

# *The Problems and Promotion Strategy of Rural Professional Cooperatives in China*

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**Abstract:** In the current new era and new situation, the rural economic management system is constantly innovating, especially the rural professional cooperatives. Rural professional cooperatives are conducive to the construction of new countryside and the continuous improvement of farmers' income level. However, in the process of development, rural professional cooperatives have difficulties in financing, which has seriously affected the further development and expansion of rural professional cooperatives. Based on this, this paper mainly adopts the comparative analysis method, and then analyzes the problems existing in the financing process of China's rural professional cooperatives, and puts forward corresponding countermeasures for how to effectively solve the above problems, hoping to promote the better development of China's rural professional cooperatives.

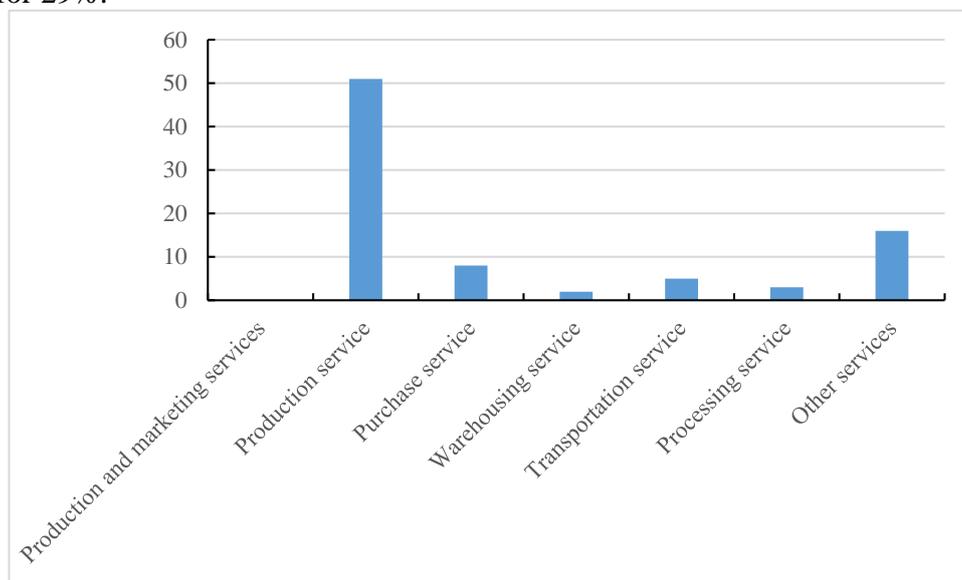
## **1. Problems in Rural Specialized Cooperatives**

Anything in its development process is bound to face a variety of problems, are in the twists and turns of development, rural professional cooperatives are no exception, its development is not smooth sailing. As a new mode of agricultural production, rural professional cooperatives have not been implemented in China for a long time. The relevant policies and systems are not implemented in place, and there are still many problems in its own construction. First of all, the rural professional cooperatives are not mature in terms of their own system construction, and their members join and withdraw from the cooperatives with great randomness. There is no strict production mode and no financial statements. In short, there are many loopholes. Secondly, most of the policies formulated by the government have not been implemented to the grass-roots level, although the government has begun to pay attention to the difficulties of rural professional cooperatives. However, the financial support is still not strong. Most of the time, the government is more willing to invest in the secondary and tertiary industries, especially the service industry, which have high income and quick return of funds, but rarely willing to invest financial funds in agricultural fields with low income and slow return of funds. Finally, most members of rural professional cooperatives have low education level, junior high school education and primary school education occupies the majority, lack of theoretical knowledge of advanced agricultural production, the low-end education seriously restricts the members' own innovation ability and exploration spirit, dare not to try new things, resulting in the lack of many opportunities, which seriously restricts the development of rural professional cooperatives and sustainable development, so improve the cultural level of rural professional cooperatives, call more. It has become an urgent problem for people with lofty ideals to

devote themselves to the development of modern agriculture. Although rural professional cooperatives are faced with various problems in their own development process, the most important and urgent problem is the lack of funds.

In today's era, the development of anything is inseparable from the investment of funds, and rural professional cooperatives are no exception. The most important factor restricting their own development is the lack of funds. Therefore, if we want to achieve the sustainable and permanent good development of rural professional cooperatives, we must solve the problem of funds as soon as possible. If there is no financial support, the implementation of any development strategy is on paper, and no reliable results can be achieved. In the actual production and operation process, there are many ways of financing for rural professional cooperatives, which also reflects the large demand for funds of rural professional cooperatives. Generally speaking, it can be divided into internal financing and external financing (Zheng and Dong, 2017) [1]. For the rural professional cooperatives, the internal financing is mainly obtained by collecting shares from the shareholders who constitute the rural professional cooperatives; the external financing channels are more extensive, including loans from financial institutions (generally rural commercial banks, postal savings banks and other commercial banks), private loans or other channels.

