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The Problems of Coordinating Urban-rural Development of Chongqing City and Corresponding Measures of Financial System

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Abstract The thesis researches urban-rural coordination which is incorporated into the framework of "agriculture, rural areas and farmers", and it focuses on farmers' human resources development, agricultural industrial adjustment, rural regional coordinated development and so on. The main problems existing in the process of coordinating urban-rural development of Chongqing City are discussed under the foregoing framework. We find that input and flow direction of capital deviating from "agriculture, rural areas and farmers" is the direct cause of insufficient rural educational input, insufficient agricultural input, and irrational rural input, while the fundamental reason lies in the irrational financial policy. Based on this, the measures of innovating upon financial policy and financial system are put forward.

Key words Urban-rural coordination, Problems of "agriculture, rural areas and farmers", Financial system, China

The concept of coordinating urban-rural development of China is generated on the basis of outstanding problems of "agriculture, rural areas and farmers" in China. Due to the long-term segmentation of city and village, the outstanding problems of "agriculture, rural areas and farmers" critically impact the sustainable development of socio-economy, and the concept of coordinating urban-rural development is put forward. The problems of imbalanced urban-rural development of China are outstanding especially in the backward western regions. As for Chongqing, such municipality directly under the Central Government with big village attached to it, the task of coordinating urban-rural development is backbreaking, which underlies our research on coordinating urban-rural development of Chongqing. In addition, as Chongqing is one of the comprehensive matching experimental zones for reform, so the strategic significance requires us to strengthen the research work. Currently, the coordination of urban-rural development of Chongqing has been propelled with order and planning step by step, but in the practical work, there are many problems and demerits. Consequently, the thesis emphatically observes and studies the measures and effect of coordinating urban-rural development of Chongqing, analyzes the causes of problems and then puts forward corresponding policies and suggestions.

1 Re-understanding of the connotation of coordinating urban-rural development

The 16th National Congress of Communist Party of China definitely brought forth "coordinating urban-rural socio-econom-

ic development" for the first time, and the Third Plenary Session of the Sixteenth Central Committee of the Communist Party of China further put "coordinating urban-rural development" as the important content of "five balances", so as to make it become important content of scientific thought of development and one of the important strategic tasks in the new era. The background of bringing forth the concept of coordinating urban-rural development is that long-term segmentation of city and village, the outstanding problems of "agriculture, rural areas and farmers" critically impact the sustainable development of socio-economy. Under the theoretical direction of scientific thought of development, implementing the coordination of urban-rural development should give priority to solving outstanding problems of "agriculture, rural areas and farmers". So the connotation of coordinating urban-rural development should be that taking the scientific development as aim, solving outstanding problems of "agriculture, rural areas and farmers" as core content, and adopting a series of corresponding means, means and supporting measures. While the connotation of scientific development is all-around, balanced and sustainable development, and the problems of "agriculture, rural areas and farmers" are mainly the problems of farmer, agriculture and village, so we can define the coordination of urban-rural development as follows: coordinating urban-rural development aims to promote the all-around, balanced and sustainable development of socio-economy, and solve the problems existing in city and village and urban-rural relation. On one hand, we should play the role of city in leading village, and the role of village in promoting city and industry so as to realize benign interactive balanced urban-rural development; on the other hand, we should change dual urban-rural structure, narrow urban-rural gap, and realize all-around, balanced and sustainable development by the means of promoting urban-rural socio-economic unification. The detailed connotation

can be described as follows.

1.1 Coordinating urban-rural development of human resources and elevating farmers' quality and life standard

In the current documents regarding urban-rural gap research of China, the description of urban-rural gap mostly focuses on problems of farmers, such as the described China's practical urban-rural gaps including income gap of urban-rural residents, wealth gap of urban-rural residents, consumption gap of urban-rural residents, social welfare of urban-rural residents and so on, which are put forward aiming at problems of farmers^[1]. So, the first important affairs of coordinating urban-rural development are to coordinate development of urban-rural human resources, elevate farmers' quality and protect farmers' benefit.

