

The Problem and Countermeasure of the Small Loan of the Farmers in the Rural Credit Union

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Abstract

China is a largely agricultural country and the issue of "three agricultures" has been mentioned many times in the government work report of the past years. Rural credit union farmers micro-credit is one of the main ways to serve the "three farmers" in China, the implementation of this business, in solving the problem of farmers' loans at the same time there are many shortcomings. This paper analyzes the problems such as reviewing farmers' credit, complicated formalities and false lysing on the use of loans in the course of the development of small loans by rural credit unions and puts forward some countermeasures to improve internal management, establish diversified products and optimise the rural credit environment. To promote the sustainable and healthy development of this business.

Keywords

Farmers' Micro-credit, Overview and theory, Problems and countermeasures.

1. INTRODUCTION

China is the largest developing country in the world and a large agricultural country. Of our country's 1.4 billion people, agriculture has a population of 900 million. Therefore, every year the government work report will devote a relatively large number of space to the "three farmers". The very important problem of "three agriculture" has one of the key problems that need to be solved urgently in the construction of a well-off society in china and the socialist modernisation in the middle of this century. If we want to speed up the pace of socialist modernisation in our country, we must fully support the steady and healthy development and reform of the agricultural and rural economy and solve the problem of "three rural areas" in an effective manner. If we are to be able to solve the problem of agriculture smoothly, it must be supported by sufficient funds. Therefore, to solve the shortage of farmers' shortage of funds has become the most critical problem. Since its establishment, after decades of continuous development, the rural credit union has become the main force of local financial institutions rooted in "three farmers" and "three farmers" and its small loan business for farmers is to meet the economic needs of farmers to the maximum extent. Through a large number of practices in recent years, it has been proved that the business of small loans for farmers can not only help low-income people to improve their quality of life and living standards, but also provide a certain degree of financial and financial support for the development of the "three farmers" and improve farmers' economic income [1].

2. THE BASIC SITUATION OF MICRO-CREDIT FOR FARMERS IN RURAL CREDIT UNIONS

2.1. Overview of Micro-Credit for Rural Credit Unions

(1) The basic concept of small loans for farmers

We usually refer to small loans for farmers, mainly for low-income farmers and to be able to provide them with a relatively small amount of loan stake loan services. The specific method is: Rural credit unions according to the actual economic income of local farmers, use some simple procedures for rural farmers for the distribution of farmers for production and operation, planting crops loans for some purposes, such as building a house or commercial housing and consuming it for daily life. The main customers of the farmers' micro-credit business, which have just started out, are low-income farmers, whose purpose is to help poor groups tackle poverty. With the continuous progress of society, the continuous development of the economy, at this stage, the scope of small loans for farmers has been not limited to this, to adapt to the new economic environment, farmers' micro-credit quota gradually increased, farmers micro-credit gradually realise commercial operation, has not only committed to poverty alleviation but also for a wider range of customers with financial needs to provide financial services. As a legitimate local financial institution, rural credit unions have gradually become the main force in providing small loans to farmers [2].

(2) Classification of small loans for farmers

Small loans from farmers can be divided into different categories according to the different standards applied in different regions. According to the use of loans, small loans can be divided into individual management farmers micro-loans, individual consumer farmers micro-loans, student loans and so on;

(3) Characteristics of small loans for farmers

The range of lending groups is becoming more and more wide. In the early stages of micro-credit for farmers, mainly to help poverty alleviation to help low-income groups to increase income, but now the loan target is no longer limited to this, the vast number of rural farmers can enjoy this type of financial services. Second, the use of loans is increasing. At present, the use of small loans for farmers has been extended from the fields related to traditional agricultural production and living activities to various industries that help to improve farmers' income and improve farmers' production and living standards, including personal consumption, housing or housing, medical treatment, financial investment, student loans and many other consumption areas. Third, the duration of loans is very flexible. In recent years, China's farmers micro-credit business development more and more humanized, because of China's vast geographical area, there are huge regional differences, therefore, the term of its loans can be based on the actual situation of agricultural production in various regions to adjust in real-time. Because of this, this business has become the first choice for farmers in the case of poor capital turnover [3].

