

Analyze the Influence by Competitive Subsidization on the Organizational Management of Under-forest Economy in Wuyishan City

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Abstract: The subsidy of under-forest economic projects is one of the main means for the government to promote developing of under-forest economy in recent years. However, the stimulated effect of subsidy still unknown. This paper applies the theory of cost-benefit and transaction cost to explain the effectiveness of under-forest economic projects subsidy. In addition, the paper expound the influence on the organizational management of under-forest economy by the competitive subsidies, and analyze the effect of competitive subjects subsidies on organizational management of under-forest economic projects in Wuyishan city. Then the paper also explore the main exist problems, and put forward the suggestions such as diversities in the subsidy index and optimization for the investment environment.

1. Introduction

Lucid water and lush mountains are invaluable assets. It is simple to understand. From the perspective of economics, output comes from the input of production factors, the most basic production factor is natural resources. As we know, compared with people's infinite need, resources are always scarce. To continue to own Jinshan and Yinshan, clear water and green mountains should be sustainable use and protection. A simple induction is that "you can become rich without cutting down trees". To realize the win-win of economic and social development and forest resources protection, the ecological economic development mode -- under-forest economy has become an important economic growth point in the current economic downturn. Under-forest economy is also the continuation of China's collective forest right reform. Governments at all levels pay great attention to the development of under-forest economy and give great supports. How support these measures to promote the development of forest economy.

In 2008, the State Council promulgate comprehensively promoting the reform options of the collective forest right system. Afterwards, the opinions on accelerating of the forest economy

developing in 2012 have guided and supported the business activities of the local under-forest planting, breeding, related product collection and processing, and set up a special financial fund to support the development of the forestry economy. In December 2016, Fujian Provincial Department of Finance and Forestry issued the measures for the administration of provincial financial special funds for under-forest economy, which stipulates special funds of under-forest economy for protecting ecology and encouraging forest farmers. The subsidy funds for projects such as under-forest planting, breeding and forest landscape use are arranged by the provincial financial budget, which is the continuation of the project system management under the government's governance model in the process of China's economic growth [1]. China's statistical yearbook data show that the proportion of fiscal expenditure to GDP in 1978 was approximate 30%, which has declined since then. However, the proportion of fiscal expenditure to GDP has gradually increased after the reform of tax sharing system in 1994. On the one hand, the high speed of economic growth in China after 1978 has a close relationship with China's unique project management system [2]. On the other hand, the negative problems are accumulated and should not be ignored. There are typical "running department, money input, local debt, overcapacity and so on" [3]. In summary, to achieve a win-win situation of ecological and economic benefits in the development of forest economy, it is worth exploring the government project intervention how plays an effective role.

2. Influence of Competitive Subsidies on the Organizational Management of Under-Forest Economy

According to the analysis in this study, the competition between small farmers' operation and large market undoubtedly induces a great challenge to the increases of farmers' production and operation income with the promotion of market-oriented economic construction. Many scholars believe the main measure to solve this problem is to establish farmers' professional cooperatives and promote the organization of farmers' operation [4-5]. Therefore, the main measure of the support of the under-forest economic management is to promote the under-forest economic organization and increase the income of forest farmers. This paper will discuss how to promote the under-forest economic organization with the support of the government.

2.1. Subsidy Scheme for Under-Forest Economic Projects in Wuyishan City

According to the notice on nine measures to promote forestry reform and development and accelerate the construction of ecological civilization pilot demonstration area issued by Fujian provincial government. The financial department of Fujian Province arrange 70 million yuan of special subsidy for under-forest economy every year from 2015 to 2018, which allocated to the prefecture level level by level. These special funds promote the development of forest economy in Fujian Province. To promote the development of forest economy in Wuyishan City, Wuyishan City has determined the forest farm, given priority to supporting demonstration communities and family forest farms that have won the honors at all levels, the poor households who have set up the file and set up the card, the professional cooperatives that have set up the file and card, and the "company + base + farmer" to carry out the construction of under-forest economic projects. These organizations have the characteristics of high quality, strong technology, self financing ability, certain scale and development prospect, which can better drive the under-forest economic management subject of "not cutting trees, but also getting rich". In practice, the special funds for the under-forest economy in Wuyishan City are also allocated to the organizational management subjects with certain competitive advantages. From another perspective, in order to obtain the project subsidies from the government, the original small farmers tend to organize the operation and form the mutual

promotion. In this process, the following theoretical analysis is made.

2.2. Influence Mechanism According to the Cost-Benefit Theory

With the continuous development of the market economy, the government and the market behavior are both constrained by the cost and income, and make important choices. After the tax sharing system, the local fiscal revenue is limited. Therefore, the cost and income accounting of the project subsidies affects the choice of the subsidy object. The target object is the one with the largest expected income under the given project input cost.

The most important part of the subsidy input of the economic projects under the forest is the amount of subsidy. The benefits of the subsidy behavior of the economic projects under the forest are more complex, not only for economic benefits, but also for political benefits, social benefits, ecological benefits and cultural benefits. When a subsidy is put into production by the operating entity, it is often difficult to separate the project subsidy income from the product income. However, the government is still willing to invest because the subsidy incentive can bring the development of local forest economic industry, the improvement of GDP, the promotion of branding and the formation of local characteristics. No matter which kind of income, the higher the influence, the greater the strength to be reflected, and the greater the government's income from it. Therefore, the more competitive the project is, the more likely it is to get subsidies for the economic projects under the forest. At present, under-forest economic subsidies in Wuyishan City incline to cooperatives, family forest farms, family farms, companies + cooperatives, and drive the establishment and expansion of under-forest economic organizations. This is because under the condition of fixed cost, only those who have certain scale, advantage and reputation can have more potential output and social influence.

