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Study on Investing and Financing Development in Rural Area: A Case Study of Guangxi Zhuang Autonomous Region

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Abstract "Surplus income" of farmers has been increasing steadily with the marked improvement of rural economy. However, development of rural financing market in China is rather backward. To satisfy the financing requirement of farmers and meet the demand of the construction of new countryside as well as harmonious society, development of financing market in rural area is eager to be quickened. Taking Guangxi Autonomous Region as an example, there are problems in rural investing and financing development. Firstly, farmers are in lacking of accurate understanding of investing and financing. Secondly, investors in rural area lack professional knowledge about financing generally. Thirdly, rural area has underdeveloped information degree as well as imperfect investing and financing environment. Fourthly, there are no financial products developed for rural area. Fifthly, economic development is unbalanced and relatively underdeveloped in rural area. Lastly, rural financial market has long been neglected by financial intermediaries. In order to cope with these problems, firstly, farmers should be assisted to establish accurate financial awareness and master necessary financial knowledge. Secondly, local intermediaries like securities firms and banks should be encouraged to exert impact on rural financial market. Thirdly, financial products suitable for Guangxi rural area are to be developed. Fourthly, construction and perfection of rural financial market should be quickened. Lastly, rural economic development should be quickened to enlarge capital source of financing.

Key words Guangxi Rural Area, Investing and Financing, Development Strategy

With the implementation of constructing new socialist countryside and the economic development in Guangxi rural area, farmers' income has been increasing steadily, especially in those agricultural industrial areas with distinctive farming and culturing, the "surplus income" of farmers has increased gradually except for the normal family expenditure. Residents have a growing personal awareness of financing and investing and financing are experiencing a dramatic increase in rural area. Compared with the investing and financing of urban residents, those in the countryside are troubled with some deficiencies in professional knowledge, investing environment and financial products, requiring more public concern. It is urgent to perfect financing market in rural area and increase farmers' ability in investing and financing^[1-4]. The writer discusses the significance in quickening the development of financing market in rural area with Guangxi Zhuang Autonomous Region as an example, points out main problems and puts forward the strategies as well as proposals in quickening the development of investing and financing in rural area.

1 Significance in quickening the development of financial market in rural area

1.1 Meeting the demand for the construction of new countryside as well as harmonious society in Guangxi Quickening the financial reform in Guangxi rural area and promoting the development of rural financial market play a significant role in the prosperity and improvement of rural economy as well as the solution of

"three dimensional rural issues". The construction of new countryside involves a wide range of fields like establishing and perfecting rural environment as well as rural investing and financing environment in order to help farmers to participate in various financing activities conveniently. Under the historical background of constructing new socialist countryside, quickening the development of rural financial market is an indispensable part of establishing harmonious society since development of financing market should not be enjoyed only by city-dwellers. Country residents should have the right to participate in financing activities under equal conditions and benefit from the development of financing market. Particularly, county financing business should be largely promoted. Farmers' disposable income may be increased through participating in investing and financing activities, which can improve living quality and achieve the goal of establishing the new harmonious Guangxi.

1.2 Requirement of decreasing crimes and maintaining social stability in rural area In the vast rural area of Guangxi, illegal activities like gambling, "mark six" lottery and illegal fund raising have been pervasive, which result in the frequent occurrence of illegal cases like stealing and robbery and create great hidden troubles for social stability. It is known that gambling has become one of the main activities during farmers' leisure time in most villages in Guangxi. And almost adults participate in gambling when time permits, especially in festivals. Quite a few people gamble away their savings or are loaded with unbearable debts and cannot sustain basic living. Due to the unbearable living pressure, these people may commit illegal actions like stealing and robbery, which affects social stability in rural area. However, it

can be inferred from the current situation that villages have a certain amount of surplus capital or possess certain financing ability, while they lack legal financing channels. Quickening the development of rural financing market and guiding villagers in investing can avoid similar incidents to some extent.

