individual sponsoring members and group corporate sponsors, preferential policies mainly aim at official members. Fitted by law, there are 62% of surplus to support the agro-technical popularization, culture and social service. The salary of directors, supervisors and employees cannot exceed 10% of the total surplus. Most of farmers are all the peasant members for several generations; the prestige and credit of peasant association are more exceeded other organizations; farmers usually deposit the money to the credit department of peasant association, even if the credit departments of farmers’ deposits interest rate lower than other commercial banks.

(b) Perfect governance structure. Decision, supervision and enforcement division in peasant association, respectively by the board of directors and board of supervisors, director-general of the corresponding function. The member general meeting is the highest organ of power, and implements the director-general responsibility system under the leadership of the council. The directors and supervisors are elected by the farmers, no specific works and cannot take salary. The director-general and employee are employed. The decision-making, supervision of peasant association belong to farmers, and the CEO is responsible for the daily operation and management.

(c) Smooth collaboration. Taiwan’s peasant association in accordance with the principle of territoriality, according to administrative divisions, dividing into 3 levels: province, county (city) and township (town). According to the need to set a farming group at the village level, divide into classes when necessary. Peasant associations at all levels are independent corporations, which operation can be independent, the subsidiary peasant association receive higher levels guidance from the above peasant associations. During business operation, the villages and towns level is the key foundations of peasant associations, the strongest element. General speaking, the county (city) peasant associations and province peasant association will not interfere the operations of the grass-root peasant associations. The county (city) and province peasant associations will combine together with grass-root peasant associations, or to carry out the business that grass-root peasant association unable to operate. The grass-root peasant associations take the most responsibility in Taiwan’s peasant association, and the higher level peasant association is mainly responsible for convey the government policy and the relationship between peasant associations around the coordination.

(d) Financial is the core-business of peasant association. Financial department is the backbone of the peasant associations, and more than 90% of the surplus comes from this department, strongly
support for the development of peasant associations. Financial department is also the main source of credit funds for farmers, its credit department is engaged in the deposit and lending business, and other financial agent business, deposit may be from member, sponsorship and other non-members, loan object is not limited to members. But for members of the loan interest rate is only 1.5%.

Peasant association credit department introduce the deposit insurance system, and using a lower rate (50% lower compare with other financial institutions), in order to prevent systemic risk, maintain the stability of peasant association credit business. After insured deposit insurance, deposit insurance company awarded "to participate in deposit insurance financial institutions" signs, in order to enhance depositors confidence. Farming and fishing association also join the credit guarantee fund which established by Taiwan government and agricultural bank of agricultural, to provide guarantee ability to fish man who are insufficient with loan guarantees, and also played a key role in credit guarantees.

The Problems of Supply and Marketing Cooperatives in Main-Land China

First is the big historical burden, the overall strength is still weak. At the end of 2014, there are 3.613 million people working in the system, the actual employees are 2.143 million. In those actual employees, only 91000 people with bachelor's degrees. The revenue of whole system is 3.7646 trillion RMB with a very low profit.

Second is the supply and marketing cooperatives management at all levels are not cooperative well, at the end of 2014, there are 2771 county's cooperatives and 24950 grass-root cooperatives. In this seemingly huge organization system, different cooperatives at all levels are on their own, without any leadership from top, and also do not have close business relations with other cooperatives, the leadership to the lower cooperatives has also exist in name only, the system internal competition is fierce.

Third is the service function for the agriculture is not strong. At the end of 2014, there are 114326 professional cooperatives and 337000 Comprehensive service cooperatives which funded by farmer, and the number is still growing. But, each cooperative service function is relatively singleness, mostly in distributing leaflets, offer consulting, organizing the agricultural technology training. And most training is to promote agricultural materials, for the purpose of business aim, not for providing service.

Taiwan’s Peasant Association and Its Significance of Credit Business to the Mainland

Taiwan's peasant association’s member structure, organization structure, enterprise operation are comprehensively similar with agricultural cooperation organization, and because of the same history and culture, its development experience is worthy of reference for mainland China supply and marketing cooperatives.