1.2 Coordinating urban-rural industrial structure and layout, promoting healthy agricultural development

According to the relations among three industries, the fundamental status and important role of agriculture determine its significant role in coordinating urban-rural development. The winner of Nobel Prize of Economics Kuznets also puts forward that agricultural sector makes the following contributions in promoting economic growth and development, namely contribution of products (including grain and raw material), contribution of market, contribution of factors (including surplus capital and surplus labor forces and the contribution of income obtained by exporting agricultural products of domestic agriculture^[2]). Zhang Peigang holds that by paying tax to state and exporting agricultural products, the agriculture has formed capital accumulation and foreign exchange reserve. In addition, in terms of grain, raw material, labor forces, market and other aspects, the agriculture plays important role and makes great contribution during national economic development and industrial development. Industrial development and agricultural reform is interactive^[3]. Based on this, coordinating urban-rural industrial structural adjustment, solving agricultural problems and promoting healthy agricultural development is the second important task of coordinating urban-rural development.

1.3 Coordinating balanced development of urban-rural regions and promoting urban-rural integration

Dual economic theory holds that the urban-rural segmentation and separation in geographical space cause the duality of economic structure, life style and values, more specifically, the urban-rural duality of technology, labor forces market, financial market, regions and so on. In addition, in terms of the urban-rural resources supply, there is also outstanding duality of human resources, material resources, capital resources, system resources and so on, and the system resources are the important restricted factors of duality of other resources. So, in order to promote urban-rural development, we must solve problems of urban-rural spatial layout, and realize urban-rural integration, which will be the third important task of coordinating urban-rural development.

2 The main problems existing in coordinating urban-rural development of Chongqing City

Chongqing, located in the western regions of China, bears the great historical mission of big city leading development of

big village. China has offered a series of supporting policies especially for coordinating urban-rural development so as to promote development of Chongqing. In June, 2007, Chongqing and Chengdu were evaluated as the comprehensive matching experimental zones for reform in China. The documents, such as *Urban-rural Overall Planning of Chongqing City from 2007 to 2020 and Urban-rural Overall Planning of Chongqing City Agreed and Revised by the State Council of China in Principle* ([2007]90), determine the overall objective of urban-rural development of Chongqing City as follows: the economic development of Chongqing should be the most developed city in western regions; we should construct the important growth polar of western regions and the economic center of the upstream regions of Yangtze River as quickly as possible; in terms of coordinating urban-rural development, Chongqing City should be vanguard in western regions so as to construct municipality of coordinating urban-rural development directly under the Central Government; in terms of social harmony, Chongqing City should be vanguard in western regions so as to achieve the goal of ensuring our people a relative comfortable life; in terms of harmony of human and environment, Chongqing City should be vanguard in western regions so as to realize balanced development of economy, society, and environment. In January, 2009, *Some Opinions of the State Council of the People's Republic of China, on Promoting the Urban-rural Reform and Development of Chongqing City* ([2009]3) further definitely pointed out the main objective of promoting urban-rural reform and development of Chongqing City: firstly, until 2012, reform of the important areas and key chains will make great progress and the system framework of coordinating urban-rural development forms basically; secondly, until 2012, various kinds of reforms are comprehensively furthered and the system of coordinating urban-rural development forms so as to achieve the goal of ensuring our people a relative comfortable life at first in the western regions. At this moment, the objective of coordinating urban-rural development of Chongqing City has become definite and the idea is increasingly clear. For the time being, coordinating urban-rural development has been promoted with planning step by step in whole city. At the current stage, the gap between reality and objective, the gap between operation and idea are mainly as follows.

2.1 The problems of farmers are still outstanding

Since the promotion of coordinating urban-rural reform in 2007, the urban-rural gap has tended to narrow, but it is still large. According to the family information of rural households in China and Chongqing City from 2006 to 2008 (Table 1)^[4-6], the urban-rural residents' income of Chongqing City is below the national average, the rural consumption expenditure in residents' consumption is below the national average, but the urban consumption expenditure is above the national average. The urban-rural Engel's coefficient of family is above the national average. Especially the rural Engel's coefficient is more than 50%, 10 percentage points more than the national average. If according to standard dividing poorness and richness raised by The Food and Agriculture Organization of the United Nations, namely that

