A Study on Rural Financial Services Demand of New Agricultural Business Entities in Santai County

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Abstract. Based on the survey of 105 new agricultural business entities in Santai County of Sichuan Province, we found that the demands of financial services for new agricultural business entities in Santai County mainly include credit services, settlement services, agricultural insurance services and mortgage and guarantee services. And different types of new agricultural operators have different demand for financial services. Finally, this paper puts forward some suggestions to further promote rural financial services by exploring the reasons for insufficient supply of rural financial services in Santai County.

Introduction

General Office of the CPC Central Committee and Office of the State Council issued a document of 《Opinions on Accelerating the Construction of a Policy System and Cultivating New Agricultural Business Entities》 in June 2017[1]. This document integrates financial and taxation, infrastructure, financial and credit services, insurance support, marketing development, personnel training and other aspects. The Opinion stresses the comprehensive use of tax, reward and subsidy policies, encourages financial institutions to innovate products and services, and increases credit support for the integration and development of new agricultural business entities and rural industries in terms of financial and credit services among them. Therefore, China pays more and more attention to the rural financial services of the new agricultural business entities and attaches great importance to the credit support for the new agricultural operators.

Development Status of New Agricultural Business Entities in Santai County

As a large agricultural county with a population of more than one million in Sichuan Province, Santai has gradually formed a "3+2" modern agricultural industry system with three characteristic industries of Ophiopogon japonicus, rattan pepper and pig, and two basic industries of vegetables and grain and oil. The new agricultural business entities of Santai have grown rapidly with the attention of government. By the end of December 2017, there were 160 family farms, 460 farmer cooperatives, 519 professional households and 46 agricultural enterprises, which greatly promoted the development of agricultural modernization in Santai. To further promote the transformation and development of agricultural economy and improve the supply of rural finance in Santai, it’s necessary to understand the financial service demand and availability of the new agricultural business entities which represent the future direction of agricultural development in China.

The Financial Service Demand of the New Agricultural Business Entities in Santai

In order to truly grasp the financial service demand status of the new agricultural operators in Santai County, we sampled 105 new agricultural operators, including 21 farmer cooperatives, 16 family farms, 60 professional large households and 8 agricultural enterprises.
Credit Demand

As the most important financial demand faced by the new agricultural operators, credit demand has penetrated the whole process of the production of new agricultural business entities[2, 3]. From the results of our survey, credit demand presents the following characteristics:

Table 1. Credit Use, Demand and Acquisition of New Agricultural Operators.

<table>
<thead>
<tr>
<th>New Agricultural Business Entities</th>
<th>Agricultural Enterprises</th>
<th>Farmer Cooperatives</th>
<th>Family Farms</th>
<th>Professional Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Status of Credit Demand</td>
<td>Extending agricultural production base</td>
<td>Purchasing large machinery</td>
<td>Contracting(leasing) farm land</td>
<td>Constructing agricultural infrastructure</td>
</tr>
<tr>
<td></td>
<td>Constructing agricultural infrastructure</td>
<td>Building Warehouses of agriculture products</td>
<td>Constructing agricultural infrastructure</td>
<td>Optimizing cultivated land</td>
</tr>
<tr>
<td></td>
<td>Deep processing of agricultural products</td>
<td>Floating capital</td>
<td>Investment in production and consumption, such as housing, agricultural vehicles.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Floating capital</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main Credit Uses</th>
<th>Provincial Level Agricultural Enterprise: more than 5 million yuan</th>
<th>County-level Agricultural Enterprise: more than 1 million yuan.</th>
<th>Others: less than 1 million yuan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The scale of agricultural base is more than 1000 Mu: more than 1 million yuan.</td>
<td>The scale of agricultural base is 500-1000 Mu: 0.5-1 million yuan</td>
<td>Others: 0.1-0.5 million yuan</td>
</tr>
<tr>
<td></td>
<td>The demand for funds is quite different according to different industries and scales.</td>
<td>The number of funds is generally between 0.2 and 0.5 million yuan.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Most of them can get bank loans to basically meet production and living needs, but it is difficult to obtain large loans.</td>
<td>Most of them can get small bank loans to basically meet production and living needs, but it is difficult to obtain large loans.</td>
<td></td>
</tr>
</tbody>
</table>

