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Influencing Factors and Path Choice of Rebuilding Rural Financial Supervision System

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Abstract The necessity of rebuilding Chinese rural financial supervision system is expounded. Rebuilding rural financial supervision system is conducive to normalizing rural financial order and forming the benign competitive situation; to clarifying the role played by rural financial organization and providing better financial services for "three agriculture"; to forming safe rural financial environment to promote the development of rural economy and national economy. The restricting factors of rebuilding Chinese rural financial supervision system are analyzed. The major reasons are that rural financial legislation is relatively backward and the supervision department lacks the necessary legal basis. The administrative supervision is insufficient, which lead to the mal-position, administrative offside and vacancy of rural financial supervision; rural financial organization mechanism is unreasonable and the internal supervision mechanism is relatively bad; supervision organization of rural financial industry is imperfect and the function is imperfect; public's supervision awareness is weak and social supervision mechanism develops slowly. The paths for rebuilding Chinese rural financial supervision system are put forward including accelerating rural financial legislation to provide perfect legal evidence for rural financial supervision system; clarifying the position on governmental functions and fully displaying the leading role of rural financial supervision; establishing specialized rural financial supervision organization to perfect its supervision functions; vigorously cultivating people's supervision awareness to promote the development of social supervision mechanism.

Key words Rural financial supervision system, Rebuilding, Influencing factors, Path choice, China

Rural finance provides capital support and financial services for modern agriculture and rural economic development, and helps rural small and medium-sized enterprise to overcome development chokes. Rural finance is of great significance in facilitating socialist new village construction and realizing the urban-rural balanced development. Therefore, the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party pointed out that "rural finance is the core of modern rural economy". Under the background of implementing policies concerning agriculture, rural areas and farmers, how to regulate rural financial market order; construct healthy rural financial environment and form the benign competition of rural financial market to provide long-term and effective capital support and financial services for agricultural development, farmers' income increase, rural face lift have become a hot and difficult problems concerned by governments and scholars. We think that rebuilding Chinese rural financial supervision system is a reasonable and effective way of solving the problem. So the paper conducted systematic and detailed analysis on rebuilding the influencing factors of rural financial supervision system and put forward the paths for rebuilding rural financial supervision system to provide reference for the rural financial work of governments and researchers from academic circles.

1 The necessities of rebuilding Chinese rural financial supervision system

1.1 It is conducive to regulating rural financial market order and forming benign competition At present, private loan in Chinese rural financial market is active. Due to the lack

of perfect organizations as formal channels for providing loans, a large majority of rural private finance is conducted in private, which led to many uncertain factors and increased the risks of rural financial market. Perfect rural financial supervision system can well display its functions on supervision and effectively find the problems. It can well prevent and control the illegal private loan and usurious loan from Mafia-style organizations and it is conducive to regulate the normal operation of rural financial market and promote the legal, systematic and normal operation of rural financial activities under the supervision system. The supervision system can make the behavior results more open and transparent and is beneficial to various rural financial institutions to launch the fair and equal financial services to form benign competition.

1.2 It is conducive to locating the role of rural financial organization and better providing financial services for "three rural problems" Rural financial organization should serve the "three rural problems" and provide long-term and effective capital support and financial services for new village construction. But in the actual operation, rural financial organizations often stray away from their role more or less, which leads to the capital and financial services to flow to non-agricultural industries or organizations. Through establishing the perfecting rural financial supervision system, the money flow and financial service subjects can be accurately supervised to find the deviance. Besides, it can prevent the money and services used for supporting agriculture, rural areas and farmers from flowing to non-agricultural industries. The establishment and perfection of rural financial supervision system can enhance the functions of rural financial organizations and help them to play its role stipulated by the law to provide more effective and high quality fi-

financial services for "three rural problems".

