

Study on the causes and preventive measures of rural credit unions' departure from farming

Xiaoyang Han^{1,*}, Shuaiyin Yang¹

¹School of Economics and Trade, Henan University of Technology, Zhengzhou, China

Abstract. Over the years, rural credit unions have always played an important role in serving the "three rural areas" and have played a good role as the main force in "supporting the micro and helping the farmers". However, in recent years, the profit-seeking nature of rural credit unions and the development constraints of the "three rural issues" have made the tendency of rural credit unions to leave agriculture and commercialization more and more obvious, and credit funds are increasingly flowing from rural areas, farmers and agriculture to cities, enterprises and other industries, which greatly reduces the effect of supporting agriculture. This not only promotes the emergence of rural financial exclusion, but also weakens the function of rural credit unions to serve and support the economy of the "three rural areas", which ultimately restricts the economic development of the "three rural areas". This paper briefly analyzes the characteristics, effects, causes and preventive measures of rural credit union's departure from agriculture, starting from the performance of rural credit union's departure from agriculture.

1 Introduction

Rural credit unions, as the main force of "supporting micro and agriculture", have been strategically positioned in the system design of rural financial institutions from the very beginning. However, from the real situation of credit flow of rural credit unions, especially since the implementation of the reform policy of rural credit unions in 2003, the credit funds of rural credit unions have shown an obvious tendency to "leave and go to agriculture". This tendency has a lot to do with the area where rural credit unions are located, and reflects a choice of rural credit unions to expand their assets and pursue profit maximization, as well as a tendency of rural credit unions to "de-agriculturalize and de-commercialize". If this tendency develops gradually, it will bring many adverse effects, so how to accurately position themselves as a rural financial institution, how to clarify the dialectical relationship between helping farmers and their own development interests, for the solution of the "three rural" problems and to promote the construction of a new socialist countryside, is an urgent problem that we need to solve. It is a problem that needs to be solved urgently [1].

2 The Characteristic Performance and Consequences of "Agriculturalization" of Rural Credit Cooperatives

2.1 Characteristics of Rural Credit Unions' "De-Agriculturalization"

2.1.1 The "De-Agriculturalization" of Credit Flow of Rural Credit Unions

Due to the small size of most agricultural loans, high management costs and the weak, high-risk and low-yield nature of the "three rural" economy, some rural credit unions, in order to improve their financial situation, reduce capital management costs and improve credit quality, have a serious tendency to emphasize non-agricultural industries over agriculture. It is also very common for large loans to be invested in larger industrial and commercial enterprises or non-agricultural industries with higher profits, and some rural credit unions in central and western regions even invest credit funds in economically developed areas in the east across regions, while it is difficult for general farmers in central and western regions to get loans from rural credit unions to support agriculture. From the data on the use of credit funds of rural credit unions, it seems that the credit funds of rural credit unions do flow to rural areas, but they are not really used to support the economic development of rural areas, agriculture and farmers, but are invested in non-agricultural industries.

2.1.2 Rural credit union credit fund operation management "away from the farm"

As a traditional primary industry, agriculture has always been threatened by extreme weather and affected by natural disasters, and is known as a weak industry because of its slow-release benefits. Therefore, in order to maximize the risk of default on agricultural loans and

* Corresponding author: hxy1342438651@163.com

improve the credit fund recovery capacity and efficiency of rural credit unions, some rural credit unions began to deliberately manipulate the ratio of deposits to loans, and a large number of "fear and shame of loans" phenomenon. Some of them invested a large amount of the credit funds absorbed by the service outlets in rural areas into urban service outlets, and used the credit funds for short-term bills and money market and other business operations, crowding out a large amount of agricultural loan funds and greatly reducing the proportion of agricultural loans [2].

2.1.3 "Off-farmization" of rural credit union service outlets

By the end of 2007, the number of county-level branches of rural credit unions was more than 52,000, down by 8,967, 4,232 and 496 respectively from 2004, 2005 and 2006. The abolition and merger of the service outlets of rural credit unions and the transfer of service centers have gradually shifted the services of rural credit unions away from rural areas, which has increased the difficulty and cost of regional accessibility of financial services for the "three rural" economy. Zhang Jun, director of the China Center for Economic Research at Fudan University, conducted a survey of more than 2,000 farmers in 11 provinces across China and found that more than 70% of farmers' financial loan needs relied on private lending in places not taken care of by the formal financial system.

