

Rural Financial System Existing Problems and Solutions

Youren Zheng
Nanjing Forestry University
Nanjing, China

Abstract: In recent years, the county economy investment credit generally insufficient, which seriously hampered the agricultural and rural economic structure strategic adjustment pace. The existing rural financial system has a number of factors not suit to rural economic development. Therefore, how to reconstruct the rural financial system, effectively play initiative role in the allocation of resources to financial, increase farmers income has become a real issue.

Keywords: Rural Financial System; Economy Investment; Problems and Solutions

1. The Problems Existing in the Rural Financial System

In recent years, along with the strategic adjustment of state-owned commercial banks, the Agricultural Development Bank functions from comprehensive transform to unitary, and rural credit cooperatives reversals reform, the overall function of the rural financial system is weakened, were not suited to agriculture and the rural economy development needs. Overall, in recent years the rural financial system for county's economy credit support has not strengthen, but declined. In the county economy deposit market, the funds through the postal savings funds and state-owned commercial banks to deposit a lot to the cities, so that the shortage of funds already county economy worse. In the county economy deposit market, the commercial financial institutions and policy-oriented financial institutions lending significantly reduced, cooperative financial institutions lending despite the increase, but subsequent weakness. Specific performance in the following respects:

1.1. The Postal Savings Institutions Exist Serious System Defects

(1) In business, it only accept deposits, and then transfer funds from savings deposited in the Central Bank, in order to dump the difference between the interest rate and sequestration rates as its revenue sources, does not make loans from foreign, can not meet the demand for loans. (2) Through absorb deposits, it makes a profit by deposit with the central bank, rural only funds "backflow" to city, make rural financial markets worsen, affecting the rural economy. (3) Unknown nature, lack of supervision. Postal savings bureau belongs to postal department internal institutions, and the postal savings outlets have to

belong to financial institutions, the central bank's supervision is very difficult to implement.

1.2. Commercial Financial Support Agriculture Wanes

As the development strategy of the big four state-owned commercial Banks to large and medium-sized cities, the agricultural bank of China's rural financial dominance began to weaken, exist:(1) Property subject blur, so agency costs are too high, low efficiency, forcing agricultural banks are reluctant to do business in the weak economic conditions rural areas; (2) Agricultural bank began commercial road after 1996, commercial Banks "for-profit, liquidity, security," the operating principles and agricultural production of "high risk, dispersion, volatility, long-term". Agricultural Bank of China will be converted to agriculture-based agricultural funds to trade simultaneously, competing perspectives from rural to urban areas, in order to obtain sufficient funding sources and high returns, making the rural financial market is basically a few state-owned capital becomes more scarce. On the other hand, the county and below it institutions lending authority, in addition to consumer credit, other credit average credit privileges rarely, some only three \$ 500,000, county branch of state-owned commercial banks, almost no single loan approval authority. This situation directly reduces the state-owned commercial bank put credit funds in rural.

1.3. Policy-oriented Financial Support Agriculture Effect Weakening

China Agricultural Development Bank as a policy bank, its main task is to undertake the state's policy-oriented financial services and agriculture agency fiscal disbursement of funds. With the deepening of the marketization of rural reform, the bank role is very limited, the follow-

ing problems:(1) As a policy bank, the money from finance allocates funds, appropriated funds for a long time is limited, and can't arrive on time, sometimes have to borrow from central bank, the financing costs rise, restricting the development of the bank. (2) For the Agricultural Development Bank to implement "independent accounting, self preservation management, enterprise management," there is a certain contradiction with rural and agricultural Development Bank assumed the functions of policy banks. (3) Single business. With the purchase and sale of grain and cotton market speed up the process, grain and cotton distribution areas of policy management space narrowing. Agricultural development bank of grain purchase loan business has plunged. At the same time, need policy support of agricultural development, agricultural technology progress and rural infrastructure construction without proper policy financial support.

1.4. Cooperative Finance Support Agriculture Lost Momentum

The excessive growth of postal saving directly results in a decrease of rural credit cooperatives capital source. Moreover, rural credit cooperatives itself exist some outstanding problems: (1) Heavy historical burden, non-performing loans ratio is high, high risk; (2) A serious shortage of capital, unclear property rights, imperfect corporate governance, the management not to carry out the responsibility, self management, self development mechanism has not formed;(3) Service mode, service means lag behind. The rural credit cooperatives in agriculture service breadth and depth is difficult to play a bigger role. Currently popular with farmers most micro-credit loans of rural credit cooperatives are also supported by the People's Bank of refinancing.

2. Countermeasure and Suggestion

2.1. Transform Existing Postal Savings System, Block the Rural Capital "Back", "Blood" for the Rural Financial Market.

"Back" of the city for rural funds, must to modify existing postal savings system. For economic development, area with large postal savings business, on the basis of the standardized management, change the original of the postal savings department reorganization to postal savings bank. Engaged in savings, remittances, agents and other business, listed the money are not archived pedestrian charge spreads, the national finance shall give appropriate subsidy when necessary. For economy is not developed, area with postal savings low business, at the county level unify management of postal savings department merged into credit, or credit union branch. Only in this way can "blood" for the rural financial market, a large amount of idle cash savings "deposit" in rural financial market.

The agricultural bank of China should strengthen the rural market effective financial demand of services. More developed regions in economy, the bank should set up more and more financial products, expand the service functions, play a powerful role in rural economy.

To define the scope of the policy financial business in the bank, increase capital investment, give full play to the function of its policy-based financial institutions.

For Agricultural Development Bank with single business, it is difficult to play a role in policy-oriented financial situation, should be redefined its business scope, according to the national agricultural policies do closed the acquisition of funds management at the same, to carry out the following activities: (1) Support farmland water conservancy capital construction, technological transformation, improve agricultural production conditions, improve agricultural comprehensive production capacity. (2) Support rural development and infrastructure construction, promote balanced regional development and improving their quality of life, improve the rural social modernization drive. (3) Support for agricultural industrialization and land moderate scale management, seize the support of projects for key enterprises, to accelerate the process of agricultural industrialization. (4) Comprehensive support poverty area get rid of poor, stability solve the problem of rural surplus labor force employment, the key support helps to direct adequate food and clothing of planting, breeding and agricultural and sideline products processing industry.

2.2. Deepen the Rural Credit Cooperatives System Reform, Play a Role of Main Force of Rural Credit Cooperatives Support Agriculture

Deepen the reform of rural credit cooperatives system, adjust measures to local conditions to reform rural credit cooperatives organization form and management mode, clear property right relations and to strengthen the constraint mechanism, strengthen service function. Really make the rural credit cooperatives by farmers, rural industrial and commercial households and all kinds of economic organizations, a service for farmers, agriculture and rural economic development, autonomous management, self development, self-discipline, at their own risk community of local financial institutions. The organization form of rural credit cooperatives generally can be divided into three categories: Most of the region should continue to consolidate and develop township and village credit cooperatives legal person system; In the relatively dense population or major grain-producing areas, larger credit assets, management foundation is good place, can implement the county rural credit cooperatives unified legal person; In the place with more developed economies, showing a high degree of integration, where rural credit cooperatives can be converted into a county (city) banking institutions. The historical burden of rural credit

cooperatives should adopt effective fiscal policy and financial policy gradually digestion.

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