1.3 It is conducive to forming a safe rural financial environment and promoting the development of rural economy and national economy

Imperfect laws and regulations plus irrational system operation may lead to the financial criminal cases. Rebuilding rural financial supervision system can effectively implement the laws and regulations, and display the dynamic role of each supervision main body; comprehensively and dynamically supervise rural financial market; reveal rural corruption; effectively restrict the illegal behaviors of bribing and bribe-taking; timely find and prevent the capital of rural financial organization from being embezzled and lent illegally; reduce the risks of rural financial market to the maximum degree. At the same time, the advantages of diversified supervision main bodies can be made use of to establish the credit system of rural financial client. Through the forms of credit evolution, the frequency of uncollectible debt can be reduced, and then rural financial environment can be optimized to provide safe and stable supervision mechanism for the smooth implementation of rural organization businesses and comprehensive and high efficient financial services for new village construction and "three rural problems", so as to facilitate the development of rural economy and the whole national economy.

2 Rebuilding the influencing factors of Chinese rural financial supervision system

2.1 Rural financial legislation is relatively backward and the supervision department lacks the necessary legal basis

The prerequisite of rural financial supervision is the perfect laws and regulations to ensure there are laws and regulations to go by and observed. However, China is in the transformation period, its society and economy develop rapidly, but the legislation can no keep up with social reform. The legislation of rural finance is separate with the practice of rural finance, which results in the invalidation of laws and regulations of rural financial behaviors^[1]. The law-breaker will take the advantage of the invalidation of laws and regulations and evade legal punishment. What's worse, due to the lack of necessary laws and regulations, the government and financial supervision departments do not have laws and regulations to clarify rural financial behaviors, so they can not effectively supervise and manage rural financial behaviors. At the same time, the backward of legislation also leads to the imperfect legal system of rural finance. The comprehensive, clear and targeted rural financial supervision system has not been formed completely, which results in the "short-board effect" of the whole laws and regulations of rural finance and the difficulties of rural financial supervision are expanded.

2.2 The weak supervision administration leads to the malposition, offside and vacancy of rural financial supervision

Coupled with the rapid development of Chinese rural economy and national economy as taking economic construction as the core, some local governments only pursue the economic developmental performance and stress investment and development of rural finance, but ignore the supervision func-

tions of rural financial market. The problems are as follows: in the first place, the governmental departments can not supervise rural financial market with reason. Rural finance started quite recently, so the current supervision way on rural finance mainly adopts the supervision way of urban finance affected by the factors in terms of policy, culture and economy. But rural finance has its own characteristics and developmental trend, which lead to the separation of governmental supervision from rural financial market. In the second place, governmental supervision on rural financial market often happens after the financial crimes, that is the negative supervision on financial crimes. The governmental department can not positively administrate and manage rural finance, so rural financial supervision stays in the negative and pessimistic state^[2]. In the third place, the role played by governmental departments and responsibility definition of them are unclear, which leads to the multiple execution of rural financial supervision and various departments try to fight for the interests while evade their responsibilities. The mal-position, offside and vacancy of rural financial supervision will be resulted in.

2.3 Unreasonable management mechanism of rural financial organization and weak feasibility of internal supervision mechanism

The "official standard" and the tradition of political leadership permeate through the management of rural financial organization. The phenomenon that the leaders have the final say, appointing people by favoritism and laying stress on relations rather than performance happen frequently. The management system of rural financial organization is irrational. The rationality of rural financial organization has bad impact on internal supervision mechanism in rural financial organization. In the first place, leaders have great rights and lack reasonable restriction way. The internal supervision department lacks independent position so that it can not objectively and impartially carry out its supervision rights, which leads to the vacancy of internal supervision. In the second place, there is not definite responsible person in the internal supervision. The existing decision-making of rural financial organization implements the collective discussion, but in fact, leaders' willingness replaces the collective willingness. When making decisions, the collective willingness can not be fully reflected. But if there are problems caused by wrong decisions, the specific individual responsibility can not be clearly defined. Therefore, under the management system of rural financial organization, internal supervision can not fully display its functions and the feasibility is poor.

