

# **Some Guiding Points about the Development of Financing Service of Agriculture, Farmers and Rural Area Issues**

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## **INTRODUCTION**

Agricultural finance is an important part of the Chinese financial system, which supports and serves the development of agriculture issues, farmers and the rural area. In recent years, Agricultural finance in China has improved a lot, developing a diversified and perfect financial system with growing service area and quality. However, Agricultural finance still remains the most underdeveloped part of the whole system. Following opinions are put forward under state council's approval, in order to implement the strategic decision of the inspirit of "The eighteen Member' Congress of CPC", "the 3<sup>rd</sup> Plenary Session of the 18th CPC National Congress" and state council, to answer the need of rural economies of scale and integrating development of urban and rural areas, to further improve capacity and level of Agricultural finance service and to realize a win-win status of Agricultural finance and issues pertaining to agriculture, farmers and rural areas.

### **Deepen the reform of agricultural finance system**

**Promote reform of financial institution classified.** With the premise of stable status of counties as legal person and of continuing service for issues regarding agriculture, farmers and rural areas, further deepening the reform of RCC, organizing rural commercial banks properly and actively and developing a qualified market entity are highly required in order to play an indispensable role in supporting agriculture. Provincial rural credit cooperatives should pay attention to services and guidance rather than administrative management in order to improve RCC system and magnify capacity of serving issues in agriculture, farmers and the rural areas. Make an overall plan for agricultural development banks reform. Keep policy-controlled area clear. Amplify bank capital. Establish and improve management structure. Give a stronger support in terms of medium and long-term loans to agricultural development and rural infrastructure. Encourage medium and large banks to improve developing strategy and to magnify financial support for the development of issues in agriculture, farmers and the rural areas according to the changing needs of the rural market. Deepen agricultural banks' reform of "financial apartment of issues of agriculture, farmer and rural area". Probe sustainable model of commercial finance to serve issues on agriculture, farmers and the rural areas. Encourage POSB to enlarge business areas related to agriculture. Develop village banks and increase the percentage of private equity shares with steady steps. Provide diversified and specific service facing issues on agriculture, farmers and the rural areas. Every financial institution that is related to agriculture should develop their business

based on the needs of farmers and the rural areas. (CBRC, PBC, CDRC, Ministry of Finance, Ministry of Agriculture should be responsible regarding above issues)

**Bring more service objects into agricultural finance system.** Encourage setting up of agricultural investment fund, agriculture private equity investment fund and agricultural technology investment fund. Give support to financial leasing company to serve issues on agriculture, farmers and the rural areas. Encourage guarantee institutions and funds that were invested mainly by government to develop agricultural guarantee businesses. Encourage other insurance institutions to serve agricultural producers and traders. Standardize micro finance companies. Develop incentive mechanisms. Broaden financing channels. Put Credit reference system into operation as soon as possible. Revise management policy. (Ministry of Finance, CDRC, CBRC, PBC, CSRC, and Ministry of Agriculture should be responsible regarding above issues)

**Put the development of agricultural collaboration finance under regulation.** Keep the rules of membership, closure and democratic management. Develop agricultural collaboration finance without lending, deposit collections or giving out fixed returns. Support farmers' cooperatives to share credit, to develop experimental units, and to formulate management regulations. Develop agricultural collaborations, finance organizations based on farmers' cooperatives and marketing cooperatives. Try to develop financing guarantee funds on village bases. (CBRC, PBC, Ministry of Finance, Ministry of Agriculture, head office of supply and marketing cooperatives should be responsible regarding above issues)

**Strongly support the development of inclusive finance in rural area.**

**Optimize the distribution of financial institution in counties.** Keep branches of medium and big size banks. Enhance service capacity. Moderate distribution of branches of agricultural development banks. Emphasize the Midwest and less developed parts to answer the needs of supporting farmers and control total quantity of branches. Accelerate the establishment of rural banks in important agricultural counties and micro businesses concentrated area. Support the establishment of branches of rural banks in towns. (CBRC, PBC, Ministry of Finance should be responsible regarding above issues)

**Improving basic financing service complement.** Improve fiscal subsidy policy and compensate costs. Then keep improving the basic financing service complement of less developed towns. Launch project of "Village full coverage" within qualified administrative villages. Provide financing service with various ways like self-help terminals, mobile phone transferring. (CBRC, PBC, Ministry of Finance should be responsible regarding above issues)

**Aid the poor more intensively.** Take advantage of the synergism of politic finance, business finance and collaborative finance. Improving financing service facing rural labors, rural women and ethnic minorities. Improve policy of interest-subsiding loan to aid the poor. Provide less developed rural area with comprehensive financing service. (CBRC, PBC,

Ministry of Finance should be responsible regarding above issues)

## **Make a larger scale of rural related capital injection**

**Broaden capital resources.** Improve refinancing capital injection system to support farmers. Refinance to agricultural commercial banks, agricultural collaborative banks and village banks to support the development of micro companies in rural areas and issues on agriculture, farmers and the rural area. Encourage banks to issue debt invested only in issues on agriculture, farmer and rural areas. Set asset securitization experimental units related to agriculture. Decrease deposit reserve ratio appropriately on agricultural commercial banks, agricultural collaborative banks that apply to needs of serving issues on agriculture, farmers and the rural area. (CBRC, PBC, Ministry of Finance should be responsible regarding above issues)

**Strengthen guide from policy.** Put the policy into practice that legal person in the banking industry should issue loans under a certain proportion. Explore a system to make sure commercial banks issue certain proportion of loans to countries. Support banks in countries to enlarge the scale of loans. Increase loan to deposit ratio continuously. (CBRC, PBC, Ministry of Finance should be responsible regarding above issues)

**Improve system of issuing loans.** Encourage commercial banks to treat agricultural loans distinctively, to delegate loan approval power to lower level, to improve performance evaluation mechanism based on strong risk management capacity. Motivate agricultural loan issuing (CBRC, PBC should be responsible regarding above issues)

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