2.2. The Historical Evolution of Micro-Credit for Farmers in Rural Credit Unions

Rural credit union farmers micro-credit this small loan business from scratch, from little to today's rural areas have been widely recognised and fully used status, in between, experienced a very long and difficult development process. In these decades, the government has issued several small loans in favour of farmers to implement the management methods and also formulated several related policies, under the guidance of these documents and policies, rural credit unions continue to practice, constantly improve and constantly develop new financial products, the use of suitable for their development and gradually use small loans of farmers to better serve the "three farmers." Up to now, the rural credit union for farmers micro-credit

business has not only committed to poverty alleviation, began to turn to the rural financial field, rural credit unions gradually developed into the main force of rural financial institutions, has become China's farmers micro-credit business the most important implementer and practitioner.

2.3. The Model Adopted by Rural Credit Unions for Small Loans by Farmers

Rural credit union farmers micro-credit this kind of preferential agricultural business after decades of continuous development and improvement, most of the following operating models:

(1). "Corporate Guarantees and Farmers" model. This model is by legal compliance, normal operation; profitability is better enterprises to provide farmers with joint and several liability guarantees [4].

(2). "Enterprises and farmers" model. This model is mainly for farmers to purchase special crop seeds, fertiliser and other crops and related products from enterprises, farmers and enterprises signed targeted cultivation, the acquisition of farmers' agricultural products, specialising in planting enterprises need agricultural products. Enterprises provide guarantees for farmers because of their close cooperation with farmers [5].

(3). "Farmer and Farmer" model. This model is the farmers and farmers to provide each other with joint and several liability guarantees, farmers jointly guarantees. This model of lending is usually in a group of multiple farmers, one of which borrows and the other farmers in this group are required to provide joint and several liability guarantees.

(4). Use of a mortgage, pledge or public official security model. This model effectively mitigates the risk of loans and greatly reduces the default rate of loans. At present, rural credit unions for farmers micro-credit business is gradually adopted and vigorously promote this kind of loan model.

2.4. The status quo of micro-credit development for farmers in rural credit unions

With the rapid development of rural modernisation, rural credit unions continue to increase investment in farmers' loans, so that the rural population to carry out loans this business more convenient and faster, at the same time also carried out a richer business services and other content. While helping a large number of rural people to provide financial support, the Rural Trust has also promoted the economic development of rural areas. In recent years, the small loan business of farmers has taken on a large number of demand for financial development in rural areas. As a regional financial institution with the word "farm", the rural trust generally accounts for 80 to 90 percent of the market share of small farmers' loans in rural areas [6].

Since its establishment, the rural credit union has adhered to a "based on the community, service to the three farmers" purpose of running a society, rural credit unions in the service of the community when they have always adhered to the idea of multi-service advantages and constantly increase support for rural, inclusive rural and rural efforts to promote the rapid development of rural real economy and constantly introduce some of the local economic development has a positive role in the rural financial credit new products. Moreover, they will also be based on the local development characteristics and different customers, especially some special customers of different needs, an innovation of their existing financial products. Moreover, summed up experience, but also in the local publicity and promotion, to improve the rural credit unions operating in rural areas of visibility [7].

However, the rural credit union farmers micro-credit this business is developing rapidly, for the vast number of local farmers to provide corresponding financial services, to promote the sustainable and steady development of the local rural economy, but also accompanied by many problems. These problems not only seriously affect the sustainable and steady development of

small loan business of rural credit union farmers but also seriously restrict the sustainable development of rural economic market [8].

3. THE PROBLEM OF SMALL LOANS FOR FARMERS IN RURAL CREDIT UNIONS

3.1. The Qualification Examination of Farmers Is Not Standardized and the Standard of Credit Evaluation Is Not Perfect

Rural credit union credit assessment is not in place, some farmers and micro-households for self-payment awareness is poor, less understanding, all kinds of delayed repayment led to the deterioration of the credit environment, forming a vicious circle, resulting in a crisis of integrity. Reputation evaluation system is not perfect, many loan users do not meet the standards of loans, rural credit unions to farmers' understanding is not in-depth, not thorough, resulting in low repayment rate, long repayment period and other phenomena, the future development of rural credit unions have a deterrent effect [9].

