Development of the Rural Cooperation Fund Based on Balancing the Urban and Rural Development

—— A Case of Chongqing Province

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Abstract This paper analyzes the causes, performance and developmental status of rural cooperation fund in the rural areas around Chongqing City of China. It also designs a suitable developmental pattern of rural cooperation fund for Chongqing. Finally, we put forward some related policy suggestions.

Key words Cooperation fund; Performance; Developmental pattern; China

Finance is the lifeblood of the operation of modern economy. Nevertheless, the former financial reform does not change the dual financial structure in rural areas. Small-scale peasant economy with decentralized management is hard to connect with rural formal finance, while rural cooperation fund has relieved or partially solved the difficult financing problem of rural economic body by right of its low transaction cost, sufficient information and other advantages in micro-management mechanism. So, it is beneficial to change the competition pattern in the field of rural finance, and to improve the financial market efficiency in rural areas. Therefore, analysis of the rural cooperation fund has very important economic and social significance to explore the development path of rural finance, and to push forward a new socialist countryside construction better and faster.

1 Analysis of the rural financial restraints in balancing the urban and rural development

Vigorously advancing the construction of new socialist countryside construction is the foundation and key to urban and rural harmonious development. Chongqing City, the only municipality in experimental area of national urban-rural comprehensive reform, has the characteristics of both big city and large countryside with obvious economic and social gap between urban and rural areas. Currently, formal financial organizations in rural areas of Chongqing can not meet the requirements of urban and rural harmonious development any more. This is marked at macro level by the supply structural imbalance of rural finance, insufficient overall supply and the absence of rural financial system and financial organization. And in the micro level, this is marked by the imperfect system of rural financial markets, such as the branch merging of state-owned commercial banks in rural areas11. Besides, the traditional operation mode of commercial banks in rural areas is unaccommodated to the rural characteristics, including high transaction costs and the lack of collateral for peasants. Consequently, these issues have seriously restricted the economic development in rural areas of Chongqing.

2 Development status and performance evaluation of rural cooperation fund in Chongqing

China carried out pilot project in rural areas of 6 provinces (districts) at the beginning of 2007. And the area was extended to 31 provinces and autonomous regions at the end of the year. Chongqing City has conducted pilot construction in Kaixian and Dazu. Due to the short time and small number of rural cooperation fund, we carry out a typical survey on Kaixian County and sample questionnaire in the whole city. Result of the survey shows that the rural cooperation fund in Chongqing City is at the early stage of development, And the informal cooperation fund has developed rapidly with large proportion but non-standard operation.

2.1 Development status of rural cooperation fund in Chongqing According to statistics of the People's Bank of Kaixian County, Kaixian has officially launched 6 Mutual Aid and Cooperation Poverty Alleviation Associations until March of 2008. It developed a total of 788 members, 29.4 × 10⁶ yuan of member investment fund, 95 × 10⁷ yuan of national poverty alleviation fund, and 124.4 × 10⁷ yuan of total fund. The accumulated loan for 266 times is 124.22 × 10⁵ yuan in all. And the accumulated loan repayment reaches 3.4 × 10⁵ yuan. The ratio of capital to households and the rate of capital return are both 100%.

2.2 Status of informal rural cooperation fund in Chongqing According to the result of questionnaire survey, there is a total of 1 082 × 10⁶ yuan loan balance in 552 households at the end of July 2008 with the average loan balance of 1.96 × 10⁴ yuan. Among them, loan balance from formal financial institutions is about 328 × 10⁵ yuan, accounting for 30.3% of the total loan balance. And the rest 70% is mainly borrowed from the relatives and friends. The
minority of the loan balance is from the Mutual Benefit Association through intermediary (Table 1 and 2).