Engel's coefficient more than 59% is absolute poorness, 50% – 59% keeping the wolf from the door, 40% – 50% well-off level, 30% – 40% richness, and below 30% richest level, China has stepped into the phase of relatively well-off and comfortable life, while the villages of Chongqing are still at the stage of keeping the wolf from the door, so the task of coordinating urban-rural development of Chongqing City is strenuous, still a

long way to go. In the light of urban-rural gap after coordinating urban-rural reform in the recent years, the proportion of urban-rural residents' per capita net income of Chongqing City is 4.03 in 2006, 3.91 in 2007 and 3.81 in 2008, tending to decrease, but they are all above the national average, indicating that the urban-rural gap of Chongqing City is still large.

Table 1 The family information of rural households in China and Chongqing City

Year	Region	Per capita discretionary income//yuan		Per capita life consumption expenditure//yuan		Engel coefficient of family//%		The ratio of consumption expenditure and income//%		The ratio of urban income and rural income
		City	Village	City	Village	City	Village	City	Village	
2006	Chongqing	11 569.7	2 873.8	9 398.7	2 205.2	36.3	52.2	81.24	76.73	4.03
	China	11 759.5	3 587.0	8 696.5	2 829.0	35.8	43.0	73.95	78.87	3.28
2007	Chongqing	13 715.2	3 509.3	10 876.1	2 526.7	37.0	54.5	79.30	72.00	3.91
	China	13 785.8	4 140.4	9 997.5	3 223.8	36.3	43.1	72.52	77.86	3.33
2008	Chongqing	15 708.7	4 126.2	12 269.3	2 884.9	39.1	53.3	78.11	69.92	3.81
	China	17 067.8	4 760.6	11 242.8	3 660.7	37.9	43.7	65.87	76.90	3.59

In the light of the residents' income information of Chongqing City (Table 2)^[4], the wage in 2008 decreases on the basis of that of the year 2007, while the income of management increases, which is caused by migrant workers' returning-home. As of the end of December, 2008, there were 0.472 million returning-home migrant workers in whole city, and the wage growth rate decreased from 18.9% in the first quarter to 5.1% in the fourth quarter^[7]. This brings forth the subject of helping returning-home migrant workers' entrepreneurship. Meanwhile, the current level of agricultural industrialized management is low; the added value of agricultural products is not high; farmers' income increases slowly; the problem of high-efficiency mechanism of farmers' income-increase having not been established still exists.

Table 2 The statistical table of main composition of farmers' income of Chongqing City

Year	Total income yuan	Wage		Income of family management	
		Absolute number yuan	Proportion %	Absolute number yuan	Proportion %
2007	4 532.40	1 559.30	34.4	2 563.67	56.6
2008	5 443.73	1 764.64	32.4	3 239.95	59.5

2.2 The agricultural growth is instable Along with the economic growth, the relative proportion of agriculture in national economy decreases, but as a municipality directly under the Central Government leading big village, its absolute value of agricultural output value decreases, which is alarming. According to the products output of farming, forestry, husbandry and fishing in Chongqing City from 2001 to 2008 (Table 3)^[4], the output increases incessantly from 2001 to 2005, decreases in 2006, and increases again in 2007 and 2008. Especially the output of grain, oil and sugarcane in 2008 does not even reach that of 2005, indicating that the agricultural growth of Chongqing is instable and the agricultural industrial foundation is weak.

2.3 The problems of village are still outstanding The statistical data of national economy and social development in Chongqing City indicates that the urban population increases

steadily in the population structure of Chongqing, increasing by 3.82% in 2007 and 4.24% in 2008^[4]; the rural population decreases gradually, decreasing by 2.81% in 2007 and 2.39% in 2008; the GDP of Chongqing City increased by 19.42% in 2007 and 23.63% in 2008; the growth of the primary industry and secondary industry increased rapidly in 2007 and the tertiary industry developed slowly, while the primary industry in 2008 grew slowly, the tertiary industry grew rapidly and the secondary industry also grew to some extent. The rural social undertaking of Chongqing develops sluggishly, and it is bound to generate great urban-rural gap of public service level. According to the report of development of agriculture, countryside and farmers of Chongqing City in 2008^[8], the agricultural infrastructure is outdated and the pattern of being at the mercy of the forces of nature has not yet been changed. There is a shortage of key water source projects in whole city, and the ability of agricultural use water security is weak. Up to 2008, there were still 10 million rural population and 3 million urban population confronted by unsafe potable water; the facilities of rural road, telecommunication and electricity grid were weak.