3.2. The Loan Procedures Are Complicated and Cumbersome and the Sources of Funds Are Tight

Farmers small loans This business is the vast majority of credit loans, mortgage and guarantees requirements are not high, but the loan procedures are numerous, often need layer approval to complete, loan farmers often need to spend a lot of energy, time and transportation costs between the various relevant departments, coupled with farmers registered related property mortgage and other related procedures and documents time, making the loan approval efficiency is very low. In the loan approval process, there may be a variety of leaks, resulting in the stagnation of loan work. Therefore, it will cause economic losses to the users of loans, which will not be conducive to the realisation of the establishment of micro-credit business the original intention and purpose [10]. Coupled with the fact that most of the branches of rural credit unions are located in rural areas throughout the provinces, the vast majority of the sources of financing for their lending operations come from local farmers. However, with the rapid development and rise of urbanisation in recent years, a large number of young people in the countryside have poured into the city, with the loss of the rural population, followed by a large number of funds, making the rural credit union funding resources become more and tighter. Although there is still a part of the population in the countryside, the vast majority of these people are farmers who live in agricultural production and their annual economic income is largely dependent on growing crops to secure the funds to support their basic livelihood. However, raising the money is only a cup of water for rural credit unions. As a result, the large loss of the population in rural areas and the only savings of farmers have led to a straining of the sources of funding for rural credit unions [11].

3.3. The Use of the Loan Was Not Investigated and the Funds Went to the "Non-Agricultural" Field

In recent years, some state-owned commercial banks are in line with their development strategy adjustment, more and more commercial banks began to withdraw from the countryside their positions. Yet these commercial banks absorbed large deposits from farmers and with the withdrawal of these banks, the deposits were flowing to industrial and commercial enterprises in the cities, while the real sense was that little money was spent to serve farmers. Part of the rural credit unions market positioning, service objects and business scope misalignment, take it for granted that "agricultural economic development slow, less income and slow results, gradually lost interest in the agricultural economy, and then produced the heart of exclusion" Management, shake the purpose and original intention of running the society,

farmers loans have a certain obstacle effect, which will be very detrimental to the development of agricultural economy.

3.4. Lack of Policy Support for Micro-Credit for Farmers in China

Perfecting the infrastructure of building rural areas, providing a comfortable and convenient living environment for farmers and promoting the sustainable and healthy development of rural economy all require the government to provide certain policy support to achieve better. However, the government in the construction of new rural areas did not provide for a set of scientific and effective management system, more did not develop a set of effective system to assist. Not only that, the government's monetary policy, fiscal policy and regulatory policies still have many loopholes that adversely affect economic development and it is precise because of these loopholes that these policies lose its role in the implementation of the process in the face of unexpected situations. Third, the government side does not have some relevant system to solve the problem of farmers' risk and commercial bank risk, nor does it have the protection and support of funds. All of this will lead to slow, or even stagnant, small-credit business development for farmers.

3.5. Unreasonable Supply of the Market

The first is that the loan rate is not reasonable. Farmers small loan business is the vast majority of the service object is farmers, however, from the bank's point of view, farmers are mostly lack of mortgage collateral that can be approved by the bank, they think that farmers' credit is not good, repayment rate is relatively low, so its interest rate is generally higher than. "However, for some farmers who are only engaged in traditional agricultural production, the bank's lending rates exceed what they can afford, so the vast majority of these farmers will choose other financing methods within reach of which they can afford." For example, to find their relatives and their friends to borrow money, or sell their agricultural products, but this will bring some economic losses to farmers, not conducive to the healthy development of the local economy. The second is that the loan products are not reasonable. With the continuous acceleration of rural modernisation, the industrial structure of rural areas has begun to change dramatically, gradually to the direction of diversification, scale and economy, most of the rural areas New agricultural subjects have emerged, such as some of the better-developed and faster rural areas have achieved large-scale cultivation of crops, forming several professional cooperatives. But now there are farmers small loan products of the service object is still only small-scale production and operation of farmers mainly, there is no way to meet the modern farmers' existing diversification and its growing consumer demand.

