Investigation and Analysis on Current Situation of Rural Cooperative Finance in Xinjiang

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Abstract

Through questionnaires of structure of farmers’ deposit and credit, lending tendency as well as their demands and intentions of rural cooperative finance in 5 areas all over Xinjiang, current situation and basic problems of cooperative finance in Xinjiang are analyzed in this paper. On the basis of that, this paper comes to conclusions of poor ecological environment of rural cooperative finance in Xinjiang, some differences in development between southern and northern Xinjiang and lack of rural cooperative financial institutions at basic level.

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1. Introduction

Since the reform and development, rural financial is improving constantly. Based on the development, Xinjiang has her special system in rural financial area, which is based on the Agricultural Bank, the Agricultural Development Bank, Rural Credit Cooperatives, Postal Savings Banks and Rural Banks. Agricultural Bank of Xinjiang Branches started business in 1979. At the end of 2010, it has 365 sub-branches with employees up to 8368. Agricultural Development Bank (Xinjiang Branch) was established in 1995, and until the end of 2010, it has 90 sub-branches and 2,290 employees. Xinjiang Rural Credit Cooperatives, established in 1952, has 991 sub-branches and 11,168 employees, of which more than 80% of the network agencies distributed in various township and pastoral areas in Xinjiang at the end of 2010. Xinjiang Postal Savings Bank, reopened in 1986, was officially established on January 28, 2008 and to end of 2010, it has 586 sub-branches and employees over 3949 people. New rural institutions also have a rapid development as Xinjiang has three rural commercial banks, seven rural banks and 17 rural cooperative banks at the end of 2010. The ability and level of rural financial services have improved rapidly. With the promotion of new rural construction, enormous investment of capital, manpower, technology and other factors put into the construction of agricultural infrastructure, upgrading of industrial structure, the development of characteristic agriculture, and the development of rural social security system and public utilities. Large-scale agricultural production in Xinjiang stays in low level. Thus farmers and other business entities heavily rely entirely on its own accumulation cannot be met by themselves. So many scholars studied the problems faced by the rural
cooperative financial development in Xinjiang, and how to improve the functionality of the rural economic development in Xinjiang.

2. Literature Review

With development of more than 100 years, cooperative financial institutions have reached throughout the world and progresses have been made in credit cooperative movement either in developed countries or in developing countries. The earliest theories of cooperative finance popularized in Western countries include theory of traditional cooperative finance based on sociality, theory of integrated cooperative finance on collectivity and theory of market-oriented cooperative finance on individuality. N.Barou(1932), started with features of organization, considered that cooperative financial organization was a group organized by small producers and workers. Sonnich Sen(1980) believed that cooperative financial organization was a combination of persons with equal status. Grossfeld(1990), from the point that finance is part of cooperative economy, thought that cooperative financial organization was service business with general characteristics of enterprise operated and managed by participants. At the same time, the primary responsibility of the business is to subsidize and promote each participant’s economic activity. Feinberg (2002), through the research of rival between bank and credit cooperative on interest rate of unsecured credit, found that credit cooperative as competitor would bring down level of interest rates of bank industry.

As rural cooperative finance has grown in rural economy, a great number of scholars have done researches on such finance. Based on a case study of the implementation of the Liangshan Yi Autonomous Prefecture, Sichuan Province Microfinance, Xu Wangjun (2003) presented the financial support to the western minority areas should primarily take the form of a cooperative financial, that is, use the rural credit cooperatives as a mainstay and farmers micro-credit loans as a means of stimulating economic growth in these areas. Kang Xiaoxia (2008) analyzed the current situation of the development of rural financial reform status in poor areas from the perspective of rural financial supply in western Linxia ethnic minorities to find out the crux of the problem through the investigation, and in accordance with the development trend of reform in poor rural areas of western ethnic minorities. He put forward policy recommendations financial services system. Based on Pat Rick's "supply-leading" mode, Zhao Xiaofang (2009) invested financial resources configuration, the use of rural financial institutions credit funds of rural credit funds supply, the implementation of the rural credit policy of the county financial institutional funds on deposit and other financial supply status in Hui Autonomous Prefecture. The survey found that there exists a high proportion of non-performing loans and potential business risk, the credit capital flows showed a net outflow, the lack of a comprehensive rural financial service system, the lack of innovation of rural financial services, service means backwardness, lack of credit guarantee system, rural financial services environment and poor in Linxia financial institutions. Wang Pan, Liu Fei (2009) investigated the extent of the concern and understanding of farmers in minority areas of the new rural construction, through the analysis of the questionnaires, they found that from a general point of view, although the national farmers generally felt that the new rural construction is very important, their attention to the new rural construction is not high and the enthusiasm is not high. Based on the survey of 335 townships in Guizhou Province of weak basic financial services, Wang Gui, Hu Pengpeng (2011) deeply analyzed the existing problems in the development of rural financial, and then explored targeted support policies to promote poverty-stricken areas of rural finance sustainable development, tried to provide a Guizhou province-based explanation of sustainable financial development and support policy for the poor rural areas.