Table 3 The products output of farming, forestry, husbandry and fishing in Chongqing City from 2001 to 2008 ×10⁴ t

Year	Grain	Oil	Fiber crops	Sugarcane
2001	1 035.35	29.96	0.885 7	10.08
2002	1 082.15	35.04	1.213 9	12.06
2003	1 087.20	38.27	0.962 0	11.35
2004	1 144.57	41.75	1.020 9	11.77
2005	1 168.19	42.71	1.236 2	11.46
2006	808.40	28.94	1.184 6	10.16
2007	1 088.00	30.68	1.539 9	11.26
2008	1 153.20	35.68	1.698 2	11.18

3 The main factors restricting coordinating urban-rural development of Chongqing

The aforesaid main problems existing in coordinating urban-rural development of Chongqing City are as follows: farmers' income is low; farmers are insufficiently educated; the agriculture develops slowly; the rural society develops sluggishly. The fundamental reason is that few resources flow into village and the

input in rural education, agriculture and village is not enough.

3.1 The input in rural education is not enough Insufficient input in rural educational resources and the ill-educated farmers make farmers' human resources value is low, consequently, their income is naturally low. The low income reality in the preceding farmers' income structure attests to this best. So we can hold that insufficient input in rural education is the important factor restricting farmers' income-increase. According to the statistical data of China's education in 2007^[5], rural primary school institutions and graduated students have a large proportion, accounting for 84.9% and 59.4% respectively. The secondary school institutions account for 55.6%, but the graduated students only account for 42.4%, while the senior high school institutions only accounts for 12.2% and the graduated students only account for 8.5%. We can see that farmers' educational level is universally low. From the Information of elementary education schools and teachers in regions of Chongqing City in

Table 4 Information of elementary education schools and teachers in regions of Chongqing City in 2008

Region	Number of schools//unit			Full-time teacher//people		
	Total	General secondary school	Primary school	Total	General secondary school	Primary school
Developed economic circle of city	1 867	260	561	75 314	22 756	20 388
"One-hour" economic circle	6 632	754	2 906	169 786	60 475	61 157
The northern wing of eastern Chongqing	4 785	416	3 456	79 361	31 523	39 217
The southern wing of eastern Chongqing	1 599	155	1 213	31 740	11 113	18 787
Whole city	13 016	1 325	7 575	280 887	103 111	119 161

Table 5 The urbanization rate of all regions in Chongqing City from 2006 to 2007 %

Year	Whole city	"One-hour" economic circle	The southern wing of eastern Chongqing	The northern wing of eastern Chongqing
2006	46.7	59.7	21.5	29.5
2007	48.3	61.3	23	31.0

3.2 The agricultural capital input is not enough From the industrial structure (Table 6)^[4,6], the output value contribution of three industries of Chongqing is close to that of the nation, but the agricultural investment is scanty. From the comparison of domestic currency loan of Chongqing financial institutions and national loan structure (Table 7)^[4-5], Chongqing's loan on agriculture, forest, husbandry and fishing is lower than 5%, 5.8% - 5.9% lower than the national average; rural investment of fixed assets (Table 8) indicates that the rural investments are scanty, only about 3%; the problem of sustainable development of agriculture is imminent^[4].

