

# *Innovation of Zhanjiang Rural Land Circulation Financing Mode under inter Period Credit*

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**Abstract:** At present, all parts of China are actively exploring the land transfer. Banks and other financial institutions take this opportunity to innovate financing models, activate rural land assets, and open up the blood of rural finance. In order to overcome the erosion of uncertain factors on the value of land income right, this paper takes Zhanjiang City as an example to explore the innovative management of land circulation management, and expects to achieve the expected financing effect of the cross period allocation of income right.

## **1. Lack of Funds for Agricultural Production**

At present, there is “Matthew effect” in the process of economic development in China. Provinces and cities transfer a large number of economic factors to developed areas and advantageous industries, which leads to the outflow of rural financial factors to a certain extent. At the same time, under the general trend of interest rate marketization, the bank’s interest margin income gradually narrowed [1]. In order to ensure the stable growth of profit rate, the bank paid more attention to the optimal allocation of credit resources, and focused on the areas with stable economic development and industries with good operation. However, the economic development of rural areas is relatively backward, and the rural financial risks and benefits are very mismatched, which further promotes the outflow of financial resources from the rural areas.

To further analyze the mechanism of “blood loss” in rural economic development, we need to clarify the following two issues:

### **1.1. Why do Banks Emphasize more on Mortgage in Agricultural Loans?**

First of all, although from 2013, the upper limit of loan interest rate of agricultural commercial banks and other financial institutions has been fully liberalized, but in fact, limited by local policies and other factors, the floating space is still limited, which leads to the lack of sufficient loan pricing rights in rural areas, unable to effectively realize the risk of income coverage, and prone to loss.

Secondly, due to the serious information asymmetry in the rural lending market, banks are unable to accurately assess credit risk,

In this case, banks can only protect their own interests by means of loan mortgage, which is a means other than the loan price. From this point of view, loan mortgage has become a necessary means for banks to respond to “interest rate restrictions” and information asymmetry in the rural financial market [2].

## **1.2. What is the Root Cause of the Large Outflow of Rural Funds?**

The main reason for the large outflow of rural financial elements lies in the relatively high loan risk of agricultural loans. First, agriculture is a high-risk industry, and agricultural production is very vulnerable to weather, natural disasters and other factors. At the same time, relevant policies and the market situation of agricultural products are also unpredictable, so there is a greater risk in agriculture itself, and the impact of agricultural loans also has a greater risk of default. Secondly, affected by Chinese traditional customs and culture, farmers’ financing behavior is prone to bias, and the phenomenon of malicious and non-malicious debt evasion is serious, which further aggravates the risk of agricultural loans.

According to the investigation of the default types of farmers’ loans in Zhanjiang City, the risk of default with no repayment ability accounts for about 29%, and the risk of default with repayment ability accounts for about 71%. There are two main reasons for the large risk of default with repayment ability in rural areas: first, in the absence of personal credit system support in rural areas, financial institutions can not accurately understand the credit situation of borrowers. After some farmers have tasted the sweetness of debt default, in the process of re lending, the strategy of non-repayment gradually prevails in the game of whether to repay. Second, due to the concentration of population living in rural areas, it is easy to cause “herd effect”, which leads to a chain reaction of default. No matter what causes the credit default, once someone defaults on the loan, it will cause others to follow suit and have a chain reaction.

## **2. Cross Term Credit and Loan Default Risk**

The financing form based on the intertemporal allocation mortgage of farmers’ land income right promotes the growth of agricultural economy, and forms a dynamic intertemporal economic growth path: the improvement of the current output level, the enhancement of the mortgage value of land income right, the enhancement of farmers’ financing ability, and the further improvement of the next output level of land. The uncertain factors of land income right erode the value of land income right. When the value of land income right is lower than the repayment amount, farmers will play the game of repayment and non-repayment. Due to the lack of supporting conditions of personal credit system in rural finance, financial institutions can not accurately know the credit status of borrowers, and farmers’ non repayment will become the dominant strategy of loan farmers. Therefore, the bank will reduce the loan risk to an acceptable range by reducing the mortgage rate of the farmers’ land income right, and then reduce the financing ability of the cross period allocation of farmers’ income right, and also reduce the land output ability, resulting in the agricultural output level entering a dynamic path of decline in a fixed period of time in the future [3].