According to the survey of the financial needs of the peasant family in Xinjiang Wen-bo (2009) analyzed of the characteristics of the current financial needs of the peasant family and proposed to promote micro-credit loans farmers and farmers guaranteed loans; as well as comprehensively use various monetary policy tools to support Xinjiang backward rural financial development and improve and implement the market access support policies to encourage rural financial institutions and other suggestions. Jiang Jiarong (2010) analyzed the
overall status of the Xinjiang rural finance and rural financial institutions to dig out the existing problems of rural finance in Xinjiang and put forward countermeasures and suggestions to improve the rural financial intermediation function. Zhang Yuling and Yang Xiao (2011) did a research on rural finance and rural economic relations in Xinjiang on time series data from 1984 to 2008 in Xinjiang. The results show that: Xinjiang rural finance and rural economic development are uncoordinated; while there is a stable relationship between the rural finance and rural economy, but rural finance did not promote rural economic development. Therefore, they proposed to improve the operational efficiency of rural finance; meanwhile, the government should create the macro environment to guide and regulate rural financial policy advice. Fei Yuer (2011) believed that Rural Credit Cooperatives must timely adjust the development ideas around the regional economic development strategy to achieve the differences in regional development and coordinated development urban and rural business under the new situation. Shao Zhengrong (2011) analyzed the status of development from the rural areas of Xinjiang credit environment and make the use of the method of factor score related evaluation of the overall condition of the rural credit environment throughout the state in Xinjiang, and summarized the mainly problems of current construction of rural credit environment and recommended relevant policies. Pal Hatti • Niagara force, Wei Xianhua (2012) investigated the financial needs of farmers in the three southern states in Xinjiang, and their analysis showed that: the income and geographical differences are existed in financial needs of farmers in three southern states, the degree of the recognition of farmers' financial institutions are different, and the states of the three rural financial supply are imbalance.

3. The Survey

The rural cooperative finance is the main content and grassroots carrier of the rural financial. Based on the promotion of rural financial development in Xinjiang, the improvement of economic level for farmers, the enhancement of agricultural development, and the promotion of new rural construction objectives, investigation and analysis of Xinjiang rural cooperative financial development status are very important.

We have made questionnaires and interviews on farmer households in 5 areas from northern and southern Xinjiang. By doing so, we aim to realize the specific situation of rural cooperative finance and choice and consideration of rural families. In addition, based on such questionnaires and interviews, we have carried out preliminary analysis of the current situation of cooperative finance in the region. In terms of areas, considering the vast land and diversified economic and cultural types in Xinjiang, the paper chooses Yining county and its neighboring areas which represented for northern Xinjiang. Hami city and its neighboring areas represented for eastern Xinjiang. Kuqa county and its neighboring areas represented for southern Xinjiang. Korla city and its neighboring areas represented for eastern Xinjiang. And we also investigated Urumqi city and its neighboring areas, capital of Xinjiang for investigation of rural cooperative finance. The questionnaire includes 52 questions, which are divided into three parts: structure of farmers’ deposit and credit, lending tendency as well as their demands and intentions of rural cooperative finance. Before formal investigation, we choose 50 farmer households from different places to carry out pre-investigation and modify the questionnaire.