Table 6 The comparison of output value contribution of three industries of China and Chongqing City from 2006 to 2008 %

Year	The primary industry		The secondary industry		The tertiary industry	
	Chongqing	China	Chongqing	China	Chongqing	China
2006	11.3	11.2	48.7	43.5	40.0	45.3
2007	11.1	11.7	48.5	45.9	40.4	42.4
2008	11.3	11.3	48.6	47.7	40.1	41.0

In addition, in the recent years, by implementing a series

2008 (Table 4), the northern wing of eastern Chongqing has the most primary school institutions, accounting for 45.6%, while the secondary schools in this region account for 31.4%, and the corresponding teachers only account for 28.3%. There are most secondary school institutions in "One-hour" economic circle, accounting for 56.9%, and there are most teachers in this region, accounting for 60.4%. From the urbanization rate (Table 5)^[4], the urbanization rate of Chongqing is 46.7% in 2006 and 48.3% in 2007; in the same period, the urbanization rate of "One-hour" economic circle is 59.7% in 2006 and 61.3% in 2007; the urbanization rate of the northern wing of eastern Chongqing is 29.5% in 2006 and 31% in 2007. Thus we know that the regions with more educational input and high educational level, their urbanization rate is high. So Chongqing City should increase rural educational input to coordinate urban-rural development.

of policies of supporting agriculture and subsidizing agriculture, the socio-economic development of agriculture and village in whole city has made dramatic progress. But we should see that the ingrained problems restricting Chongqing's development of "agriculture, village and farmer" have not yet been solved fundamentally. The small-scale rural land management makes it difficult to promote agricultural benefit. The per capita farmland of Chongqing's rural labor forces is only 0.1 hm², and the per capita farmland of Chongqing's rural household is only 0.2 hm², 50% of that of China, so farmers cannot realize high benefit on the per capita farmland less than 0.1 hm². Epidemic prevention system of animal and quality security monitoring system construction of agricultural products cannot meet the developmental need at the new stage in the new era. The problems of agricultural products security have become the social hot topic and focus^[8].

Table 7 The comparison of domestic currency loan of Chongqing financial institutions and national loan structure

Year	Total loan ×10 ⁸ yuan		Agricultural loan ×10 ⁸ yuan		Proportion of agricultural loan//%	
	Chongqing	China	Chongqing	China	Chongqing	China
2006	4 183.27	225 347.2	178.55	13 208.2	4.3	5.9
2007	5 020.63	261 690.9	224.68	15 428.2	4.5	5.9
2008	6 024.72	303 395	211.55	17 629.0	3.5	5.8

3.3 The rural fixed assets investment is scanty From information of social fixed assets investment of Chongqing City (Table 8), the urban investment from 2006 to 2008 is 229.146, 297.136, and 378.156 billion respectively; in the same period,

the rural investment from 2006 to 2008 is 16.038, 19.015 and 26.369 billion respectively; in the same period, the investment on farmers from 2006 to 2008 is 7.719, 7.4 and 8.242 billion^[4]. The investment structure of social fixed assets of Chongqing City is that city accounts for 93.5% – 94.0%; village accounts for 6.5% – 6.0%; the fixed assets investment on farmers is only 2.0% – 3.1%, while in the same period, as for the national fixed assets investment on the average, the city accounts for 86.1% – 84.9%, and village accounts for 13.9% – 15.1%^[5], indicating that the investment of Chongqing on village is scanty, which causes the laggard rural social development of Chongqing.

Table 8 Information of social fixed assets investment of Chongqing City × 10⁸ yuan

Year	Total fixed assets investments of whole society	City	Village	Rural non-agricultural household	Rural household
2006	2 451.84	2 291.46	160.38	83.19	77.19
2007	3 161.52	2 971.36	190.15	116.15	74.00
2008	4 045.25	3 781.56	263.69	181.27	82.42

4 Policies and suggestions

The main restricted factors of coordinating urban-rural development of Chongqing City nowadays are that the inputs on village, rural education, agricultural capital and especially the fixed assets are critically scanty. While the capital input needs the rational guidance of policies. The current financial policies and system do not channel capital resources into village. So, the main task of coordinating urban-rural development of Chongqing currently is to conduct reform and innovation on system level, especially on financial system, and start from 3 aspects, namely farmers' educational input, agricultural infrastructure input and rural region layout input to coordinate urban-rural development of Chongqing.

