

Study on the Problems and Countermeasures of Microcredit Support to Agriculture by Rural Credit Societies in Hechi City

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Abstract: With the development of China's rural economic revitalisation, the wealth of the rural society is increasing, but the contradiction between the rural financial development and the different frequency of the rural economic development is also increasingly visible. Microcredit of Hechi Agricultural Credit Union is an important means for the government to implement the rural financial policy and develop the rural economy after 2015, and its development can reflect the situation of the rural financial market in Hechi City. The article analyses the current situation of Hechi City's farmers' demand for microcredit from Farmers' Credit Union, Farmers' Credit Union's credit supply and the effect of Farmers' Credit Union's credit support for agriculture, and the study finds that Farmers' Credit Union has problems such as irrational credit structure, and in response to the problems, puts forward suggestions such as adjusting the structure of credit for poverty alleviation.

1. Introduction

1.1 Background

In 2021, nearly 99 million rural people were lifted out of poverty, and 832 poor counties and 128,000 poor villages were lifted out of poverty, eliminating poverty in regional areas. Microcredit is an important means for the development of rural finance in Hechi City, so the government attaches great importance to microfinance in supporting agriculture to increase the income of farmers and reduce the poverty rate.

1.2 Literature review

Yan Jie et al. (2019) proved that microcredit has a significant impact on the increase of farmers' income, especially for capital needs and women, but the effect has a diminishing marginal effect, and the effect of reducing the poor households is insufficient [1]. Li Han et al. (2021) found that China's targeted poverty alleviation policy has made great achievements, which has increased the income of poor households in the short term and significantly reduced the probability of long-term return to poverty [3].

Miled et al. (2015) explored the relationship between microfinance and macro poverty rate by using samples, and found that countries with high loans usually have low poverty rate and high per

capita income level, indicating that microfinance is effective in reducing poverty [1]. Mohammad and Christopher (2018) point out that microfinance can fill gaps in the rural credit market and play an important role in reducing rural poverty, especially when local financial institutions and public policies change [3].

2. Questionnaire survey and status quo analysis of microcredit to support agriculture in Hechi Rural Credit Cooperatives

2.1 Development of rural economy in Hechi City

The total value of the three major industries in Hechi City in 2017-2022 is shown in Table 1 and its growth rate as follows:

Table 1: Development of three industries in Hechi City from 2017 to 2022 (Unit: 100 million Yuan)

year metric	2017	2018	2019	2020	2021	2022
primary industry	158.96	164.5	188.99	198.71	230.06	260.08
secondary industry	231.49	244.06	247.98	263.98	295.39	337.71
tertiary industry	344.15	383.67	411.78	465.02	517.51	537.75
total value	734.6	788.3	878.09	927.71	1041.97	1135.54
The value ratio of the primary industry	21.70%	20.88%	21.52%	21.42%	22.08%	22.90%

Data source: Guangxi Hechi Statistics Bureau

Table 2: Year-on-year Growth rate of the three major industries in Hechi City from 2017 to 2022 (Unit: %)

Year indicators	2017	2018	2019	2020	2021	2022
primary industry	3.8	4.53	7.8	5.2	9.8	5.7
secondary industry	9.4	8.43	6.6	7.6	5	5.5
tertiary industry	8.7	11.48	4.9	3.5	7.7	2.2

Data source: Guangxi Hechi Statistics Bureau

From 2017 to 2022, the total value of the primary industry in Hechi City increased from 15.896 billion yuan to 23.08 billion Yuan, accounting for a relatively stable proportion, with a ratio of about 21% -22%. Looking at the growth rate of the three major industries in Hechi city in 2017, the rural economic development showed a wavy upward trend. The growth rate in 2019, 2021 and 2022 was 7.8%, 9.8% and 5.8% respectively, higher than that of the secondary and tertiary industries. This shows that the contribution of agriculture to the economic development in Hechi City is increasing, but the agricultural economy still needs to be further improved and improved.

2.2 Statistical analysis of the questionnaire data

The data of this paper are taken from the questionnaire of two districts and nine counties of Hechi City. Two villages and towns in each district or county were randomly sampled, and a total of 330 questionnaires were distributed and 300 were recovered. Among them, 32 were invalid due to

incomplete data and illogic, and 268 were valid questionnaires were obtained, with a recovery rate of 81.21%. The sample details are as follows:

Table 3: Sample details

essential factor	option	Sample (person)	scale (%)	essential factor	option	Sample (person)	scale (%)
sex	woman	137	51.12	The number of families	One person	8	2.98
	man	131	48.88		Two people	20	7.46
age	18-25 Years old	38	14.18		Three people	24	8.96
	26-45 Years old	98	36.57		Four people	41	15.3
	46-60 Years old	102	38.06		Five people	85	31.72
	Over 60 years old	30	11.19		6 People and above	90	33.58
educational status	Primary school and below	107	39.93	Annual household income (RMB)	30,000 and below	118	44.03
	junior middle school	92	34.33		3-50000	103	38.43
	High school / technical school	30	11.19		Five-100,000	42	15.67
	College / university	39	14.55		100,000 and above	5	1.87
Credit understanding	Fully understand	22	8.21	Service satisfaction	satisfied	88	32.84
	Part of the understanding	143	53.36		same as	118	44.03
	do not understand	103	38.43		discontent	62	23.13