From March to July in 2012, 15 persons send out 1000 pieces of questionnaires in 5 investigation areas and took back 958 pieces. Among these questionnaires, there are 203 effective pieces in Yining county and its neighboring areas, 144 in Hami city and its neighboring areas, 104 in Kuqa county, 261 in Korla city and 234 in Urumqi city. Seeing from ethnic groups, there are 705 Uygur people in this investigation, taking up 74.5%, 184 Han people taking up 19.5% and 57 people from other ethnic groups taking up 6%. Seeing from the structure of ethnic groups in areas, there are 177 Han people in Urumqi, taking up 77.6% and Uygur people are the investigation subject in other areas.
3.1. Basic Circumstance of Rural Finance

3.1.1 Information of Rural Financial Institutions

According to the statistics, in Yining county and its neighboring areas, rural credit cooperation takes up the largest proportion, agriculture bank takes a second place, no financial institutions takes up 23.88%, postal savings bank takes up 15.42%, other institutions only takes up 5.47%. In Hami city and its neighboring areas, agriculture bank takes up the largest proportion, rural credit cooperation takes a second place, postal savings bank takes up 22.38%, other institutions only takes up 7.69% and no financial institutions takes up 5.97%. In Kuqa county and its neighboring areas, rural credit cooperation takes up the largest proportion, no financial institutions takes a second place, postal savings bank takes up10.71%, agriculture bank takes up 9.52%, other institutions only takes up 7.14%. In Korla city and its neighboring areas, agriculture bank takes up the largest proportion, rural credit cooperation takes a second place, no financial institutions takes up 16.42%, other institutions only takes up 10.73%, postal savings bank takes up 8.43%. In Urumqi county and its neighboring areas, agriculture bank takes up the largest proportion, postal savings bank takes a second place, no financial institutions takes up 15.92%, rural credit cooperation takes up 10.04%, other institutions only takes up 3.93%. Overall, from the proportion of all financial institutions, agriculture bank and rural credit cooperation are the main force of rural finance in Xinjiang. Postal savings bank, based on postal service, takes up a larger percentage. Other commercial banks have basically quitted rural financial field in Xinjiang.

3.1.2 Volume of Bank Cards in Rural Areas

In order to understand financial awareness of farmer household and the relationship between farmer household and financial institutions, we investigate the volume of bank cards in rural areas.

Table 1. Popularization of Bank Card in Rural Areas

<table>
<thead>
<tr>
<th>Persons Have Card</th>
<th>Persons Have No Card</th>
<th>Rural Credit Cooperation</th>
<th>Agriculture Bank</th>
<th>Rural Credit Cooperation and Agriculture Bank (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urumqi</td>
<td>202</td>
<td>34</td>
<td>33</td>
<td>128</td>
</tr>
</tbody>
</table>
From Table 1 we can see that bank card have been gradually popularized in rural areas. In terms of source of bank card, agriculture bank and rural credit cooperation take up the large percentage, as high as 99% in Korla city and its neighboring areas. In interviewing, we find that farmers only use deposit card and they mainly use cash for deposit and loan over the counter. Thus it can be seen that form of rural finance in Xinjiang is single and financial support for farmers is single.

3.1.3 Interview on households about Credit in Rural Areas

Through the interviews on credit in each area, we find that nongovernmental credit is relatively active in rural areas in Xinjiang, which mainly shows as following parts. Firstly, farmers mainly depend on nongovernmental credit for daily credit. When the money of credit is small, they always choose neighbors or relatives for credit, since it needs neither complex procedures nor payback of interest; secondly, there are some cooperative economic systems in rural area such as credit in ethnic minorities always take place among fixed relatives or friends. Choose one of them to be the banker before others give him the money. After that, the banker uses these moneys to entertain others, with balance as expense for him. Each person does like this in turn. Thirdly, when the farmers need a large amount of loans, they often think about getting loans from rural credit cooperatives. However, if the loans can’t meet the farmers need, they would consider private lending, which has interest higher than that in rural credit cooperatives. Generally speaking, getting loans from rural credit cooperatives is chosen more frequent and the interest is more acceptable. Fourthly, most commercial banks has been withdrawn from the rural financial market, the financial resource of farmers and urban residents is unequal. In cities, if one wants to get small amount of loans from bank, he can use credit card to get money temporarily. But if he needs a large amount of loans for buying house or being engaged in commercial activities, he can loan from the bank in accordance with credit policies. However, in many rural areas in Xinjiang, there is only face-to-face business for deposit and loan because of farmers’ small range of activities and low cultural level, besides, rural areas only provide little financial services and programs.