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<th>Table 1</th>
<th>Scale, mode and interest rate of folk debit and credit</th>
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<td>Amount of money x10^1 yuan</td>
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<th>Scale and interest rate of folk debit and credit in sample point</th>
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<td>Mode of debit and credit</td>
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<td>Peasant</td>
<td>Friends and relatives</td>
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<td>Fund raising by employee</td>
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Note: Interest rate in the column of "total" is the one after weighted average.

The survey shows that the private sector borrowing in "one circle" area is more active than that in the "two wings" area. But the situation of enterprises is opposite. People in developed areas are more willing to put money into enterprises in order to obtain higher return. Secondly, active degree of folk debit and credit is directly related to the development degree of local enterprises, especially the private enterprises.

2.3 Performance appraisal of rural cooperation fund in Chongqing

Positive performance of rural cooperation fund mainly manifests in: ① Meet the needs of peasants for capital, and improve the rural financial ecosystem. ② Achieve a better economic return. Mutual Aid and Cooperation Poverty Alleviation Association in Kaixian has County withdrawn a total of 11,729 yuan in just 3 months, and the average dividend per household is more than 5 yuan. ③ Promote the diversification of rural financial institutions and rural financial institution supply. ④ Become the vector of financial service for the low-and middle-income groups by formal financial organs in rural areas. A credit mechanism of "rural credit cooperatives + rural mutual financial cooperative + peasant" is established for the purpose of taking leverage effect, and to obtaining multiple capital supply.

Negative performance of rural cooperation fund mainly manifests in: ① Effect of national monetary policy is counteracted. The existence and development of this informal financial institution will not only divert the savings to formal financial institutions, but also will affect the implementation effect of national macro-monetary policy. ② Financial risks might be accumulated, such as the bidding and united society in Zhejiang and Fujian provinces. ③ It is against industrial restructuring, such as neglecting the relevant provisions, and allocating fund to the industry which is restricted or even banned by the state.

3 Design of the developmental pattern of rural cooperation fund in Chongqing

Endogenous financial demand in rural areas is always satisfied through a variety of ways, which lays the foundation for the emergence and development of rural cooperation fund and other informal finance. According to the principles of classifiable guidance, fusion development, complete competition and combination of dredging and plugging, we should take full account of the economic, social, historical and cultural background of production and development of rural cooperation fund, as well as the great differences among economic and social development "one circle two wings" in Chongqing City. Based on the investigation and collection of relevant information in other regions, three kinds of developmental patterns for mutual funds are put forward combining with the actual situation of Chongqing City.

3.1 Developmental pattern of government guiding model

This pattern applies to the poor area with backward economy. It is very difficult for peasants to accumulate and establish the mutual financial cooperation by their own. Peasants voluntarily become the stakeholders by a certain number of government subsidy. Therefore, rural mutual financial cooperative can be established (Fig. 1).
Government of Kaixian County in Chongqing City has made a large investment to help the poor (accounting for 76%), so as to establish mutual financial cooperative.

3.3 Developmental pattern of integration and symbiosis model This pattern is suitable for the developed rural areas (suburban areas). Nongovernmental economy is flourishing in these areas, while rural economic cooperatives and professional cooperatives develop rapidly, and there is a relatively perfect formal financial system. Rural cooperation fund should be set up which can integrate with rural economic cooperative and professional cooperatives, and can co-exist with formal finance organizations.

3.2 Developmental pattern of self-oriented model The model applies to the relatively developed rural areas. Folk debit and credit in these areas are active; but most of them are "underground". Lots of problems are caused due to nonstandard operation. Therefore, government guidance can standardize its behavior and make it legalized, which will help develop the non-government financial organizations, and make up for the disadvantages of formal finance.

It's characteristics are: ① The guidance and management of government. Government guidance can greatly enhance the efficiency of the overall finance if non-government financial organizations are willing to be guided by the government in order to realize legalization. ② Better micro-foundation reflects in the relatively more capital of peasants which needs to find a better way. More importantly, it shows that the formal financial institutions cannot meet the strong demand for funds formed by the internal impulses of economic development.