In terms of gender, Men and women fill in equal numbers, about half each other in terms of age, mainly concentrated between the ages of 26 and 60 years, accounting for 74.63%. In terms of the educational level, the majority of respondents were in primary schools and below and in junior high schools, both accounted for 74.26%. In terms of how well microfinance is understood, complete understanding is only 8.21%. Some understanding and lack of understanding accounted for 91.79%. In terms of family size, Population of 5 and more families of 65.3%. In terms of the annual household income, mainly concentrated in 30,000 and below and 30,000-50,000, the two jointly accounted for 82.46%. In terms of the service satisfaction of the rural credit cooperatives, Satisfaction and general together accounted for 76.87%.

2.3 Analysis of the demand and supply status of microcredit in Hechi Rural Credit Cooperatives

At present, the rural capital needs of Hechi City can be divided into three categories: daily life needs, industrial development needs and rural economic needs.

Loans for their daily life needs, including housing, medical care, weddings and funerals [2], and children's education, account for no more than 20 percent. Industrial development demand mainly refers to the traditional agriculture and production demand, accounting for more than 50%. Rural economic needs include industrialization, sustainable development of agriculture, science, education and culture, accounting for between 20% and 30%. These loan demands reflect the needs of farmers' good economic condition, great potential for agricultural development and rural economy diversification.

On the supply side, in the poverty alleviation work since 2015, Hechi Rural credit cooperatives

have provided 7.189 billion yuan of small loans for poverty alleviation, accounting for 99% of the city's total small loans. By developing industries, we helped 1, 1400 poor households out of poverty, expanding the scope of supporting agriculture and more diversified credit [2]. At present, the investment of Hechi Rural Credit Cooperatives focuses on supporting agriculture to get rich and reducing the poverty rate, strives to promote the joint development of agricultural enterprises, and pays attention to the support of local key projects.

Table 4: Type of agriculture-related loans of Hechi Rural Credit Cooperatives from 2018 to 2022
(Unit: %)

year type	2018	2019	2020	2021	2021
Daily life needs	19.06	17.91	18.45	19.03	18.95
Industrial development needs	56.2	50.83	54.76	53.19	52.88
Rural economic needs	24.74	31.26	26.79	27.51	28.17

Data source: Hechi City Rural Credit Cooperative

2.4 Analysis of the effect of microcredit in Hechi Rural Credit Cooperatives

Since 2017, the rural credit cooperatives have helped the city to build 159 demonstration bases for poverty alleviation industries, promoted the employment of the poor population, built 12 selenium-rich brands, planted 108 "three products and one standard" products, and built demonstration bases for walnut and oil tea. The city has built 1185 walnut demonstration bases, 14 camellia demonstration bases, etc., providing strong support for rural economic development. In addition, Hechi Rural Credit Cooperative has established a four-level financial service system in the whole district, providing 48.9 billion yuan of credit balance to agricultural cooperative institutions in 2021. Among them, the agricultural loans reached 29.3 billion yuan, the small loans for poverty alleviation reached 2 billion yuan, the Guihui loans increased by 3 billion yuan, and the bank loans reached 48 billion yuan, accounting for 49% of the bank loans in the area of Hechi Prefecture. The microcredit programs of the Agricultural Credit Union are not only conducive to the improvement of local agricultural production techniques, but also help to improve the agro-ecological environment in rural areas. It is beneficial to the improvement of agricultural production technology and the agricultural ecological environment.

3. Hechi City rural credit cooperatives microcredit to support agriculture problem

3.1 The inequality between the responsibilities and abilities of rural credit cooperatives to support agriculture

State-owned commercial banks have adjusted their business, reduced branches at the county and township levels, and restricted loan investment in economically slow areas. Rural credit cooperatives are one of the few financial institutions that effectively support "agriculture, rural areas and farmers", but the support of "one enterprise and one policy" brings pressure [1]. It can be seen from Table 4 on the credit demand of farmers that the purpose of farmers' credit demand is mostly for agricultural development, while the starting point of microcredit is to solve the financing problems faced by the poor people, which is a great responsibility for the rural credit cooperatives. However, in recent years, rural credit cooperatives in Hechi City lack funds. By the end of September 2022, the balance of agricultural loans of rural credit cooperatives reached 32.756 billion yuan, and loans to rural households reached 20.857 billion yuan. Despite the increase in deposits, the capital strength and

financial products still can't meet the needs of rural economic development in Hechi City^[2].