3.1.4 Differences between Southern and Northern Xinjiang on Development

Seeing from the interview, there are some differences between southern and northern Xinjiang on development. Firstly, compared with northern Xinjiang, the economic development in southern Xinjiang is slower, the average value of farmers’ per capita income is lower and agriculture falls behind. Most regions in southern Xinjiang mainly depend on oasis farming, with less arable areas and lower mechanization and scale of agricultural production. While in northern Xinjiang, more arable areas are suitable for the development of animal husbandry and crop farming, which provide more opportunities for expanded production.

Secondly, per capita income of farmers in northeast of Xinjiang is apparently higher than that in southwest in 2011. In addition, farmers in northern Xinjiang mainly put the money in crop farming and animal raising, while in southern Xinjiang the money is put in crop farming or forestry. Recent years, many places are finding ways on the development of rural areas, farmers and agriculture.

In general, the economic development in southern Xinjiang mainly relies on cotton cultivation, animal raising and featured forestry, while in northern Xinjiang it depends on cotton-grain planting and animal raising. In the long run, the agricultural development in southern Xinjiang should focus on the intensive and featured cultivation and combine the development of township enterprises and agriculture together. The agriculture in...
northern Xinjiang should definitely rely on the current economic pattern and promote mechanization and industrialization. This different economic pattern will have a profound effect on how to develop the rural cooperative finance. Moreover, we must mention about the administrative system and political reasons. Currently, the governments of our country and Xinjiang autonomous region continuously intensify the efforts to alleviate poverty and increase larger investment in southern Xinjiang. Normal financial institutions become the political tools and lose their original function. Thus, the basic rural cooperative financial system is gradually useless in southern Xinjiang, and in northern Xinjiang it becomes market-oriented. The financial institutions of rural cooperative finance were agricultural supporting institutions before, but now they are gradually replaced by national direct investment and lose their functions.

3.2. The Basic Condition of Farmer Loan

3.2.1 Ways for Farmers to Get Loans

At present, farmers can get the loans by means of regular rural financial credit and irregular rural financial credit. Therefore, we have done a research about the ways of getting loans.

Farmers mainly get the loans from rural credit cooperatives, which have the highest rate in Kuqa County, Yining County and Korla City, and then the agricultural banks, postal savings banks and small-loan companies. Loans from relatives and friends have lower proportion and non-governmental sectors, loan from strangers and others are still at the low level. So from the figure, we can see clearly that rural non-governmental finance is not well developed. Some agricultural supporting financial institutions, such as rural credit cooperatives, agricultural banks and postal savings banks have higher proportion in financial credit. And farmers prefer to borrow money from relatives and friends.

3.2.2 Term of Maturity

The term of maturity shows the loan period and debt paying’s ability, it also provides rural cooperative finance with related data. As can be seen from Figure 2, the main forms of loan to farmers in five districts are current deposits and term loan within 1 year. Xinjiang rural agricultural planting is generally a year one ripe and animal husbandry is basically the year-end industry, which not only reflects Xinjiang rural seasonal characteristics, but also is consistent with the agricultural production cycle as well as small loans of financial institutions and guaranteed loans period. This shows that farmers are on great demand for short-term loans, and have the tendency to repay the loan within one year.

![Fig. 2. Analysis of farmers' length of maturity in 5 regions](image-url)
3.2.3 Factors that Affect the Loan

When the farmers need to loan from the banks, they may easily give up because of the problems in the process of it. Therefore, the economic development of farmers would be hindered and can not get the financial support.