We found that: ① The demand for capital is strong. There were 10 households without credit demand, 49 households with credit demand of 0-0.3 million yuan, 36 households with credit demand of 0.3-1 million yuan and 10 households with credit demand of more than 1 million yuan among 105 households surveyed. ② The term of loan is generally short. We found that 16.19% had
a loan term of less than one year, 41.91% had a loan term of 1-2 years, 32.38% had a loan term of 2-3 years, and 9.52% had a loan term of more than three years. ③ 73.33% of the new agricultural business entities surveyed preferred personal credit loan, and mortgage loan was the second preferred way. ④ The use of credit funds has gradually diversified, but it has not broken the simple demand of purchasing means of production of the traditional agricultural model.

The main purpose of credit for the new agricultural operators is to purchase agricultural production equipment, agricultural infrastructure construction and so on. See Table 1 in detail.

**Settlement Demand**

We found that the new agricultural business entities settled mainly through cash and bank cards and third party payment methods (Alipay, WeChat Pay), and the proportion of online banking payment and third party payment increased compared with that in 2017. ② Therefore, the new agricultural operators gradually reduce the use of traditional settlement methods, online banking, third-party payment and other settlement methods began to produce greater demand. See Fig. 1 in detail.

![Figure 1. The Proportion of Different Modes of Settlement was Chosen by New Agricultural Operators in 2016 and 2017.](image)

**Agricultural Insurance Demand**

As a large agricultural county, Santai County has a large number of industries and agricultural insurance mainly includes planting insurance and animal husbandry insurance. The survey found that the new agricultural business entities in Santai County have a greater demand for planting insurance (rice / wheat / corn) and pig insurance. Meanwhile, because the crop production cycle is long, the initial input is large, resulting in a short-term lack of flexibility of agricultural products, price insurance demand arises gradually[4]. However, due to the ignorance of agricultural insurance and the lack of agricultural insurance in the market, 16.19% of the new agricultural business entities are still unwilling to buy agricultural insurance. Therefore, financial institutions (banks, insurance companies, etc.) in Santai should develop appropriate agricultural insurances to fit the development of agricultural industry and strengthen the overall coverage of agricultural insurance.

**Mortgage and Guarantee Demand**

Collaterals are the most important source of risk protection for financial institutions under the framework of the current rural financial system. However, due to the above property rights definition, liquidity and asset specificity constraints, it is difficult to become an effective collateral for banks, and new agricultural operators need to further increase credit, resulting in financing guarantee demand[5]. we found that there are three kinds of means for new agricultural business
entities to seek mortgage guarantee: (1) Using real estates to get mortgage loans. About 31.43% of the owners of new agricultural business entities use house property rights to make mortgage loans. (2) Using agricultural products and large machinery to get mortgage loans. Because farm houses or land and other can't be used for mortgage, small agricultural loans can't meet the demand, some new agricultural operators use agricultural products and large-scale mechanicals as mortgages to obtain loans. (3) Other organizations guarantee loans (such as guarantee companies, cooperatives). These guarantees exist only in a very small range, and that is not mature at present.

The following Table 2 shows the demand level of new agricultural operators to rural financial services.

Table 2. The Average Degree of the Demand of Rural Financial Services for the New Agricultural Operators in Three Counties.