2.3. Influence Mechanism According to the Transaction Cost Theory

Williamson divides transaction costs into before and post transaction costs. The before cost lies in the cost of negotiation and communication in the process of establishing subsidy scheme by each department. The post cost mainly lies in the amount cost of object search, approval, release and subsidy after the scheme is formed, the cost of management and supervision in the implementation of the scheme, and the cost of active response after problems occur. Among them, department negotiation is the internal cost of the government, while the confirmation of subsidy objects involves different systems, a large number of under-forest economic operators, and there is a very serious information asymmetry. In the case of fixed income, the government tries to reduce the transaction cost, that is, to reduce the cost of finding objects. In a large number of under-forest economic operators, the more competitive and social network organization operators are, the easier they are to be found, the more information they can get, the easier they are to complete the transaction, and decrease the transaction cost, which makes the government more inclined to have project subsidies are implemented by the under-forest economic operators with competitive advantages. It also promote to the establishment of forest economic organizations.

In summary, the subsidy of forest economic projects will inevitably move towards competitive distribution, which is manifested the main body of project subsidy will choose the subsidy object with competitive advantage by formulating unified standards [6]. Therefore, the subsidy of economic projects under the forest flows to the main body of organizational management. Additionally, the market will actively generate the main body of organizational management, and form interaction between the subsidy and the organizational management to obtain the subsidy of economic projects under the forest.

3. Problems

3.1. Competitive Subsidies Highlight the Problem of Industrial Assimilation

As is common, once the central government supports a certain field or industry, it is easy to have excess capacity in this field, and the debt of local government is also proportional to the number of projects. Under the background of competitive allocation of project subsidies, the government selects subsidy objects with certain standards, and issues subsidy funds through the way of bottom-up application, examination and approval. In order to obtain approval support, it must have outstanding advantages. Generally speaking, it needs to reach a certain scale and drive a sufficient number of farmers, which is likely to lead to blind of the operating scale expansion of under-growth economic organizations, or to establish new organizations. However, the establishment of a new organization will abide by the regulations of the system and imitate the individual characteristics of the original organization, resulting in the assimilation of the organizational system structure and industrial selection, and more fierce competition and lack of competitive advantage, which is not benefit for the growth of the organization.

3.2. Inner Power of Under-Forest Economic Organization is Weakening

A large number of literatures at home and abroad have carried out theoretical or empirical research on the determinants and mechanisms of the formation and development of farmers' cooperative organizations. Scholars agree that the internal driving force is the premise of the formation and development of farmers' cooperative organizations. External support can better promote the development of farmers' cooperative organizations only when it meets the needs of farmers. However, from the point of view of the objects of using the special funds for the under-forest economy in Wuyishan city, the organizational endogenous strength of the under-forest economic operators is relatively weak. In the investigation, after the recommendation of Wuyishan basic forestry station, the forestry bureau and the finance bureau set up an expert group to screen, 9 of them basically met the subsidy conditions. Among them, there are only one family farm, three farmer cooperatives and one company. After the subsidy, how is each organization operate? According to the information disclosure of "tianyancha", the main website of enterprise information, the author thinks that the registered capital of the company is obviously higher than that of other organizations, but only accounts for 11.1%. Moreover, according to the statistical score of the information website, most of the family farms have low scores, and only 33.3% of the three companies are over 3 years old. Therefore, the endogenous power of forest economic organizations in Wuyishan is still weak at present.

3.3. Resources Are Not Allocated to Those Who Really Need Them

Under the influence of the mechanism of cost income and transaction cost, in order to save transaction cost and improve the potential income level, the subsidy resources of forest economic organization management are easier to flow to the management organizations that have formed a certain production scale and have obvious operation advantages. Although this can further develop the subsidized organizations, it is also easy to cause the stronger and the weaker to be stronger. The "Matthew effect" leads to the unbalanced distribution of the limited subsidy resources in the organization and operation.

4. Countermeasures to Optimize the Allocation of Subsidy Resources

4.1. Diversified Subsidy Indicators

In order to prevent the subsidy resources of forest economic organization from inclining to the superiors, it is necessary to design the subsidy scheme scientifically from the source. In order to improve the ratio of revenue to cost and save the transaction cost, the subsidy resources should be injected into the large-scale organization with obvious advantages logically. In fact, it is necessary to consider that the projects with development potential can give full play to the advantages of later development. Therefore, in the subsidy program, we should classify the subsidy object standard of limited resources, reserve part of the resources to promote the continuous upgrading of large-scale organizations, and leave the rest of the subsidy resources to organizations with good potential but lack of resources. It is not only conducive to upgrading the advantages of the former, but also conducive to promoting the development of the latter.

4.2. Optimizing the Environment of Development of Under-Forest Economic Organizations

The financial department of Fujian province arranges 70 million yuan of special subsidy funds for forest economy every year [7]. There are nine cities in Fujian Province, with an average of less than 8 million yuan. The amount of subsidy is allocated level by level. The average amount of subsidy to the grass-roots level has been greatly reduced. The probability of the situation that there are too many subsidies and too few subsidies is very high, which can not provide strong support for the organized management of forest economy. The author thinks that the short-term direct subsidies make the number of beneficiaries limited. By transferring 70 million yuan of profits, we can reduce or exempt the corresponding taxes and related expenses, and encourage all the operators of forest economic organizations. In addition, the change of subsidy mode has greatly saved the transaction costs, so as to achieve twice the result with half the effort.

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