From the perspective of time dimension, the essence of credit system or finance is the cross period allocation of monetary resources, which is due to the inconsistency of time preference between financial institutions and loan demanders. On the one hand, the demand for loans comes from the production or living needs of farmers, which is often urgent and timely. Therefore, for farmers, they can pay higher capital cost, and the discount rate based on time preference is higher.

As a financial institution, the interest paid by its liability business, that is, the depositor's deposit, is a stable cash flow with lower capital cost. Because the rate of return required by depositors' deposits only needs stable appreciation, their time-based preferences are far less urgent and impatient than loans, which can guarantee that financial institutions can obtain interest margin. On the other hand, financial institutions consider the security of loan repayment. If the purpose of the loan is productive and has strong profitability, with predictable and stable future cash flow, even if there is an unexpected situation resulting in bad debts, financial institutions still have the initiative to dispose of non-performing assets.

### **3. Predicament of Land Circulation in Zhanjiang**

At present, the form of land transfer in Zhanjiang is still not optimistic. Some agricultural land has been occupied, and some agricultural land has not been cultivated, but has not realized flexible transfer. On the whole, the use rate of collective land in Zhanjiang is not high. Due to the lack of innovation in the property right system, the asset value of collective land is damaged. In the process of land transfer, the transaction cost of land becomes higher because of too many uncertain factors. It is necessary to update and transform the transaction management organization as soon as possible, so as to realize the transformation of transaction form and reduce transaction cost under the premise of ensuring collective ownership.

#### **3.1. The Land is Idle and the Use Rate of Collective Land is not High**

At present, the rural collective land in Zhanjiang still needs further planning and management. On the whole, the distribution of rural collective land houses and ancillary buildings is unreasonable, and the construction of village roads, transportation and other infrastructure needs to be improved. The quality of living environment and production conditions of rural residents is not high, coupled with the development of urbanization, which makes the problem of "hollowing out" appear in rural areas [4]. Many rural land is idle, occupying the cultivated land area, but also leading to the unreasonable allocation of resources. More and more migrant workers are migrating, which makes the housing idle rate in rural areas increasing. Housing demolition has become an important problem in rural areas. Due to the wide range and area of demolition, the need for more capital investment, and the contradiction of rural residents caused by demolition, the overall efficiency of demolition is not high. These problems have caused obstacles to the rural reform and transformation. How to reasonably layout and improve the land utilization rate, protect the cultivated land and save resources have become the problems faced by Zhanjiang's land circulation.

#### **3.2. Scattered Management of Cultivated Land, Low Yield of Cultivated Land**

Zhanjiang has a large population and a shortage of cultivated land resources per capita. In the total income of farmers, the agricultural operating income is not high, and the proportion of agricultural income shows a downward trend year by year. Wage income accounts for a large proportion, and many farmers give up farming. Although farmers do not choose to develop farming operations, they are not willing to transfer the cultivated land. The main reason for this situation is that the functions of social security and property income of land in Zhanjiang still need to be improved. As social security is not perfect, many rural elderly have concerns about the transfer of agricultural land. This also leads to a large number of part-time farmers holding arable land in rural areas of Zhanjiang at this stage, but regard agricultural development and land cultivation as sideline, resulting in low agricultural output rate

### **3.3. The Current Transaction Cost of Land Circulation is too High**

Through the transfer of land management right, land management circulation can provide the transfer or with more stable security income, and then realize the maximization of asset value. In the process of collecting land transfer transaction information, there are many property right subjects and uncertain factors involved. At present, the legal consciousness of the subject of farmland property right is not strong, the construction of rural legal system still needs to be improved, and it is difficult to safeguard the rights in rural areas, which will cause the guarantee of the execution of rural land transfer contract to decline. In addition to the long-time of land circulation, once there is a change in the value of land assets during the contract period, both parties of the transaction are bound to negotiate the value-added income of land assets. If the role of transaction organization is absent in this process, the cost of re negotiation and information cost will increase the cost of land circulation. As a collective activity, land transfer transaction may be affected by opportunism and hinder the smooth development of activities. How to reduce the cost of collective action and how to have direct action force are the important problems faced by land circulation management