1.3 Requirement of farmers' increasingly strengthened awareness in investing and financing Currently, with the quite limited appreciation in other investments, village-dwellers are eager to increase wealth through the financial market. However, investing and financing channels in rural area are relatively in scarcity, therefore, it is commonly required to quicken the development of rural financing market. Firstly, the spread of a great amount of finance and economics information stimulates farmers' sensitive nerves. TV and the Internet are filled with various financial and economic program as well as information which exert pernicious effect on investing and financing awareness of rural residents. Secondly, investing and financing culture in the city affect migrant workers. A great number of rural surplus labor forces are moving to the city and the atmosphere of financing and investing affects everyone including those migrant workers, especially in the bull market. Lastly, investing and financing have been pervasive in those rural areas with relatively developed economy. For example, financing market has been developed in suburban areas with relatively developed economy.

1.4 Requirement of quickening the development and perfection of financial market The perfect financial market certainly involves perfect rural financial market. Since China - ASEAN Expo has been permanently located in Nanning of Guangxi province and the development plan of Guangxi Beibu Gulf Economic Zone has been implemented, Nanning has gradually become the regional financial center and attracted a great number of financial institutes, such as domestic and foreign commercial banks like China Merchants Bank and Southeast Asia Bank, insurance companies like Xincheng and Dadi as well as securities companies like Guangfa and Everbright. The entering of a great number of financial institutes speeds the development of Guangxi financial market and improves financial development. Rural financial market is the organic component of financial market while rural financing market is indispensable in rural financial market. Therefore, perfecting regional financial market should consist of developed rural financing market and rural financing market should be necessarily involved in normal development plan in an attempt to make sure the balanced development of rural and urban submarket and finally promote the development of financial market in Guangxi.

2 Main obstacles in the development of investing and financing in rural area

2.1 Farmers lack accurate knowledge about investing and financing In rural area of Guangxi, accurate knowledge about financing has long been lacked. And this is because quite amount of people believe that financing is a game for "the rich" and only rich people have the right in financing. Besides, some people hold that

financing is to make money, focusing on short-term return. During the investment of one certain financing product, most people pursue short-term profits. However, the frequent transactions or blind pursuit of short-term profits usually kill more benefits. Moreover, a small amount of extreme people hold gambling attitude on investing and financing, ignoring risk in financing. Furthermore, a few people reject all financing products due to an individual failure care. Undoubtedly, these concepts are unreasonable. Financing goals should be established and financing plans be reasonably settled based on personal incomes as well as cultural qualities.

2.2 Investors in rural area lack professional knowledge in financing Financing is an activity depending in large measure upon intelligence while Guangxi is a province with relatively backward high education. Since a majority of farmers have low cultural level and do not receive any high education or special education as well as professional training in investing and financing. They are unfamiliar with the basic procedures in financing and general understanding about investment policies, thus they exaggerate the possible risk and stay away from financing. Though villages have high enthusiasm in financing, it is commonly shared that they lack professional knowledge required in financing. Therefore, what is urgent is to strengthen investing and financing education so that farmers can master basic knowledge in financing and refresh investing concepts.

2.3 Low informatization level and imperfect investing and financing environment in rural area Though it is known as an information era nowadays, informatization has not been developed in the vast rural area of Guangxi and information block is quite common, which forms the contradiction between the information era of investing and financing and low rural informatization. Compared with large and middle-sized cities, infrastructures like communication and information in rural area are underdeveloped with low popularity of computers as well as backward construction of the Internet, so financial investment environment cannot meet the demand of financing. At present, there are no leading institutes in rural financial planning. Rural cooperative banks, credit cooperatives and branches of five major commercial banks take up the main position in financing institutes in small towns and rural market. There are no professionals to give guidance or design financing plans for investors.

2.4 There are no financing products developed particularly for rural area As the object of investing and financing, financing products should satisfy the various requirements of investors, which forms the contradiction between investment choices and limited financing products. There are limited kinds of financing products suitable for farmers' investment and deposit is the main "financing" method in villages. Occasionally, a few insurance and fund products may be found in some towns and some financing products which can be easily bought in large and middle-sized cities can never be bought in small towns, which results in restricted channels for farmers' investment. At present, investing and financing products opened in rural area are less than a quarter of those

in the city. Most investing and financing products are opened for city-dwellers, not considering the actual conditions of villages and farmers, and cannot be carried out in the countryside. Financing products developed by commercial banks mainly focus on appreciation of unused capital and are universally featured by fixed term as well as long period. While, farmers' incomes are typically periodic and seasonal, thus it is difficulty to satisfy the investment requirement of these financing products.