3.2 Insufficient publicity of rural credit cooperatives

As can be seen from Table 1 and Table 2, although the income of the primary industry is lower than that of the secondary and tertiary industries, the development growth rate is always higher than that of the secondary and tertiary industries from 2019-2022, indicating that the production efficiency of the primary industry in Hechi City is improving, and it also promotes the economic development of Hechi City. Combined with the development of the primary industry in Table 1 and 2 and the types of capital demand in Table 4, we can see the importance of the rural credit policy. If the credit demand of farmers in the city is met, it will be conducive to the growth of the rural economy.

According to Table 3, only 8.21% of the city's farmers have a full understanding of microfinance, another 53.36%, and 38.43% do not understand, which indicates that farmers know little about the microcredit agricultural support policies, including interest rate, term and loan projects, which reflects the shortcomings of rural credit cooperatives in the publicity of rural credit policies. At the same time, in the survey and analysis, most of the educational level of the respondents was in primary school or below and junior high school, accounting for as high as 74.26%, indicating that there are also difficulties in understanding the microcredit policy, and the rural credit cooperatives need to publicize it from the perspective of easy to understand.

3.3 The supply of rural credit cooperatives is insufficient and the credit risk is relatively high

According to Table 3, first of all, in rural areas, the household income below 30,000 is the highest, followed by 30,000-50,000. The small income of farmers is difficult to maintain the development of agriculture. Therefore, it is known that the farmers in this city have a large potential demand for credit. According to the analysis of the current situation of rural demand in the city, it is known that the demand for loans for agricultural development accounts for more than 50% in recent years, so it is found that farmers have a large demand for microcredit. In 2021, Hechi Rural Credit Cooperatives released more than 4.5 billion yuan, accounting for 45% of the city's financial institutions. By the end of September 2022, the balance of loans to rural households had reached 20.857 billion yuan, and agricultural support was further strengthened. However, relative to the loan needs of farmers, the rural credit cooperatives still have shortcomings.

As for credit risk, on the one hand, the agricultural development level of Hechi City is low, mainly manual production, less mechanical use, crop production time is long, and the loss of natural disasters is large, thus increasing the credit risk. On the other hand, the single agricultural products limit the development of rural economy. The agricultural loans are affected by the market price fluctuations of agricultural products. Small farmers in rural areas of Hechi City have a large proportion and do not dominant, and the market price fluctuations lead to the decrease of income. Finally, some farmers do not understand the market price, which affects the profit margin and affects the sustainable development of rural financial institutions.

4. Hechi City rural credit cooperatives microcredit support for agriculture improvement measures

4.1 Establish a sustained and effective support mechanism to better serve agriculture, rural areas and farmers

According to Table 3, the farmers in the city are mainly satisfied and general with the business handling, consultation and question answering services of the rural credit cooperatives, which only

accounts for 23.13%, indicating that the rural credit cooperatives can continue to develop and improve in this respect. Hechi City has a large number of rural residents, and the rural economy is relatively underdeveloped, which needs the support of the government and cannot necessarily interfere in the development process of rural credit cooperatives. In view of the specific situation of Hechi City, the municipal government should take, more joint local efficient strategy, the implementation of the national financial support for agricultural and rural development, promote rural credit cooperatives to create a fair and just management environment, increase the capital of rural credit cooperatives, strengthen the standard loan conditions, remove obstacles for the healthy development of rural credit cooperatives, provide policy guarantee.

4.2 Strengthen policy publicity

Rural credit cooperatives need to work closely with various ministries and commissions. Regularly carrying out promotional activities and following up with loan personnel makes people understand the different ways of microfinance information, guides them how to use microfinance in the right way. At the same time, gaining a deeper understanding of the impact of the microfinance can help make the microfinance poverty alleviation more effective.

4.3 Broaden capital channels and increase credit supply

As for the credit supply, on the one hand, we can rely on the reloan issued by the People's Bank of China as the main financing channel of the rural credit cooperatives, so that the rural credit cooperatives can provide more microcredit to support agriculture. On the other hand, we can encourage other financial and credit institutions to participate in the microfinance market, develop more microfinance institutions, and make good use of idle private capital through diversified financing [4].

For credit risk, it is necessary to strengthen risk management, establish an effective risk identification and prevention mechanism, and manage the risk of agricultural microcredit supported by rural credit cooperatives. At the same time, an effective credit supervision mechanism should be established, so that the relevant departments can effectively supervise the rural credit cooperatives to support agriculture.

5. Conclusion

Based on the current situation of Hechi rural credit cooperatives, this paper excavates the existing problems at the present stage, and puts forward the corresponding countermeasures on this basis, and finds that the rural economy in Hechi City has a large development space, but also faced with some difficulties. The government should take active measures to increase financial input, strengthen the strength of rural credit cooperatives, and actively promote the rural financial reform, including the establishment of perfect loan policies, strengthening the diversification of capital sources, and actively developing new loan products. At the same time, it also believes that the government should strengthen the supervision of rural credit cooperatives to avoid the abuse of funds and create better conditions for microcredit to support agriculture.

To sum up, if the policy, technology, service and supervision are strengthened, it can promote the sustainable and healthy development of microcredit of rural credit cooperatives for agriculture, and then promote the development of the city's rural economy.

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