(a) Stick to farmers’ principal position is the fundamental principle. Peasant association of Taiwan has always been adhering to the farmers as the main body, is a farmers-owned economic organization, members insist on no profit purpose. Farmers will not leave the peasant associations, and government also needs to rely on the peasant associations. Taiwan has the rural credit cooperatives in the past, but because of its commercialization and profit tendency, eventually turned into a joint-stock commercial bank. Mainland’s supply and marketing cooperatives also has the same organization for economic cooperation which funded by famers in the early time, due to the economic system reform, farmer main body status has been weaken then. Therefore, the next step should be return to farmers’ main body, stick to the direction of the farmer cooperative economy organization. One is to absorb the large-scale grain production farmer, small size professional cooperatives and normal farmer. The higher level cooperatives need to provide guidance to the lower level cooperatives, and coordinate the relationship with the government. Two is developing large-scale production services in the staple
crops concentration areas, mainly solved the problem of the farmers in the scale of production, begin with field crops managed services, to expand into other functions. Three is regression on cooperative system in grass-root cooperatives, can introduce the joint stock cooperative system or the mixed system.

(b) Actively explore collaboration between the supply and marketing cooperatives at all levels. There are no capital integration between Taiwan peasant associations at all levels, but there are independent economic entities. Higher level can guide lower level, but they also have economic ties between various levels, including membership fees (entry fee and annual fee), lower level cooperatives can invest higher level’s economic entities. Such as taking a stake in wholesale market for agricultural products, agricultural vault, etc; higher level can partner with the lower to purchasing agricultural means of production, sales agricultural products. At all levels between the phenomena of competition will be less. This kind of guiding relations and economic ties can be a solution for China supply and marketing cooperatives at all levels relationship. To avoid repeating and competition with low level, is the common obligation of all levels of supply and marketing cooperatives, especially not excessive Squeeze the business and profit space of the lower level cooperatives, besides guidance and providing service, the higher level should more engaged in some business area the lower level cooperatives can't do, or to achieve economies of large-scale business. The joint venture business between different levels needs to clear their profit margins. On the basis of voluntary and mutual benefit, enterprise can take a stake in each other between different levels.

(c) The supply and marketing cooperatives organizing and developing the rural cooperative finance is more feasible. The commercialization tendency of rural credit cooperatives in mainland and Taiwan peasant association’s successful experience in credit business, confirmed the importance of credit cooperation integration in production, supplying, marketing, living expense and the financial business is a viable option to solve the problem of rural finance in China. For small groups, commercial finance is always the externally, profit-seeking. So when supply and marketing cooperatives start business in rural finance area, it should be actively, prudence, and caution. One is scientifically choice pilot areas, supply and marketing cooperatives need better to pick at the grass-roots level, and also have mutual small micro financial service area, such in Wenzhou, Zhejiang province, in Linyi, Shandong province and other similar regions to carry out the pilot. Two is Sales department strictly limit at the grassroots level, mainly located in the township level, to ensure that business organizations and service object fully get to know each other, close distance service, try to decrease the middle level. All China supply and marketing cooperatives, policy Banks and state-owned commercial bank and grass-roots cooperative can joint investment together in the early age. Three is apply for the government subsidies. Let the farmers get the credit funds support at a lower rate, on the other hand, subsidies to state-owned Banks.

Summary

Due to historical reasons in mainland China, after the reform and opening up, the farmers have pushed to a huge market economy. Weak and scattered farmers cannot compete with the strong industrial and commercial capital, as a result, the farmers are becoming more and more poor and weak, and the polarization of the whole society is more and more intensified. The developing mode of the Taiwan’s peasant associations is very worthy for our reference. We should use for reference its successful experience as soon as possible, the top-level design of agricultural development included in the national level of comprehensive reform pilot. We should also recognize that this work will cause a big argument, certainly can evoke a strong repercussion among the society, so we must have to a long-term and hard work.

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