2.5 Imbalanced and low economic development in rural area

Economy in eastern Guangxi and villages around big cities is relatively developed while that in western Guangxi and remote mountain areas is relatively backward. Moreover, there is obvious contrast in incomes among villages of different regions. Firstly, overall incomes of village-dwellers are low and social security is far from being perfect, which restricts the development of farmers' personal financing market. Besides, it is quite common for most villagers that traditional planting and breeding take up the major sources of income. However, construction of rural social security system is slow and part of capital saved by farmers is mainly used for daily production and living, housing, old-age caring, education, marriages as well as funerals with few disposable idle money in hand. Financing products currently carried out by commercial banks have high restrictions on minimum investment, which is far beyond the capability of most villagers and cannot enter rural financing market easily.

2.6 Rural market has long been neglected by financial intermediary institutes

For a long time, rural financial market in China has been ignored by domestic financial institutes, which forms the contradiction between enthusiasm of investors and indifference of intermediary institutes. The "indifference" results in the vacancy of rural financial service and has become one of the restrictive factors in rural financing. Recently years, some financial institutes have evacuated from villages or transferred capital absorbed in the countryside to the city, resulting in shortage and vacancy of rural financial service. Credit funds supporting agriculture, village and farmers are lacked. Financial service in many rural areas has become the "white spot" and farmers' financing service in poor areas has even been ignored. It is known that the number of commercial bank outlets in some counties in Guangxi has also been decreased. Deposit balance in commercial banks has represented downward trend due to the capital absorption of financing products like stocks and funds since 2006. However, deposit balance in rural financial institutes, which take the countryside as their main field, has been increasing instead of decreasing. And the advantages of rural market have been overlooked by financial intermediary institutes.

3 Countermeasures on quickening the investing and financing development in rural area

3.1 Assisting farmers to establish proper financing awareness and master necessary financing knowledge

Establishing proper financing awareness is the basic precondition of financing

activities. Farmers should understand the essential difference between financing and illegal actions like gambling and "mark six" lottery. Financing is no longer the game for the rich. Everyone can participate in financing activities and catch good opportunities for investment no matter how many capitals he has. Meanwhile, farmers should also understand the co-existence of "profits" and "risk" in financing and investing and establish proper financing concepts.

Professional knowledge is the key factor for the success in financing. Publicity and education of investing and financing knowledge should be strengthened in the countryside. Investing and financing columns should be carried out with media like magazines, radio and TV to spread investing and financing concepts and popularize related knowledge. Investing and financing programs on TV should be fully used in particular and made to be the main channels for villagers to acquire financing information and knowledge. Besides, professionals in investing and financing should be arranged to carry out training and studying activities in villages. Moreover, investing and financing experts can hold training classes in villages regularly to impart practical skills and assist farmers to accumulate knowledge about financing.

3.2 Encouraging local intermediary institutes like securities companies and banks to exert impact in rural financing market

The effect of securities companies can never be underestimated in quickening Guangxi rural financing market. Guihai securities company is the only local securities company in Guangxi and is supposed to exert positive impact on quickening the development of Guangxi rural financing market. And local securities companies should make efforts in the following aspects. Firstly, developing rural financing market should be integrated in the development plan of securities companies. Advantage of being familiar with local rural areas should be taken to rapidly explore rural regional market, enlarge market share and actively guide foreign securities companies to develop rural financing market. Secondly, branch institutes of securities companies are to be set in the countryside. Rural financing market should be first developed in those areas with better conditions as the starting point. Thirdly, sales promotion should be carried out in rural area, such as providing free investing consultation and preference in opening an account. Besides, the bank is also an indispensable intermediary institute in the development of financing market. There are three local banks in Guangxi, namely Guangxi Beibu Gulf Bank, Guilin Bank and Liuzhou Bank, and bank outlets should be constructed in order to provide more convenience for rural financing development in agency and settlement.