2.2 The consequences of the "de-agriculturalization" of rural credit unions

2.2.1 Weakening the financial support and service function of rural credit unions for the "three rural areas" economy

The issue of "three rural areas" has always been a top priority in the process of national economic development, and building a new socialist countryside is an important task in the modernization process of China. The Party Central Committee and the State Council have always attached great importance to the "three rural" issues, and in recent years have introduced a series of policies and measures to support the development of the "three rural" economy. However, in the field of rural finance, as the main force to serve and support the economic development of the "three rural areas", some rural credit unions have gradually abandoned their non-profit attributes and seek to maximize their own interests, with an obvious trend of profit-seeking. Some rural credit unions have made a large amount of credit funds in rural areas flow into other industries in agriculture by paying reserve deposits, transferring credit funds, and transferring credit objects, so as to maximize their own interests by obtaining high returns. At the same time, in order to reduce the risk of credit fund default and increase the capital income, some rural credit unions have started to merge their service outlets in rural areas, reduce the number of service outlets, and move to urban or suburban areas. As a result, many rural financial service

blind areas have emerged, making various supporting measures to support and facilitate agriculture "missing", while the weakening of the function of supporting agriculture services has also caused the gradual shrinkage of rural financial service capacity.

2.2.2 Capital outflow and labor outflow from rural areas

For many years, the prominent urban-rural "dualistic" economic structure in China has largely restricted the further development of the economy in rural areas. The employment opportunities in rural areas are fewer, the economy is less developed, and the wages of laborers are poorer, which makes the young and strong laborers in rural areas face great pressure of living. As a result, the young and middle-aged laborers in rural areas choose to go out to work and get better paid jobs, which makes nearly 70% of the labor force in rural areas turn to non-agricultural industries. The outflow of labor force has also led to a large portion of the labor force's savings going to non-agricultural industries in urban areas outside the rural areas, which fundamentally contributes to the outflow of capital from rural areas. On the other hand, since the young and middle-aged labor force is more capable of learning new things than the traditional agricultural labor force, the exodus of this part of the population has further led to a decrease in the profitability of the agricultural industry and a decrease in the attractiveness of employment in the agricultural industry, which also restricts the further development of the economy in rural areas to a certain extent.

2.2.3 Imbalance between demand and supply of agricultural funds constrains the construction of new rural economy

With the continuous development of China's economy and society, some rural credit unions have started to invest their credit funds in rural areas to some of the better-run township enterprises and some individual industrial and commercial households. In addition, some rural credit unions even deliberately transfer most of their credit funds to non-agricultural industries, reserving only a small portion of the credit balance for supporting the "three rural industries", which makes it impossible for the majority of farmers to obtain proper agricultural financial support and agricultural credit services from normal channels or the formal financial system. When rural credit unions cannot meet the financial needs of the "three rural" industries, farmers will turn to other channels to raise funds, leading to the prevalence of private lending and even the occurrence of usury and other undesirable lending incidents. The existence of rural credit cooperatives has not only failed to promote the development of economic and financial services in rural areas, but also weakened the role of the Party Central Committee and the government in supporting the "three rural" industries through the financial and fiscal systems, and even had a side effect on farmers' income, which is a deviation from the original purpose of rural

credit cooperatives. This is a deviation from the original purpose of the establishment of rural credit cooperatives, and to a large extent, restricts the further development of China's new rural construction [3].

3 Causes of the "de-agriculturalization" of rural credit unions

3.1. The influence of the profit-seeking characteristics of rural credit union capital

With the continuous development of China's economy and society, the change of management system of rural credit cooperatives, the heavy historical burden and the profit-seeking nature of capital all affect the profit-seeking characteristics of rural credit cooperatives. The changes in the management system of rural credit unions have caused them to gradually depart from their original purpose of supporting and serving the "three rural industries". Although the new round of rural credit union reform promoted by the government has designed three forms of property rights and four forms of organization, the result of its development is actually encouraging it to develop in the direction of joint stock system and eventually turn into a bank-type financial institution. And in meeting the needs of small and scattered farmers and agriculture, the small and numerous credit union subjects have more advantages than the regional banks. The heavy historical burden has also seriously inhibited the function of agricultural credit unions to serve the "three rural" economy. Over the years, due to the inaction of some local governments and credit unions, as well as the problems of the credit unions' own operations, a large number of bad debts have been left behind by the credit unions [4]. This has also led to the inability of agricultural credit unions to meet the credit funds needed for the development of the "three rural" industries. Because of this serious historical baggage, agricultural credit agencies have had to shift their credit to low-risk, high-yield industrial enterprises and individual entrepreneurs.

3.2 Rapid changes in the socio-economic environment triggered new financial needs

Rural credit unions were established in the 1950s to promote the industrial development of cities and towns in the context of the planned economic system and the priority of industrial development at that time. After entering the 21st century, rural credit unions have gradually withdrawn from the stage of supporting industrialization and urbanization, and the social and economic environment has changed drastically, as industry has started to feed agriculture and the state is strongly supporting the development of "three agricultural" industries. The rapid changes in the socio-economic environment require rural credit unions to adapt to the new development requirements of the Party Central Committee and the economic environment of rural development as soon as possible, and to make

accurate self-positioning, but at present, a large proportion of rural credit unions have not adapted to the socio-economic changes and the new requirements of the new rural construction, resulting in a serious trend of "leaving the farm".