4. RURAL CREDIT UNIONS FARMERS MICRO-CREDIT DEVELOPMENT PROPOSALS

4.1. Improve the Internal Control System and Strengthen Compliance Management

We must establish and improve a system of internal control and a comprehensive management system in line with our actual situation and rural credit unions in each region should work out a comprehensive set of management activities based on the actual development of the local economy. Systematic and standardized and in line with local laws and regulations of the business system and management system. Moreover, by the implementation of the various operations, every time to carry out timely and effective feedback and re-assessment.

Employees are the first resource of rural credit unions, but also the most valuable, the greatest wealth. The overall quality of employees is closely related to the good or bad management status of rural credit unions. Therefore, the rural credit union's current first

priority is to strengthen the overall quality of employees, cultivate a batch of excellent quality, professional ability competent, positive staff.

The management decision-making level of rural credit unions should effectively assume their responsibilities, meet to discuss and decide to establish an efficient system of compliance risk management. The establishment alone is not yet very good to play its role, therefore, the senior management layer should also monitor whether these compliance policies have been effectively and timely implementation, to ensure that when violations occur, can be identified in timely manner, prevent further deterioration of these incidents and can take appropriate corrective measures in timely manner. to ensure the normal development of rural credit unions. To successfully establish a relevant management system conducive to compliance risk management, the first is to establish an efficient assessment system to examine whether managers do a dutifully within their work of compliance performance, establish and accurately implement effective responsibility, authority, profit and other incentives, restraint mechanisms, Fully embody the basic philosophy of rewarding compliance and punishing violations. The second is to establish an effective compliance accountability system, to strengthen the accountability system for small loans for farmers. According to the current situation of small loan management of farmers, the formation of non-performing loans and the existence of a large number of bad loans of banks, to the greatest extent possible will produce the responsibility for these mistakes to all the relevant responsible persons and to increase the investigation of those responsible, strictly on the responsibility for violations of the identification and prosecution, To maximise the decline in the quality of loans.

4.2. Establishing A System of Micro-Credit Products for Diversified Farmers

First, the credit worthiness of farmers matches the interest rate of loans. For reputable loan farmers, you can consider lowering the loan interest rate, with a more favourable loan rate to attract more high-quality customers, completely solve the high interest rates so that high customers are discouraged from the embarrassing situation. For loan farmers with relatively poor credit, higher loan rates are used to cover the risk of future defaults. At the same time, these relatively poor credit farmers to implement dynamic incentive methods, such as the next time after the repayment of debt and interest can be partially preferential and gradually guide these farmers to pay attention to their credibility at the same time can enjoy preferential loan interest rates, so as to gradually reduce the risk of loan default. Continuously tap and cultivate potential high-quality customers.

Second, appropriately increase the loan amount and define the term of the loan flexibly. Rural credit unions should as accurately and comprehensively understand the credibility of customers as far as possible and should take into account the natural ecological situation and the production and operation status of local farmers and the development prospects of the rural economy and so on and appropriately improve the amount of loans to a certain extent. At the same time for farmers in the breeding industry, due to the long production cycle, should be moderately adjusted the loan term, so that farmers can make full use of loan funds. Expand the interest rate floating range, so that rural credit unions and farmers small loan farmers according to their circumstances to choose the appropriate deposit and loan interest rate standards, if you can actively, accurately and effectively use this method, then the rural credit unions to achieve greater operating profits and farmers to achieve the goal of increasing income and wealth at an early date will be easier to achieve and then will achieve a virtuous circle of small loans for farmers and further improve their good image in the hearts of farmers.

