

Research on Development Strategy of Agriculture and Forestry Economy in Transition Period

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Abstract. In recent years, with the continuous development of social economy, China's society is in an important transition period of development. Rural economic development has always been a matter of great importance to the state, and rural financial development is the key factor of rural economic development, providing a reliable guarantee for the overall development of rural economy. Therefore, it is of great practical significance for the current development of rural areas in China to comprehensively and accurately grasp the development of rural finance in the transition period and the problems that arise, and actively seek the development direction of rural finance in the transition period.

Keywords: Development Strategy, Agriculture and forestry economy, Transition period

1. Introduction

With the continuous development of China's reform and opening up, great progress has been made in the development of rural economy and gratifying achievements have been made in the field of rural finance. On the important stage of our country's transition period, the development of our country's rural finance presents some characteristics of its own, as well as some problems, which need us to actively discuss and study.

2. Basic Characteristics of Rural Finance in China During the Transition Period

2.1 The demand for rural finance continues to rise

First of all, with the major adjustment of rural agricultural production structure in our country, the development of rural finance has not only ushered in opportunities but also brought challenges. In order to effectively improve the competitiveness of our country's agricultural product export trade in the world, our country's agricultural production must be a straightforward type of production from the traditional to the agricultural specialization, mechanization, and large-scale direction, but the agricultural production structure adjustment will need large amounts of material economic input, unilaterally relying on the existing rural capital is not enough, so it is urgent need the support of rural finance. Secondly, further promoting the process of rural urbanization and sustainable industrial development can help alleviate the employment problem in rural areas and improve the development level of rural economy. Although the level of rural industrialization in China continues to improve up till the present moment, the process of rural urbanization is very slow, let alone compared with the speed of rural urbanization in developed countries. Therefore, with the intention of better solving the employment difficulties faced by China's society, it is essential to



vigorously promote the existing process of rural urbanization, provide employment opportunities for a large number of idle rural labor force, and further facilitate the economic development in rural areas. Finally, in China's transition period, the rapid growth of private economy also promotes the sustainable development of rural economy. Meanwhile, the scale of agricultural industrialization is increasingly extensive, effectively driving the advancement of rural finance. Faced with the increasing diversification of rural industries at the present stage, the financial development of rural areas has also put forward better requirements.

2.2 Uneven development of the microfinance in different regions

In the current transition period of our society, the market demand of rural finance is increasing, and the amount of financial credit in rural areas is increasing. Among them, in rural areas of central and western China, the demand for finance is particularly apparent.^[1,2] In the meantime, the development of small loans in rural financial development is gradually increasing. Firstly, the percentage of small loans in agricultural loans is increasing, and the share of small loans in rural agriculture is expanding. Among them, because of the large number of small and micro enterprises in eastern rural areas of China, the economic strength is obviously relatively strong, so the fastest pace of development of small loans in the financial development in the eastern rural areas of China can be witnessed. Secondly, although the developing speed of the economy in rural areas in central and western China is different from that of eastern China to some extent, the development of micro-credit loans in rural areas in central and western China is also very rapid, and has become the main financial mode of rural areas in central and western China. It fully shows that small credit loans in China's underdeveloped rural areas have relatively strong room for growth, development prospects in these rural areas are relatively considerable, for the economic development of the backward areas, this is also a relatively effective financial model. As for eastern rural areas with relatively good economic development, microfinance has lost its dominant financial position.

2.3 The development of poverty alleviation subsidies has slowed down

In the rural financial market of our country during the transition period, loans with interest discount for poverty alleviation have gradually withdrawn from the rural financial system. The subsidised loans for poverty alleviation is within a specific period of time in our country, to the national key support set up in the poor rural areas of a form of loans from state financial subsidy and get a certain amount of interest here is the agricultural bank of China branches at all levels to deal with, is also a kind of policy guidance comparatively strong forms of commercial loans.^[3,4] Along with our country commercial bank reform process gradually, the current our country the development of the agricultural bank area also gradually from the county town and rural areas to urban areas, the number of institutions and personnel quantity also gradually to streamline, this gives subsidised loans for poverty alleviation in the development of our country's rural financial development increases the difficulties, at the same time, the increase in the number of all the cost further. In addition, the beneficiaries of China's poverty-relief discount loans are mainly poor rural areas, but most agricultural Banks in these rural areas adopt the method of differential credit, which is prone to the situation of loan fund shortage. More importantly, in the use of discount interest loans for poverty alleviation, the authority is prone to irregular intervention, which makes some rural areas that do not need small discount interest loans for poverty alleviation get a lot of support from discount interest loans for poverty alleviation, and makes the rural areas that really need government discount interest loans for poverty alleviation fail to get due financial support.

2.4 Rural financial products are increasingly abundant

In China's rural financial development in the transition period, products and institutions are becoming more and more perfect, emerging a new situation of innovative development. In recent years, the central government of China has issued many reform, innovation and development measures in the scope of rural finance. In recent years, the proportion of financial institutions such as securities companies, futures companies, and insurance companies in rural counties in China has increased, and these non-bank financial institutions have created new growth points for the vast rural financial market.^[5] Meanwhile, China is in its transition stage, rural financial products also have a new situation. Up to now, China's rural areas have

opened three major agricultural insurance companies, so that China's vast rural areas have specialized distribution of agricultural insurance products institutions. In 2006, the postal savings bank of China undertook the task of serving the financial market in rural areas, and simultaneously implemented some businesses of small pledged loans of certificates of deposit in some rural areas. In the same year, China's banking supervision association issued an opinion on the relaxation of accessing mechanism of banking financial institutions in rural areas, so as to better guarantee the construction and development of the current new socialist rural villages, forming a model with low access threshold and strict supervision, and further opening the rural financial market in China.