4.1 We should promote the financial policies innovation on coordinating urban-rural development

4.1.1 We should fully use financial system to support rural elementary education and coordinate urban-rural development. Firstly, we should perfect guarantee system of elementary educational fund. Elementary education is public product, which has a close relationship with finance and should be incorporated in the range of financial supply. The local finance and central finance both should strengthen the input of elementary education. We can allot certain capital to rural elementary education from the new added total financial revenue annually; we can allot half or more capital to rural elementary education from the new added total educational input annually. In addition, the county government should continue to strengthen the aid to rural needy student, expand the scope of aid, and elevate the standard of aid. Secondly, we should increase rural teachers' wage. China's local financial revenue is not enough and the rural teachers who depend on local financial support have low wage. These problems have not yet to be solved. In France, Thailand, Korea, Egypt and other countries, they all incorporate the elementary educational teachers' wage into central fi-

ancial budget, and in Germany and India, the elementary educational teachers' wage is incorporated into state financial budget^[9]. China should refer to foreign experience, and the elementary educational teachers' wage is shared by central government, provincial government and county government. Meanwhile, we should gradually increase the central and provincial share proportion. Finally the teachers' wage is mainly shared by central finance, and we should increase elementary and secondary school teachers' wage, especially rural teachers' wage.

4.1.2 We should establish and perfect financial input mechanism and strengthen agricultural infrastructure input. Firstly, we should perfect input management of financial poverty-alleviation capital. We must definitely stipulate the input of financial poverty-alleviation capital, and pay attention to agriculture in the process of industrial allocation, including agricultural byproducts processing industry; we must focus on agricultural infrastructure construction in terms of program types, including rural road, farmland water conservancy facility, human and animal drinking water projects and so on. Secondly, we should perfect price subsidy mechanism of agricultural products. According to the price subsidy classification of agricultural products of WTO, the agricultural subsidy mainly includes subsidy of " Amber Box" and subsidy of " Green Box". The subsidy of " Amber Box" is the direct price intervention and subsidy of the nation on agricultural products, including the subsidy of agricultural input on seed, fertilizer and irrigation, the subsidy on marketing loan of agricultural products, direct subsidy on fixed assets, fallow subsidy and contracyclical subsidy. The subsidy of " Green Box" mainly includes general agricultural services, including agricultural scientific research, pest control, training, popularization, consultation service, test service, promotion service of agricultural products market, agricultural infrastructure construction, food security reserve subsidy, food aid subsidy, income subsidy irrelevant with production, income insurance plan, natural disaster relief subsidy, the subsidy on agricultural producers who are transferred to civilian work or retire, agricultural resources reserve subsidy, investment subsidy of agricultural structure adjustment, subsidy of agricultural environmental protection, regional aid subsidy and so on. According to the principles of WTO, we should decrease or eliminate gradually " Yellow Subsidy", and choose the subsidizing measures, such as " Green Subsidy". So, we can strengthen the agricultural infrastructure construction, such as water conservancy construction and rural road construction. We should also emphasize agricultural technological subsidy, strengthen research and popularization of agricultural scientific technology, and strengthen farmers' elementary education and technological training.

4.1.3 We should establish common and equal financial system and bridge urban-rural gap. Firstly, we should innovate on the supply model of public goods of education and public sanitation, allay the system conflict and efficiency loss brought by the common public goods, and balance the relationship between equality and efficiency. Secondly, we should strengthen program management system of financial poverty-alleviation capital so as to ensure that the capital is used fully in program and the financial poverty-alleviation capital takes the program as vehicle;

preclude the "objective deviation" generated in the process of using financial poverty-alleviation capital as much as possible; reinforce the argumentation and appraisal of financial poverty-alleviation program to avoid blunder. Finally, we should strengthen the supervision management of financial poverty-alleviation capital. Namely we should establish three-dimensional supervision and management system of financial poverty-alleviation capital; use various kinds of social forces to supervise appropriation of financial capital and the use information; establish corresponding information revelation system; share the use information of financial poverty-alleviation capital of all departments; supervise and check financial poverty-alleviation program to make up for the defect of financial poverty-alleviation capital.