## **4. Innovation Mode of Land Circulation Management**

### **4.1. Do a Good Job in Confirming the Right of Land Contractual Management**

To implement the innovative business model, relevant units need to pay attention to the follow-up work of land Yanbao, and implement accurately the remaining problems of Yanbao. We will strictly complete the administration and registration of the confirmation of land rights, the issuance of certificates, the right to contracted management and the right to contracted land plots. Abide by laws and regulations, and guarantee the income, circulation and right to use of the contracted land in accordance with legal requirements [5]. The archives of land contract management data shall be properly preserved, and the village can be taken as the unit to manage the land circulation standing book. The contract of land contract and transfer should be included in the management confirmation system. For the management of archives and materials, we should strengthen the application of Internet and information technology to realize the networking management of relevant materials.

### **4.2. Optimize and Innovate the Specific Way of Land Circulation**

First of all, there should be a good and smooth connection between the contractors. The contractors can independently determine the specific land transfer methods, such as leasing, subcontracting, etc. according to the actual situation. Secondly, we can increase efforts to support contractors to entrust their own land transfer. Thirdly, we should increase the implementation of the land stock cooperation system. In addition, carry out scientific and effective scale management. Finally, optimize and implement the land system. For land projects that need continuous development, the contractor may require to retain the right to contract and operate the land, which hinders the continuous development of the land. At this time, it is necessary to flexibly exchange the collective reservation with other contractors.

### **4.3. Increase the Encouragement and Support of Land Circulation**

According to the specific situation of land transfer projects, we should explore the specific working methods of land transfer. We should consciously innovate new ideas and new ideas of land circulation. We will give full play to the leading role of large-scale and capable people in

demonstration, and actively implement standardized and large-scale operation through talent guidance. Consciously develop the land operation of order transfer, and strive to promote the efficiency of land transfer. In order to promote the standardization of land circulation management, we need to strengthen efforts, standardize the procedures of land circulation, further improve and develop the land circulation market, adhere to the open, transparent and standardized transfer of land use rights, and ensure the orderly and healthy transfer of land contractual management rights. We should take land circulation as the center, build service stations and platforms, set up collectors of land circulation information, and build a three-level land circulation management service system network.

#### **4.4. Innovative Management Level of Modern Land Circulation**

The modern land circulation management innovation should be developed towards the direction of system standardization, scheme refinement and organization division coordination. It is necessary to clarify the actual work responsibilities of individuals, ensure careful and standardized management, clear rights and responsibilities between staff, clear tasks, and ensure that the work is completed on time. The work results of the day need to be tested on the same day. The management of land circulation needs to be centered on innovative management. The implementation of innovative management requires appropriate innovative skills and advanced work strategies, as well as scientific and clear guidance for project implementation. Relevant personnel need to make clear the real value of management innovation, grasp the meaning of management innovation, make clear the core issues of management, through scientific design and orderly work implementation, timely and effectively solve the management contradictions, so as to ensure the stable and efficient operation of the land circulation operation management system. It is necessary to strengthen contact and communication within the project and carry out scientific division and cooperation. There should be close connection between the front and back processes and work steps. At the same time, we should plan and analyze the strategic objectives scientifically, establish a scientific overall strategic plan, and implement it scientifically and reasonably step by step.

#### **5. Conclusion**

In addition to the traditional credit value based on government subsidies and mutual guarantee between farmers, the scope of future cash flow acquisition should be expanded. Under the current land policy framework, farmers have the rights of land contract management, housing property rights, and homestead use. The income rights derived from the rights of management of collective forest land, the right of development and management of four wastelands and other rights can achieve a win-win financial effect for farmers and financial institutions through the cross period arrangement of the current period and the future period. The innovative management of land circulation management needs the division and cooperation of relevant personnel. Through scientific goal planning and setting up corresponding and appropriate land circulation management scheme, adhere to innovative management thinking, and strive to promote the innovative development of land circulation management, and promote the improvement of land circulation management effect and efficiency.

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