The problems that affect the current financial credit in rural areas mainly include high interest, complex procedure, lengthy approval, fund shortage, little networks and poor service attitude, etc. High interest and complex procedure have the deepest effect. From the survey in five regions, we find out that in many agricultural supporting institutions such as rural credit cooperatives, the rate of interest is gradually commercialized so that the result of supporting agriculture is in poor efficiency. Due to over-concerning about the issue of farmers’ repayment, we have implemented a series of policies and conditions such as frankpledge. Thus, there is no over 50,000 yuan RMB financial credit. Besides, most farmers are not well-educated, so only few of them can really get the loans. Currently, farmers in Xinjiang rural areas gradually get rid of problems of food and clothing and special projects. With the disintegrating of social structure in rural areas, the consumption channels, expenditures and demand of expanded reproduction are gradually increased.

3.2.4 Purposes of Loan

Farmers’ purpose of asking for loans is the basic reason of financial loan activities in rural areas, it also shows farmers’ economic levels and their repaying capability.

Among purposes of loan, “buying productive materials” has a higher proportion in 5 regions, while cost of “weddings, funerals, seeing doctors and other purposes” is still at a low level. In terms of category, the percentage of “buying productive materials” in Korla is higher than that in other 4 regions because Korla has larger arable land. The percentage of “buying or repairing production equipments” in Korla is still higher than other regions. The percentage of “doing business” in Hami City is as high as 34.62%, which ranks on top of Hami prefecture and 5 regions. Kuqa County has dense population and per capita cost is higher than other regions, so cost of daily lives in Kuqa stands at the highest level. The highest percentage of “repairing or building houses” is in Yining County, which is consistent with better housing conditions there. Urumqi County is located near Urumqi City, farmers there pay much attention to education, besides, aging of population there becomes more serious in recent years, so farmers’ costs of “going to school and seeing doctors” in Urumqi County are higher than other regions. Picture 5 leads us to the conclusion that the cost of means of production
is still the largest expenditure of farmers in Xinjiang. What’s more, farmers are not confined to the current small-scale farming production so that they can get different investment intent and multiple cost structures.

3.3. Study of Farmers’ Desire for Rural Cooperative Finance

In order to understand farmers’ subjective wishes of the rural cooperative financial institutions at farmers’ level, the author conducted a survey to know whether the farmers are willing to stake rural cooperative financial institutions.

In five districts, the proportion of those who are "willing to" stake the rural cooperative financial institutions is much higher than that of “unwilling to” as shown in Figure 4. In the interviews, most of the farmers expressed that they want a financial institution in which they can get some financial support and they are willing to put their own balance of money in mutual funds, and hope to get some interest and dividend income and loans with preferential interest rates. Most of the farmers in southern or northern Xinjiang want to stake rural cooperative financial institutions to get more convenient and favorable loans dividends and interest. Farmers have strong will to involve in the cooperative finance.

![Fig. 4. Farmers’ desire for staking rural cooperative financial institutions](image)

In order to understand farmers’ purpose of joining the rural cooperative financial institutions, the researchers surveyed farmers’ willingness to become shareholders in rural cooperative financial institutions. Our survey shows that the main purposes are to obtain loans, interest and dividends. Compared with the volume of business of Xinjiang rural credit cooperatives, the number of farmers who stake existing rural credit cooperatives is lower. The reasons, on one hand is a serious mode of commercialization of existing rural credit cooperatives that farmers are less likely to become shareholders and benefited less shares after staking the institutions; on the other hand is gradual degradation of farmers’ cognition of the rural credit cooperatives. Above purposes are important reasons for the establishment of rural cooperative financial organizations, which will again reflect the farmers’ enhanced demand of the new rural cooperative financial organizations.

4. Conclusions and Suggestions

Rural cooperative financial ecological environment is quite poor in Xinjiang. We can see from the development of rural cooperative financial in Xinjiang that the rural cooperative financial ecological environment is quite poor, which not just shows up the financial support but also reflect in the quality aspects of the financial audience itself.