2.4 Imperfect supervision organization of rural financial industries and its weak functions

Industrial supervision is an effective supervision on rural finance. It can display the professional advantages of the industries, as well as effectively supervise rural financial organizations through comprehensive information, predictable risks and targeted means. However, at present, the cultivation of Chinese financial organizations are imperfect, there are only one supervision organization — rural financial working committee of China Banking Association founded in 2005, the system of self-regulatory organization of rural finance has not been formed. Due to the late establishment,

the imperfect relevant laws and regulations and immature supporting system lead to the shortage of targeted internal regulations, self-discipline, rewards and punishments in the industry^[3]. Thus, the responsibility scale of self-discipline organizations is hard to define and its functions are imperfect. At the same time, the singularity and high level of self-regulatory organizations make their functions hard to extend to financial area at county or village level and the reality of rural financial market can not be mastered. Applying the financial supervision measures according to the local situation, can hardly fully display the functions of self-regulatory organizations of the industry.

2.5 Weak supervision awareness of citizens and slow development of social supervision mechanism Social supervision is an important part of the supervision system of rural finance. But at present, the social supervision mechanism of rural finance can not be fully displayed. In the first place, affected by traditional thought, rural residents do not want to interfere with other people's businesses. Farmers' timid and lazy mental status and behaviors make them do not care the businesses that far away from their own interests. Restricted by farmers' low educational degree, weak legal concept and domestic rights, rural financial supervision lacks the actual foundation and environment. In the second place, the organization degree of farmers is low, rural financial supervision lacks the formal organization channels and the power of dispersed individual farmer is limited, which has become the obstacle for the development of the social supervision mechanism of rural finance. In the end, the unsmooth channels for rural financial organization system of farmers and the lack of formal participation system make the interests expression of farmers who are not good at implanting their supervision rights more difficult. It goes against the formation and development of social supervision mechanism.

3 Path choice for rebuilding the supervision system of rural finance

3.1 Accelerating rural financial legislation to provide perfect legal evidence for rural financial supervision Perfect financial legal system is the powerful guarantee for rural financial legal system, so Chinese government should greatly promote the legislation of rural finance to governmental departments, various social organizations and citizens have laws to go by and take laws as guide to fully display its functions on supervision. In the first place, a special law and regulation targeted at rural financial supervision. The legislators should fully survey the reality of rural financial work; stipulate the rural financial supervision law starting from the reality of rural financial market; clearly define the main body of rural financial supervision and rationally plan the responsibilities of each supervision main body to let them know their rights and responsibilities and the mutual relations among other main bodies, so as to supervise rural finance with law. In the second place, the legal system of rural finance should be established and perfected. The relevant services and behaviors of rural finance should be classified, arranged and stipulated to make them feasible and sci-

entific. The perfect rural financial legal system is supplementary to rural financial supervision law to reduce the flaws of law and avoid the violation of rural finance, so as to display the supervision functions of rural finance to legislation.

3.2 Clearly defining the position of the functions of governmental departments and displaying the leading role of rural financial supervision As the major supervision main body of rural financial market, the government bears a heavy responsibility for the safe development of rural finance and the establishment of healthy environment. In rural financial supervision, governmental department has great improvement and development space. In the first place, the role played by governmental department in rural financial supervision should be clearly defined. The details of its functions should be stipulated and the main body of responsibility should be clarified to include the supervision of local government into its performance evaluation to intensify the supervision of local governments to let them obey their obligations in constructing healthy rural financial market. In the second place, the traditional lagged supervision mechanism should be improved and the prefect prior supervision should be established to scientifically and effectively predict and timely find the problems in rural financial organizations to really display the prevention functions of rural financial supervision. In the second place, the responsibility boundaries of departments in government should be clarified to let rural financial supervision fully display its functions and effectively solve the phenomena of fighting for success while evading errors, as well as prevent the mal-position, offside and vacancy of administrative supervision in rural financial market.