<table>
<thead>
<tr>
<th>new agricultural business entities</th>
<th>financial services</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Credit services</td>
<td>Settlement services</td>
<td>Insurance services</td>
<td>Mortgage and guarantee services</td>
<td></td>
</tr>
<tr>
<td>agricultural enterprises</td>
<td>4.75</td>
<td>4.75</td>
<td>3.63</td>
<td>4.25</td>
<td></td>
</tr>
<tr>
<td>farmer cooperatives</td>
<td>4.56</td>
<td>4.24</td>
<td>3.14</td>
<td>4.38</td>
<td></td>
</tr>
<tr>
<td>family farms</td>
<td>4.04</td>
<td>4.13</td>
<td>3.50</td>
<td>3.94</td>
<td></td>
</tr>
<tr>
<td>professional households</td>
<td>3.12</td>
<td>4.02</td>
<td>2.83</td>
<td>3.03</td>
<td></td>
</tr>
</tbody>
</table>

Note: The degree of demand is determined by "1 point, 2 points, 3 points, 4 points, 5 points", corresponding to "no or weak, not strong, general, strong, very strong". The "average degree" refers to the weighted average of various types of rural financial services demand.

The Main Reasons for Insufficient Supply of Agricultural Financial Services

As far as Santai County is concerned, 78.10% of the operators considered that the existing financial supply can’t fully meet their need, and the main reasons are showed below.

Rural Financial Services Institutions are Single, and Lack of Products Combined with Big Data Era

In recent years, because the Agricultural Bank of China (ABC) has contracted its rural network and the postal savings network is generally located in the central town, the financial institutions in most rural areas are relatively single, and the rural credit cooperatives have become the main force of rural financial services, accounting for 55.88%, which makes the financial system in rural areas of Santai County imperfect and restricts rural finance, leading to widen the service channels. In addition, the rural financial institutions in Santai County lack the product innovation which combines with the big data era, such as Internet financial products, and lack the financial products that are suitable for the transformation of rural production relations, such as venture loans after farmers become citizens.

High Agricultural Credit Risk

The objects of rural financial services are mainly weak economic entities such as agricultural producers, small and medium enterprises and individual businesses, which are decentralized, small in scale, low in management level and volatile in income, resulting in extremely uncertain repayment possibilities[6]. Therefore, the rural financial institutions are facing relatively large credit risks, affecting their credit support to the new agricultural operators.

The Awareness of Agricultural Insurance is Weak, and the Insurance Institutions are More Concerned about Agriculture Related Insurance

At present, most of the new-type agricultural operators in Santai County are not willing to buy agricultural insurance because of the lack of insurance awareness, the slow rate of insurance settlement, small amount of compensation and lack of insurance related to agricultural industry.
Besides, the long period of agricultural income, unstable income and high risk of insurance lead to the majority of insurance institutions have greater concerns about the main agricultural operators.

Lack of Innovation on Mortgage and Guarantee Model of Bank

In recent years, although three banks have updated the corresponding guarantee methods, the choice of collateral is still in favor of the traditional real estate guarantee, lack of flexible guarantee methods.

Suggestions

Innovative Credit Products

The banks in Santai should actively enrich their financial products, take the initiative to dock with the government, innovate their credit products, and seriously explore the credit methods that meet the development needs of local farmers and agricultural industrialization enterprises. Besides, establishing a set of independent credit management measures to meet the characteristics and needs of agricultural production, and provide diversified and all-round financial services for farmers-related customers.

Establish a New Credit Evaluation System for Agricultural Management Entities

To explore the establishment of a new type of credit evaluation system for agricultural operators, flexibly determine the loan term to meet the conditions, simplify the examination and approval process, normal production and operation, credit rating can be high loan priority measures.

Strengthen Insurance Services

The government should popularize the knowledge of agricultural insurance to the new agricultural operators, and strengthen cooperation and exchanges with banks and insurance companies, etc. And they can take insurance companies as an important platform for agricultural financial cooperation to develop new types of insurance suitable for local agricultural development.

Optimize the Mortgage and Guarantee Model of Agriculture Loans

The financial institution should explore the way of order, inventory or warehouse receipt pledge of superior agricultural products. To further promote the agricultural joint insurance mode of "Agricultural leading enterprises + Peasant household" and "Bank + Association + Peasant household" to disperse credit risk and promote financial services in the agricultural industry chain.

References