Some development gap exists in the southern and northern Xinjiang. From the development of rural cooperative financial, there are some differences in the southern and northern Xinjiang. Seen from the appearance of difference in the southern and northern parts, compared with the national rural cooperative financial development model, Xinjiang’s rural cooperative financial especially that of the southern Xinjiang is still in the stage of rural credit cooperatives, and regional association system has not been fully established that
new rural cooperative financial institutions are basically in the blank, while the original rural credit cooperatives carry out basic business transition. Farmers in northern Xinjiang get more formal financial credit than those in southern Xinjiang. This is not only because of the mode of economic development, but also related to credit threshold and channel. Farmers in southern Xinjiang have less ways to obtain formal rural financial credit and lower possibility to access to financial credit through credit threshold compared with the northern areas.

Rural cooperative financial institutions are short in the basic level. Rural credit cooperatives are the main force from the overall development of the rural cooperative financial point of view. While from the point of view of the basic level, rural cooperative financial institutions have not yet been established and are still in blank. Rural credit cooperatives can't meet all the needs of rural financial loan. There are a variety of issues and concerns in both financial guarantees and credit security, so it's necessary to establish grassroots rural cooperative financial institutions. From the survey available, parts of associated rural credit cooperatives have begun this exploration.

According to the main findings, we propose several suggestions for the policy makers and governments. First, we should increase support to rural cooperative finance for rural economy in Xinjiang. Rural cooperative financial institutions in Xinjiang should increase rural credit in order to ensure the demand of circulating capital in agriculture, continually to play the role of supporting agriculture and serving rural areas, with focus on supporting featured agriculture and animal husbandry as well as agricultural and animal products processing industry. We will adjust the structure of agricultural products planting, carry out further processing and finishing of farm products and vigorously develop the production of quality featured products to accelerate industrialization in agriculture and improve benefits of agricultural investment. We will increase support for leading enterprises with multiple forms of ownership and multiple patterns of management in industrialization, encourage them to lead farmers follow the pattern of business plus farmer household and base by various kinds of profit mechanisms in order to boost farm products producing in bases and large scale and jointly enhance capacity to manage crises and withstand risks.

Second, we will improve eco-environment and produce the brand effect of petty loan. By the end of 2009, 1.346 million "credit households" have been assessed, accounting for 53.9%, 3902 "credit villages" for 42% and 235 "credit counties" for 26.4%. Only through construction of credit project in rural areas can financial eco-environment in rural areas continue to optimize, can coverage rate of credit used by farmer households increase, can lending rates of farmer household be cut. Only in this way, can we achieve the goal of sustainability and wide coverage of petty loan. With focus on construction of 4 bases of grain, cotton, livestock and fruit, rural credit cooperatives in Xinjiang increase support for rural areas effectively, putting 80% of increment of loan into agriculture. Moreover, rural credit cooperatives constantly improve and spread pretty loan and group lending of farmer households, thus enhancing the lending efficiency and meeting the capital needs of economic development of rural areas and farmers.

Third, we will continue to spread loan and group lending of farmer households. Seeing from the investigation result, petty loan and group lending of farmer households are rural financial products suitable for current situation of rural areas in Xinjiang at present. We should encourage rural credit cooperatives to actively issue petty loan and group lending of farmer households with no need of mortgage in various ways to enhance coverage and fill rate of loan.

Forth, we will use a combination of different monetary policy tools to support for rural financial development of backward areas in Xinjiang. Seeing from the investigation result, there is obvious imbalance in regional economic development in Xinjiang. In the backward areas, especially 3 prefectures in South Xinjiang, it is hard to make rapid social and economic development on their own. In this case, we should strengthen adjustment for quotas of central bank lending and broaden the range of it. To those eligible rural credit cooperatives, we can give priority to make central bank lending; to those rural credit cooperatives which make central bank lending in high proportion, according to their reasonable needs of increasing central bank lending,
we can expand the source of central bank lending by allowing them to lower required reserve ratio moderately and other ways.

Fifth, rural credit cooperatives in Xinjiang should support acceleration of agriculture labor force transferring to non-agriculture factors, vigorously promote development of non-agriculture industry to create more jobs to surplus labors in rural areas and boost transfer of surplus labors to non-agriculture industry. On the same time, in order to coordinate with development of non-agriculture industry and transfer of surplus labors in rural areas, we will encourage farmer households to make compensated transfer of land-use rights, actively carry out land operation in moderate scale. We will speed up construction of small towns to widen the space for labor transfer in rural areas.

References