4 Policy suggestion for developing rural cooperation organizations

Rural cooperation fund is a new thing in China, and is at the exploratory stage with good momentum and many difficulties. Government must combine the external driving force and the rural endogenous strength together, as well as the main role of farmers and the government support and guide mechanism together, in order to develop and implement the unique and efficient policy for rural cooperation organizations, and to promote the sustainable and healthy development of rural cooperation organizations.

4.1 Optimization of the non-formal financial legal and policy environment represented by rural cooperation fund The release of No. 90 Document in the year 2006 by China Banking Regulatory Commission has launched the new policy of rural financial reform, and has fundamentally improved the legal and policy environment of non-formal financial institutions.

4.1.1 Lower the access threshold, and carry out strict financial supervision. The Banking Regulatory Commission of Chongqing City has carried out the pilot in Dazu County and Kai County according to the China Banking Regulatory Commission on Forwarding Some Opinions of China Banking Regulatory Commission on Adjusting and Relaxing the Access Policies for Banking Financial Institutions in Rural Areas and Better Sup-
porting the Construction of New Socialist Countryside and the Interim Provisions on the Administration of Rural Mutual Cooperatives.

4.1.2 Utilize the market rules, and enhance the flexibility of interest rate. Flexible policy for interest rate is conducive to the competition between financial organizations, and can improve the efficiency of financial resource allocation. Therefore, development of non-formal financial institutions needs the liberalization of interest rate. Underground fund borrowing can be turned into normal business of informal financial activities. It makes the non-formal finance play a financial intermediation role, and also standardizes the business activity in effective competition and development of financial industry.

4.1.3 Explore the deposit insurance, and spread business risk. Both the debit and credit can be considered in two aspects during policy design. Business of loan guarantee is offered by insurance companies, whose insured object is the borrower (peasants) or the lender (formal and informal financial organizations in rural areas). In addition, borrowers can get together to set up joint venture cooperatives in order to disperse credit risk. And from the point of view of lender, legal deposit insurance corporations should be set up whose insured targets are local small- and medium-sized enterprises (including informal financial organizations) in order to reduce the negative effects of the bankruptcy of financial institutions.

4.1.4 Deepen the rural formal financial reform, and promote the sufficient competition in rural financial markets. We should keep on promoting the reform of formal financial system focusing on rural credit cooperatives, and should explore an effective way to solve the government intervention of financial system. For example, formal financial institutions in rural conditional regions (mainly the rural credit cooperatives and agricultural bank) can be separated or reorganized. They can attract private capital, establish local agricultural credit (group) company, actively innovate new types of rural financial services, and set up insurance system for agricultural policy.

4.2 Humanistic community for the development of cooperation fund organizations. The development of cooperation fund organization is a long-term and arduous task. It should pay attention to the construction of humanistic community in addition to government guide. ① Change concepts, correctly understand the position and role of rural cooperation fund. Due to the great differences among peasants' understanding of folk debit and credit, peasants' awareness of rural cooperation fund should be raised through in-depth and meticulous publicity and education. Moreover, related system and norms should be established in order to prevent irrational actions. ② Realize information transparency, and improve the credit environment in rural communities. On the one hand, government's credibility can be established through the continuity of policies. On the other hand, system of information transparency ought to be set up, such as improving the information transparency of peasants' apply for loans. ③ Strengthen training, and improve the awareness of rural cooperative finance. The key to the success of cooperation fund is the existence of sound co-operation consciousness, concept and financial awareness, as well as the correct understanding and grasp of the principles of cooperation. We can use a variety of ways to strengthen the training of cooperative financial awareness by various channels.

4.3 Perfecting the internal operating mechanism of rural cooperation fund We put forward three suggestions according to the various problems in internal operation of rural cooperation fund at present.