3.3 Developing financing products suitable for Guangxi rural areas

Since there are relatively big differences in investing and financing between rural and urban areas, such as incomes, financing equipment and financial service, rural financing products should be particularly developed. Practical conditions like strong seasonality of farmers' income and expenditure as well as weak anti-risk ability should be taken into consideration. Firstly, finan-

cing products are required to be connected with what village-dwellers care about or problems eager to be settled. For example, financing products about education savings can be provided in view of children's education and old-age caring problems which are among farmers' current concern. Admission requirements for education savings products can be decreased and investing and financing products should be designed specifically for farmers' old-age caring. Secondly, financing products are required to be in accordance with the purchasing power of rural investors. Financing products with low restrictions can be designed to satisfy farmers' investing requirement. The current financing products promoted by many commercial banks have high restrictions with the minimum capital amount of 200 000 or 500 000 yuan, which actually cannot be purchased by most villagers. Lastly, financing products are required to be convenient for transaction. Since financing equipment is not perfect in rural area, convenience for purchasing should be fully considered. Rural financial intermediary institutes can establish financial supermarkets and financing centers in counties and towns with relatively developed economy, letting farmers withdraw money from ATM, purchasing insurance and national debt and apply for bankcards in outlets, enjoy banks' fitted service, understand and master the benefits of various financing products. Overall financing is to be improved through steady appreciation of investment, which assists farmers to lead a prosperous, healthy and harmonious life.

3.4 Quickening the construction and perfection of rural financing market environment

Perfection of financing environment directly affects the development of rural financing market. Firstly, the government should provide financial support to perfect infrastructure construction in financing and improve informatization in the countryside since financing activities are closely linked to the information environment. In view of low informatization in Guangxi rural areas and unsmooth information transmission, local governments should make great efforts in quickening the construction of optical cable as well as mobile information network and popularizing the Internet among rural households. Local governments should increase the investment proportion in agricultural infrastructure and information service, ensure the proliferation of television in the village, enlarge the coverage of the Internet, quicken the information transmission from the city to the countryside as well as from villages to villages and provide smooth information channels for farmers' financing. Secondly, stable social security should be maintained to create a harmonious financing environment. Law enforcement should be strengthened in rural area to strictly punish illegal activities like gambling and "mark six" lottery since these illegal actions will severely disturb people's financing environment, misleading some people to participate in these actions, cause cash flow and affect the development of rural financing. Therefore, strengthening law enforcement and striking illegal actions are significant in guiding people to legal financing activities.

3.5 Emphasizing the education of rural financing service talents with local colleges

At present, employees in rural finan-

cial institutes have low education level and talents with high qualities are in eager demand. Age structure requires to be refreshed and problems like structural contradiction of human resource and stuff qualities have been increasingly severe, which can no longer adapt to the rapid development of rural finance. Talents are the main propulsion in rural financing development, so more professional financial talents with high qualities should be created for the rural area. Local colleges are supposed to shoulder the responsibility in talent cultivation. Universities should cultivate professionals for rural financing service with great effort, establish majors related to rural financing or jointly cultivate with rural financial institutes, studying a long-term and highly efficient talent training mode like order-oriented cultivation of talents, which provides guarantee for rural financial talents. Besides, college graduates should be properly guided to work at rural grassroot level. Government sectors, the society and universities should encourage college students to work or open up career in the countryside, offering professionals for rural financing market.

3.6 Quickening rural economic development and enlarging capital sources of financing

Financing is an activity which requires a large amount of capital input, therefore the rapid development of rural financing market needs a large amount of capital investment as support. However, capital funds in rural area rely on farmers' economic income, so rural economic development needs to be accelerated. Firstly, local governments can issue more preferential policies for farmers. Local governments can promote the development of agricultural economy with preferential policies like taxes, subsidies and prices. Secondly, development of local distinctive industries, culturing and breeding should be emphasized, such as distinctive fruits (mango, banana), green energy resources (making ethanol with cassava), tourism and planting. Thirdly, information system construction of production and marketing of agricultural products should be strengthened. In order to ensure the timely production and sale of agricultural products, the government should perfect the information system and ensure the smooth connection of various sections in agricultural production. Fourthly, government should provide financial support to promote the preconditions for agricultural production. Agricultural production has relatively high requirements on water, electricity and transportation and these infrastructures need large investment, which should be achieved by local governments to satisfy the basic conditions for agricultural production.

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