For example, the rural cooperatives are in the leading position in providing professional services. As shown in Figure 1, from the perspective of service content, rural professional cooperatives can be divided into rural professional cooperatives with integrated production, processing and marketing services, production services, purchasing services, transportation and marketing, processing and warehousing services Rural professional cooperatives and other service-oriented rural professional cooperatives. Among them, the rural professional cooperatives which mainly provide integrated services of production, processing and marketing account for the largest proportion, accounting for 53%, accounting for half of the rural professional cooperatives. The proportion of rural professional cooperatives providing production services is also very large, accounting for 29%.



Data source: system and Information Department of the general economic and management station of the Ministry of agriculture

Figure 1: Proportion of various service types

## 2. Problems in Rural Specialized Cooperatives

Anything in its development process is bound to face a variety of problems, are in the twists and turns of development, rural professional cooperatives are no exception, its development is not smooth sailing. As a new mode of agricultural production, rural professional cooperatives have not been implemented in China for a long time. The relevant policies and systems are not implemented in place, and there are still many problems in its own construction.

First of all, the rural professional cooperatives are not mature in terms of their own system construction, and their members join and withdraw from the cooperatives with great randomness. There is no strict production mode and no financial statements. In short, there are many loopholes.

Secondly, most of the policies formulated by the government have not been implemented to the grass-roots level, although the government has begun to pay attention to the difficulties of rural professional cooperatives. Generally speaking, it can be divided into internal financing and external financing (Zhang, 2017; Jiang and Peng) [2, 3]. However, the financial support is still not strong. Most of the time, the government is more willing to invest in the secondary and tertiary industries, especially the service industry, which have high income and quick return of funds, but rarely willing to invest financial funds in agricultural fields with low income and slow return of funds.

Finally, most members of rural professional cooperatives have low education level, junior high school education and primary school education occupies the majority. By lacking of theoretical knowledge of advanced agricultural production, the low-end education seriously restricts the members' own innovation ability and exploration spirit, dare not to try new things, resulting in the lack of many opportunities, which seriously restricts the development of rural professional cooperatives and sustainable development. So improving the cultural level of rural professional cooperatives has become an urgent problem for people with lofty ideals to devote themselves to the development of modern agriculture. Although rural professional cooperatives are faced with various problems in their own development process, the most important and urgent problem is the lack of funds.

## 3. Policy Recommendations

### 3.1. Strengthening the Capacity Building of Rural Professional Cooperatives

Firstly, the unreasonable system of rural professional cooperatives has seriously hindered the development of cooperatives and weakened their ability to raise funds. If anything wants to develop, we must first find the reason from ourselves. Rural professional cooperatives are no exception, we must make corresponding changes from ourselves. First of all, we have also analyzed that there are some defects in the organization principle of free access of members of cooperatives. Therefore, if rural professional cooperatives want to achieve good development, we must change this system and set certain restrictions for the withdrawal and entry of members. Only in this way can we maintain the stability of funds within the cooperatives. Secondly, the system that everyone has one vote and can only have one vote is obviously not conducive to the development of rural professional cooperatives. We can adopt the system that members exercise their voting rights according to the amount of contribution. People with more investment have more voting rights, while those with less investment have less voting weight. This is conducive to safeguarding the interests of those members who have made greater contributions to the cooperative, and increase the enthusiasm of the members to increase their share capital (Xue and Sun, 2017) [4].

Secondly, for those members who not only make little contribution to the development of cooperatives, but also may lag behind the development of cooperatives, cooperatives should not leave these people to continue to manage the cooperatives, but should, for the sake of the long-term

development of cooperatives, persuade these members to withdraw from the cooperative cooperatives, and can purchase and transfer the previous equity of these members; on the contrary, for those members who have made little contribution to the development of cooperatives, cooperatives should not let them continue to manage cooperatives. The members who have made great contributions to the development of cooperatives and greatly promoted the development of cooperatives should be rewarded, so as to make them more energetic and contribute to the better development of cooperatives in the future. Only according to the above methods, the development of rural professional cooperatives can burst out unlimited vitality, its ability to resist risks will be further increased, and the scale of cooperatives can be expanded.

Third, rural professional cooperatives must strengthen their own accounting management, prepare formal and accurate financial statements, and improve the corporate governance system. Only in this way can financial institutions clearly grasp the capital situation of cooperatives, and make financial institutions can confidently lend money to cooperatives, so as to improve their financing ability.

Fourth, all regions should develop characteristic agriculture in accordance with local conditions, relying on local resources and local conditions. Instead of mechanically copying the production and management mode, they should provide integrated services of production, supply and marketing and carry out large-scale operation. Only in this way can the scale of rural professional cooperatives be expanded.

Fifthly, at present, most of the members in the rural professional cooperatives are not highly educated, and most of them have graduated from senior high school and junior college. There are few members with bachelor's degree or above. At the same time, there is a lack of advanced and professional technical support, which hinders the development of rural professional cooperatives. Therefore, if the cooperatives want to develop continuously, we must introduce professional talents and guide the development of rural professional cooperatives with professional knowledge.