4.3.1 Correctly handle the relationship between government supervision and internal operation of organization. The leading role of government is to support the formation at early stage in the government guiding model. For the sake of preventing government's excessive participation in the operation of the organization itself, rural cooperation fund should be managed as social welfare agency. As for the spontaneous guidance model, government should first establish their legal status in accordance with laws and regulations, and then strictly divide the lines between government supervision and organization operation in order to prevent following rural cooperative fund associations. As for the integration and symbiosis model, the government regulation puts emphasis on the creation of a fair environment for the competition between cooperative finance and formal finance, with the purpose of avoiding the alienation of cooperation financial system (similar to the alienation of rural credit cooperatives).

4.3.2 Correctly deal with the relationship between the inner circle and development of informal "network". During the development of village-level cooperation funds, the party committee and village committee should not be completely excluded from participation. And therefore, the negative impact of informal "network" can be eliminated based on the "three origins".

4.3.3 Correctly handle the relationship between integration and symbiosis. Under the background of severe competition in rural financial market, rural cooperation fund can take advantages, and cooperate and compete with regular commercial banks, only by accelerating the integration into professional production cooperatives. Meanwhile, formal financial institutions can make full use of the information superiority in non-formal financial sectors, and also expand the credit business to peasants through these sectors, increase the availability of credit funds of peasants, and to effectively reduce the financing cost.

References


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中国基础设施投资与区域经济发展研究

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摘要 概括了古典经济学家关于基础设施投资对经济增长作用的论断，分析了中国基础设施投资对区域经济增长的影响。分析结果表明：①中国内陆、中，西部地区基础设施投资对国民经济具有较小的推动作用，区域基础设施投资的差异直接体现了地区经济发展水平的差异，基础设施水平越的地区，经济越发达；②基础设施投资增加，有利于扩大基础设施规模和更新基础设施技术，从而推动产业结构升级，通过前，后向关联效应带动相关产业的发展；③中国基础设施水平总体水平明显低于发达地区，其人均工业产值也居前列。从两个方面考察了中国基础设施投资现状，以交通运输业为例，分析了中国基础设施分布的不均衡性，其中，东南沿海地区最发达，其次是东北和中西部地区；西部地区相对落后；以能源为例，分析了中国能源投资和消费分布的不均衡性，东部地区能源消费量远超过生产量，中西部地区生产与消费相对均衡。中部地区能源生产量远高于消费量。同时，介绍中国、美国、日本的基础设施投资与区域经济发展政策及其主要特点。最后，提出了政策性建议：加大基础设施投入力度，对中西部欠发达地区实行基础设施投资倾斜政策，并明确具体投入比例以及保障措施等。

关键词 基础设施；投资；经济发展

（从第8页）

基于城乡统筹发展的农村资金互助组织发展研究
——重庆农村资金互助组织发展模式设计

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摘要 从宏观、微观两个层面上分析了中国重庆市在城乡统筹发展中的农村金融约束问题：重庆的农村正规金融机构发展已能满足城乡统筹发展的要求，介绍了重庆市农村资金互助社及非正式金融机构组织的发展现状，重庆市农村资金互助社正处于发展初期。非正式金融机构组织发展较快，规模较小，但不成熟。研究对重庆农村资金互助组织的发展现状进行了评价。农村资金互助组织产生与发展，应由经济、社会、历史文化背景等，提出了解决农村资金互助组织发展的问题。一是政府主导型发展模式。其特点：政府作用突出，管理规范，农户经济基础良好，组织的自我发展能力较强。二是自发引导型发展模式。其特点：政府引导和管理；微观基础较好，有相对较多的闲置资源，便于组织的出现。三是混合资金型发展模式。其特点：有利于农业生产合作与资金互助并存；共生性，非正规金融机构与正规金融机构既有竞争，也有合作共赢的可能。提出了发展农村资金互助组织的政策建议。一是优化以农村资金互助组织为代体的非正规金融机构的法律和政策环境。二是营造农村资金互助组织发展的人文社会环境。三是完善农村资金互助组织的内部运行机制。

关键词 资金互助社；政策；发展模式