3.3 Impact of the property rights system of rural credit unions

The current property rights system of rural credit unions exists in various forms, but both the reform of shareholding system and the reform of property rights system of agricultural commercial banks are largely superior to the original property rights system of agricultural credit unions, and their financial positioning is also oriented to the "three rural" industry. However, due to their own development and privatization of property rights, they are far less strong and sustainable in supporting and serving the "three agricultural" industries than the original mutual aid rural credit unions. Without national policy support and restraint, it is difficult for rural credit unions to find a good balance between profitability and "helping micro and farmers", which also restricts the ability of rural credit unions to further support and serve the development of "three rural" industries.

4 Precautionary measures for rural credit unions to "leave the farm"

4.1. Resolving financial exclusion and strengthening the idea of credit support for agriculture

The tendency of rural credit unions to "drift away from agriculture" has widened the phenomenon of financial exclusion in rural areas, and the implementation of inclusive finance in rural areas is an effective way to resolve financial exclusion. Rural credit unions should focus on the management system, use the strategy of inclusive rural areas as a tool, and strengthen the support and service for the "three rural industries" in order to further deepen the reform. Rural credit unions should ensure the scientific and reasonable layout of rural credit union service outlets on the basis of supporting and benefiting farmers, and speed up the innovation of rural financial products to enhance the functions and levels of rural financial services and build a perfect modern rural financial service system. At the same time, we should further deepen the reform of the micro and small loan approval system, and give farmers a formal and reasonable financing channel to relieve their financial pressure in the process of agricultural production. Innovative collateral system for credit business, solving the obstacles of collateral for loans to the "three rural" industries, so that farmers can obtain agricultural credit funds with full value and profit, thus expanding the scale of agricultural production and promoting the construction of new rural economy.

4.2. Implement financial service system innovation, accelerate the adaptation to the modern economic environment, and meet the development needs of the "three rural areas"

In terms of the investment of credit funds in support of agriculture, rural credit unions should precisely target their credit needs, use big data technology to prevent and solve the problem of non-performing loans, and improve the recovery rate and profitability of credit funds; aim at promoting the scale of agricultural industries and the development of rural towns, and selectively support the development of agriculture-related industries and services and provide supplementary services; from supporting rural infrastructure construction and the development of rural small and medium-sized enterprises From supporting the development of rural infrastructure construction and rural small and medium-sized enterprises to the initial formation of the industrialization model of "enterprise + base + farmers", we will continue to consolidate and expand the field of rural credit and promote the development of the rural economy in a comprehensive manner. At the same time, agricultural credit cooperatives should also adhere to local conditions, to the obvious urbanization of the region, in accordance with the principle of commercial support for agriculture, in order to meet the "three rural" capital needs, reasonably increase support for the development of the leading industries in the economy of the district and county and the construction of urbanization of the region.

4.3. Crack the "three rural" industrial development of their own problems, eliminate the economic constraints on the development and growth of agricultural credit society

If we want to solve our own problems in the development of "agriculture, rural areas and farmers", the most important thing is to support agriculture with policies, promote agriculture with science and technology, and upgrade industry. Therefore, we must accelerate the development of agricultural science and technology and implement the strategy of promoting agriculture with science and technology [5]. On the one hand, increase support for the development and progress of agricultural science and technology, promote the intensification and efficiency of agricultural production, and reduce agricultural production costs; on the other hand, continue to promote the integration of "production, study and research" in the agricultural industry, accelerate the transformation of agricultural scientific research results, and further promote agriculture Industrial development, thereby strengthening the economic strength of the "agriculture, rural areas and farmers" industry, and eliminating their own development problems.

4.4. Optimize the shareholding system of rural credit cooperatives and accelerate the reform of the property rights system

According to the status quo of rural credit cooperatives in different regions, reform the property rights system of rural credit cooperatives according to local conditions. Under the policy guidance of provincial-level associations, the credit cooperatives should choose the property rights system suitable for their own development. At the same time, the scope of capital investment of rural credit cooperatives should be expanded, and the shares of major customers and employees can be introduced, and the equity distribution structure at all levels should be fully considered. Not only can it continue to maintain the continuous and stable operation of the rural credit cooperatives, but also continue to adhere to the purpose of the rural credit cooperatives to serve the "three rural" industries, and slow down the trend of "agriculturalization".

5 Conclusion

Based on the urgent need to solve many practical problems in the development of agricultural credit societies, we are looking forward to the government and other institutions to make a more complete top-level design for the reform of agricultural credit societies, greater determination and greater vigor to promote the reform of agricultural credit societies. It is because only by continuously solving the financial exclusion in rural areas, insisting on system innovation, solving the problems of the development of the "three rural" industry itself, eliminating the shackles on the system and mechanism, and using scientific and effective mechanisms to truly release the vitality of rural credit unions and guide them to develop in compliance, can rural credit unions better achieve benign development, and then can really In this way, rural credit unions can better achieve virtuous development, and then can really promote the development of rural financial services, solve the problem of "leaving agriculture", and better serve and support the development of "three rural" industries.

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