3. The Factors Restricting the Development of Rural Finance in the Transition Period

3.1 The financial system is not sound enough

Financial policies are not perfect in vast rural areas in China. Compared with the cities in the same period, financial policies are not perfect in rural areas. For example, in the field of financial credit, Agricultural Development Bank of China is one of the major policy banks in China, which also plays an extremely important role in the rural financial system of China.^[6] However, it has not fully played its policy-oriented role in facilitating the rural financial progress. In rural loan business in China, for example, the business scope of Agricultural Development Bank of China is mostly just for the starting stage in agriculture such as food crops, oil crops, as well as the needs of economic crops such as cotton. Agricultural loans have only accounted for a tiny proportion; so the negative effect is that agricultural loans cannot effectively stimulate the development of other agricultural industrial structure. At the same time, as an innovative product in rural financial market in China, namely, agricultural insurance products, the advancement of China's rural financial market in the transition period has also shown a sluggish situation. Among all insurance quotas, the share of agricultural insurance is also very small.

3.2 The number of financial outlets declined

A drop in the number of transition of our country's rural financial branches, from the decade of 1994 to 2013, China's Big Five Banks before the number of branches in rural areas by 150000 to 80000, moreover some institutions also do the adjustment of rural credit cooperatives, most of the financial network moved to the countryside outside of urban areas, greatly reducing the number of network financial institutions in rural areas, thus reducing the financial institutions of the country the Banks class support for rural financial market. And have to mention is that, though in a transitional period of our country, but some of the rural financial services in the form of relatively backward, this is mainly due to China's rural financial market pattern of traditional stereotypes of conservative, no corresponding innovative spirit, just unilateral has in view of the traditional agricultural loan financing business, and lack of investment in some emerging agricultural industry, cannot give the general farmer group lending. At the same time, the approval of loans in China's rural financial system is relatively slow and the time period of loans is relatively long, which is not conducive to the farmers with low knowledge level and urgent need for funds, nor is it conducive to the rural financial institutions to serve the construction of the current socialist new countryside.

4. Research Strategies for Rural Financial Development in China During the Transition Period

4.1 Optimize the market environment

The urgent task is to improve and optimize the financial market environment in the vast rural areas of China, so as to further promote healthy, orderly and stable development. We will strive to optimize and upgrade the agricultural industrial structure in rural areas and promote the pace of industrialization and urbanization in rural areas. The education level of the people in rural areas should be further enhanced, thus further ease the difficult employment situation in rural areas and relocate the large number of idle labor force, so as to increase the number of non-agricultural population in rural areas and further raise the income level of farmers. Also, the financial support for rural areas of economic poverty by the central government should be further strengthened, thus reduce the income gap between urban and rural residents; the financial risk

management system of rural areas in our country should be further strengthened and standardized. We should also improve agricultural insurance institutions, securities companies, as well as agricultural products futures trading institutions in rural areas to set up the number, and effectively prevent risks existing in the agricultural industry. Further relax the regulation mechanism of rural finance, agree to develop better regional rural financial institutions to open branches in other areas. Village banks and rural credit cooperatives and other financial institutions should be set up to the vast rural areas to provide more financial services, increase the rate of poverty and backwardness of money activities in rural areas. To further improve some basic facilities of rural financial market in our country, increase the banking financial institutions in rural areas of payment settlement business of network platform, and actively integrate the payments and settlement system of rural financial institutions to the national total payment settlement networking system, increase the income of rural financial institutions in China.

4.2 Improve the innovation mechanism of the financial system

Further improve the innovation mechanism in the rural financial system, better develop the financial derivatives to adapt to rural economic development. Complete the information sharing of dishonest customers on the Internet in rural financial market during the transition period, so as to effectively reduce the default risk of customers handling loan business. Take operating performance of financial institutions in rural areas of China as standard so as to simplify the approval procedures for rural financial institutions. Further strengthen the reform of management system of rural credit cooperatives in China, strive to improve the transition of China's rural credit cooperatives management pattern and daily management of the rural credit cooperatives formation constraint mechanisms, capital management more standardized, resistance risk ability to strengthen the new situation, and further reduce the cost of operation and management of rural credit cooperatives. Meanwhile, according to the actual position of rural financial market in China's transition period, we should formulate and develop derivatives suitable for rural financial market in China. For example, we are considering the pilot work of co-guaranteed loans for small and micro enterprises in rural areas with relatively high economic level in China, through the use of rural land right adjacent to urban suburbs as collateral for loans. In addition, the mode of combining the financing business of leading enterprises in agriculture with the large number of farmers and guarantee companies can also be promoted to further reduce the potential risks of rural banking financial institutions.

4.3 Adjust interest rates

Efforts will be made to ease the fluctuation range of lending rates for rural credit cooperatives in rural areas. China's interest rate market follows the rule of "first rural area, then urban area, first loan, then deposit". In 2015, China officially lifted the deposit rate of urban residents, but still did not relax the control of the lending rate. The shortage of credit funds in rural areas is an important factor for the lack of support for rural financial reform. It is suggested to gradually relax the interest rate floating band of rural credit cooperatives until the market demand of the loan interest rate is completely completed. In addition, according to the risk investment mechanism of the rural financial market, financial subsidy policy and guarantee fund management, rural co-management fund can be set up to increase the capital turnover of rural financial market.

To sum up, this paper firstly analyzes and discusses the basic characteristics of financial market in China during the transition period; then concludes some problems existing in the financial development during the transition period in China; then actively discusses and studies the solutions, so as to better develop the financial market system of China's rural areas.

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