### **3.2. Improve the Multi-level Rural Financial Network**

At present, although the financial network in rural areas of our country still has a lot to be improved, it is also getting better and better. Commercial banks, policy banks and some new cooperative financial mutual aid organizations have been initially established in rural areas. Commercial banks have always been an important source of financing for rural professional cooperatives. Therefore, the government should actively guide commercial banks to relax the loan conditions for rural professional cooperatives, and encourage commercial banks to incline to the direction of agriculture. Commercial banks should be clear about their important position as financing and serving the people. They should not only absorb farmers' deposits, but also create difficulties when farmers need funds. In addition, some state-owned commercial banks should also expand the rural market and set up more branches in rural areas, especially in some large-scale villages and towns, so as to avoid the phenomenon that many villages and towns share the same business point. Only in this way can we ensure that farmers can obtain funds smoothly when they need money, so as to improve the rural areas.

The government should also give full play to the role of policy-based banks, break the bad impression that policy-based banks do nothing in the hearts of the people, truly benefit the majority of farmers, provide funds for the development of rural professional cooperatives, improve the supporting function of policy-based banks, and promote the development of the "three agriculture" cause.

At present, some cooperative financial mutual aid organizations have sprung up like bamboo shoots after a spring rain, such as various village banks and rural mutual fund cooperatives. They

have many unique advantages in promoting the development of rural professional cooperatives. For example, they are set up in rural areas, so they are close to the target of fund demand, and can solve the problem of farmers' fund demand in time.

However, these new cooperative financial mutual aid organizations still have a lot to be improved. The relevant policies and regulations are not perfect. If the operation is not proper, it will easily lead to the phenomenon of running away. Therefore, the government and relevant departments should formulate relevant laws and regulations, and the CBRC should earnestly perform its duties, supervise and manage the development of cooperative financial organizations, and the government should also actively support the development of these cooperative financial organizations, so that rural professional cooperatives can safely obtain funds from these cooperative financial organizations.

### **3.3. Increase Government Policy Support for Rural Professional Cooperatives**

Agriculture is the most basic industry for a country to achieve development. Only when agriculture is developed and the problem of people's food is solved can the country develop without burden, achieve better development and realize sustainable and healthy development. As we all know, the input-output ratio of agriculture is low, and agriculture is a strategic basic industry, which has always been a key industry that needs the support of the state. The development of rural professional cooperatives is not mature, so the government's active guidance and support is very important. The government should actively help rural professional cooperatives to finance. In addition to giving certain financial investment to rural professional cooperatives, the government should also call on financial institutions to relax the examination and approval of loan funds of rural professional cooperatives, so as to guide the development of rural professional cooperatives. In addition, the government should also implement the preferential policies for rural professional cooperatives into practical actions, and set up supervision groups to supervise the implementation of policies, so that the policies are not just empty talk, but should be implemented in actual actions.

In addition, the government should also help rural professional cooperatives to establish and improve the credit guarantee system of rural professional cooperatives. One of the most important reasons for the difficulty in financing rural professional cooperatives is the lack of formal collateral, which makes banks and other financial institutions reluctant to lend funds to rural professional cooperatives. The government should encourage financial institutions to make new changes in the original form of collateral, so as to increase the amount of collateral that can be used as collateral, such as bringing large machinery and equipment for agricultural production into the scope of collateral. In fact, it can also be realized through the pledge of use rights, such as the pledge of water rights, fruit ownership rights, forestry rights or land use rights, as well as mortgage loans of insurance policies and certificates of deposit (Yang Lei and Yang Zhaoting, 2016) [5].

At the beginning, rural professional cooperatives were first implemented in foreign countries. Foreign rural professional cooperatives started early and developed relatively mature. There are many places worthy of learning from for China's rural professional cooperatives (Deng Hengshan, 2017) [6]. For example, in terms of loan mortgage, our country can learn from foreign cooperative members' mutual guarantee and joint guarantee forms, and establish credit guarantee alliance with the help of the trust between members of cooperatives. China should learn from the good aspects of foreign rural professional cooperatives and avoid the bad ones, and then combine with the actual development of rural professional cooperatives in China, to promote the construction of rural professional cooperatives in China.

## 4. Conclusions

In today's era, the development of anything is inseparable from the investment of funds, and rural professional cooperatives are no exception. The most important factor restricting their own development is the lack of funds. Therefore, if we want to achieve the sustainable and permanent good development of rural professional cooperatives, we must solve the problem of funds as soon as possible. If there is no financial support, the implementation of any development strategy is on paper, and no reliable results can be achieved. In the actual production and operation process, there are many ways of financing for rural professional cooperatives, which also reflects the large demand for funds of rural professional cooperatives. For the rural professional cooperatives, the internal financing is mainly obtained by collecting shares from the shareholders who constitute the rural professional cooperatives; the external financing channels are more extensive, including loans from financial institutions (generally rural commercial banks, postal savings banks and other commercial banks), private loans or other channels. And this is also the main channel to solve the financing difficulties of farmers' professional cooperatives.

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2) Social Science Planning Research Topic of Shandong Province: Construction of College Students' Returning Home Entrepreneurial Ecosystem under the Background of Rural Revitalization (Approval number: 21CPYJ28).

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