4.2 We should promote the financial system innovation on coordinating urban-rural development Due to the scattered distribution of farmers, small loan amount of individual farmer, and the shortage of loan mortgage, the loan cost and risk are high, so the professional commercial and financial institutions are reluctant to enter village. Difficult loan of farmers and high rate of loan have become the outstanding problems at the present time. The institutions of providing loan for farmers are mainly rural credit association (it has been changed as rural credit cooperative bank in some places) and agricultural bank. Only a small fraction of loans are from new-type financial institutions (micro-credit companies or rural banks). The loan farmers get cannot meet their need of capital, and a large portion of their loans are from unlicensed financial institutions. The interest rate of unlicensed financial institutions is always high, which burdens farmers with loan. So according to the characteristics of farmers' capital, we should foster new rural financial institutions and innovate on financial products so as to promote Chongqing's coordination of urban-rural development.

4.2.1 We should foster new rural financial institutions. Besides two rural financial institutions, agricultural bank and agricultural credit association, we should also strengthen the training degree of new rural financial institutions. According to the Banking Supervision Commission's pilot project of new rural financial institutions, currently there are 100 new rural financial institutions (rural bank, loan company and rural credit union) in the aggregate, which play the role, to some extent, of alleviating the problem of scanty rural financial service, increasing coverage rate of rural financial service, improving the competitive status of rural financial market, and normalizing rural financial market. But as the reputation of rural bank has not yet been established, it impacts the ability of absorbing savings. Few savings and many loans will influence its development critically. So we should strengthen the supervision of new rural financial institutions, and elevate the innovative service ability of medium-and-small-size financial institutions on the basis of "agriculture, village and farmer", and coordination of urban-rural development.

4.2.2 We should promote the innovation of financial products, such as micro-credit. Firstly, we should vigorously popularize micro-credit of farmers and group joint credit of farmers. We should encourage the financial institutions to strengthen the cooperation with credit association or credit cooperative; to use

the unified credit-increase model, such as group joint credit, mortgage fund and risk-based margin; to actively explore and develop group joint credit which can meet credit community members' financial need. Secondly, we should innovate on credit mortgage model and enlarge the scope of effective collateral. According to the relevant law, we should further enlarge the scope of the collateral which can be used in applying loan of farmers and rural enterprise; explore the security loan which is used to develop large agricultural-use production equipments, forest rights, waters and wetland usufruct and so on; normalize the development of pledge loans of rights of accounting receivable, equity, warehouse receipt and deposit receipt; encourage various kinds of credit security institutions to adopt many forms, such as re-guarantee, group joint credit and the combination of security and insurance to strengthen the rural financing security service. Thirdly, we should explore and develop financial instruments based on order and insurance policy; spread agricultural credit risk; encourage financial institutions to actively promote and develop the credit model which promotes agricultural industrialized management, such as "company + farmer", "company + agency + farmer" and "company + professional market + farmer", according to seasonal feature of agricultural capital need, rational pricing mechanism of contract farming, trust fulfilling mechanism of contract farming and effective execution mechanism; encourage the agriculture-related financial institutions, rural credit security institutions and relevant agencies to strengthen the cooperation with insurance company, take the order and insurance policy as underlying assets, and explore new products of financial service of "credit + insurance"; encourage and support the rural planting and breeding households and qualified agricultural production enterprises to spread agriculture-related credit risk effectively by investing in the products of "credit + insurance" and trust financing. Fourthly, we should float joint bond of agriculture-related medium-and-small-size enterprises in inter-bank market; broaden the financing channel of agriculture-related small-size enterprises; explore and float joint bond of agriculture-related medium-and-small-size enterprises in inter-bank market so as to provide trust-increase and underwriting services for agricultural industrialized leading enterprises to float short-term financing bond and joint bond of agriculture-related medium-and-small-size enterprises.

4.2.3 We should innovate on financial service pattern. By the ways of popularizing mobile phone bank, networked mutual insurance, migrant workers' bank card and the construction of trust village and town, coupled with the planning of new village construction in pilot regions, we should encourage agriculture-related financial institutions to further reinforce the marketing degree of rural financial products; enlarge the coverage of financial service in poverty-stricken rural regions; optimize ratification process and simplify ratification procedures; popularize "one stop" service of financial supermarket and rural credit service; actively promote the rural financial service means of computerization, informatization and normalization; gradually popularize the electronic business of rural financial products; develop the sustainable model of commerce on the basis of modern information technology with low cost. We should encourage agriculture-related financial institutions with advantage of network