3.3 Reforming the existing management of rural financial organization, establishing and perfecting internal supervision mechanism Domestic management is the systematic protection for implementing the internal supervision of rural financial organization to foster favorable environment for rural financial organization. In order to promote the smooth achievement of rural financial organization, the internal supervision mechanism should be continuously established and perfected. To be specific, the traditional leading way should be changed and the tyranny of leaders should be changed and the democratic decisions and democratic supervision system should be introduced and the responsibility of leaders should be established. The rights and responsibility of leaders should be clarified to avoid leaders abusing their rights and evading their responsibilities. The independent supervision institutions should be established to help their get rid of the vertical administrative sequence of being led. The performance evaluation and interests of the independent supervision institutions should be separated from the leaders of the department to ensure the objective and equality of internal supervision institution, so as to fully display the advantages and functions of internal supervision. The internal information publicity mechanism of rural financial organization should be perfected to publicize the big decisions and financial behaviors of leaders to accept the supervision of their members and supervision institutions and to accept the restriction functions of leadership, so as to reduce the occurrence of

corruption and violation to effectively ensure the rural financial organization to fully display its functions in serving agriculture, countryside and farmers.

3.4 Establishing specialized supervision organization and perfecting its supervision functions

In view of the poor supervision status of rural financial industry, the following aspects should be intensified to improve the function of supervision organization. In the first place, the diversified self-discipline financial organization should be established and perfected. The rural financial organization should start from the reality of rural finance and the features of different rural financial organizations, for example, the different functions of Agricultural Bank of China, rural credit cooperatives, postal savings and some other financial organizations should be classified and the relevant self-discipline organization and supervision organization should be established. The unified rural financial supervision system should be fostered to ensure the targeted and effective supervision. In the second place, supporting system of supervision organization of rural financial industry and the industrial rules should be continuously perfected to define the rights and responsibility of industrial supervision organization so as to smoothen the launch of industrial supervision organization. In the third place, the self-discipline organization and management system of rural financial system should be continuously reformed and its working highlights should be downshifted, so that its supervision functions can be well connected with rural financial market at county level and its industrial pact and punishment can be perfected to well display the advantages of industrial supervision. Rural financial market is more practical and feasible to provide favorable industrial environment for the regulated operation of rural financial market.

3.5 Vigorously cultivating the supervision awareness of citizens and promoting the development of social supervision mechanism

Relying on the wide masses network and comprehensive information collection channels and some other advantages, social supervision mechanism constitutes the basis of rural financial supervision system. Social supervision system is the indispensable part of rural financial market, so it should be cultivated. In the first place, the governmental department should improve farmers' right awareness and domestic awareness by the way of promotion and education to motivate farmers' enthusiasm and to display the functions of rural financial supervision. In the second place, the rural fundamental education and legal education should be provided to increasingly improve farmers' cultural degree. It can provide necessary knowledge for participating supervision to change farmers' thoughts through studying laws and other subjects to help them master the organization system of democratic supervision. The laws and regulations should be applied to protect the interests of farmers and people around it to perfect farmers' supervision organization. In the third place, the organization system of farmers' supervision should be perfected as soon as possible to integrate dispersed farmers to display the functions of collection to display farmers' major position as independent right and interest main body, so as to provide organized and regulated

channels for rural areas to participate in rural financial market. Through the above measures, the development of social supervision system should be promoted, so as to form the interactive and cooperative relations with legislation supervision, administrative supervision, industrial supervision and internal supervision to construct perfect rural financial supervision network. It can be seen from Fig. 1 that under the direction of laws, administrative regulations, industrial convention and system, the diversified supervision main bodies should fully display its functions on rural financial supervision and ensure rural financial organization to provide high quality and efficient services for agriculture, countryside and farmers.

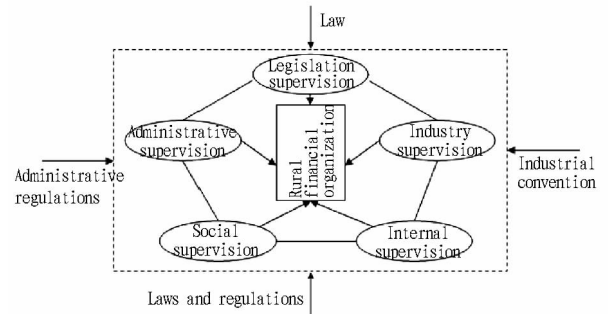


Fig. 1 Supervision system of rural diversified finances

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