4.3. Improving the Credit Environment in Rural Areas

First, we should vigorously promote the importance of good faith for farmers to create a good credit environment for small loans. Because the rural credit environment needs to be

optimised, farmers' legal awareness is weak, credit consciousness is relatively inadequate, farmers generally have a sense of loss of trust and not being punished by law. Therefore, we should use a variety of publicity methods, use temple fairs, regularly hold honest and trustworthy education activities, to prevent the occurrence and further deterioration of farmers' moral risks. To strengthen the propaganda of rural financial rule of law, we should make every effort by the local government to improve the credit consciousness of rural farmers. Let the concept of "trustworthiness glorious, broken faith shameful" deeply in the hearts of the vast number of farmers. At the same time, the rural credit union should cooperate closely with the local government, continuously optimise the rural credit environment and lay a solid foundation for the establishment of a good financial ecological environment.

Second, the establishment of an efficient rural credit system. First of all, the rural credit union credit personnel should strengthen contact with the local village committee, which is conducive to the establishment of an efficient farmers evaluation team, is conducive to a more accurate and comprehensive understanding of the information of the loan farmers. Secondly, we should make full use of the personal credit system of the Chinese People's Bank. This credit system records all the loans, credit cards, legal disputes and other individuals in recent years have no bad credit information, can be used as a credit reference for farmers to apply for small loans.

4.4. Give the Corresponding Government Policy Support

For the vast number of farmers, the government should develop such a policy support: when there is a natural resource disaster, or because farmers do not understand the current economic situation, or even do not understand at all, resulting in farmers to their production of agricultural products poor management, the government should be farmers to carry out certain financial support, Moreover, to each village and town are equipped with some agricultural production technical personnel, guide farmers to carry out agricultural production, has reached the goal of increasing income and getting rich. And there are financial professionals to teach farmers how to make their wealth richer. For the banking community, the government should formulate some preferential policies conducive to the development of banks, so that they can vigorously promote the small loan business of farmers at the same time feel profitable so that they have more enthusiasm for work, can have a more open-minded to innovate a series of financial products and related business and service content, In this way, they have the motivation to promote the prosperity and sustainable development of the rural economy.

4.5. Increase the Intensity of the Absorption of Deposits By Rural Credit Unions

First, each region should, by the unique characteristics of local characteristic agriculture, give the vast number of local farmers to support the local farmers with the corresponding policy support, according to local characteristics in agriculture, according to local conditions, to develop a set of agricultural production programs in line with local climatic conditions, to promote the increase in agricultural production and thus increase farmers' income. Second, at the same time, financial institutions should actively seek the help of local governments, through the government to provide policy support for agricultural re-loans as an auxiliary business, the government can also reduce the rural credit unions to reduce the interest rate of agricultural re-loans, to stimulate farmers to carry out loan behaviour. Third, we should vigorously call on leading enterprises to invest in rural credit unions in all provinces and regions and absorb excellent social capital investment so that the funds in society and the funds in financial institutions can be effectively combined. Fourth, to actively introduce non-bank financial institutions from abroad or from the local level, on the basis of an active regional economy, such institutions can increase the liquidity of rural credit unions, but also more effectively enhance the rural credit unions to serve rural areas of financial support.

5. SUMMARY

China is a typical agricultural country with a large agricultural population. Rural credit union farmers micro-credit this business brought about by the implementation of the great effect, access to the vast number of farmers highly recognised, its significance is visible. Because it effectively solves the production and living needs of many poor farmers, effectively alleviates the difficulties of farmers' loans and rural economic development backward ness. However, due to the late time of the small loan business of farmers in our country, there are still some problems and obstacles in the process of development. This paper makes an in-depth analysis of the problems such as reviewing farmers' credit, complicated procedures and false lysing in the investigation of loan use in the development of small loan business of rural credit unions and puts forward the countermeasures to improve internal management, establish diversified products and optimise the rural credit environment. To improve the operational efficiency and economic mechanism of rural credit unions. As long as we treat these problems with our heart, take positive and appropriate measures and actively explore the micro-credit model of farmers that are in line with china's specific national conditions, we can actively play the role of rural credit unions better serve the "three farmers", and play a more important role on the road of economic development.

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