

Study on Farmers' Demand for Rural Land Management Right Mortgage Loan

Based on the investigation of Faku County

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Abstract— To study the willingness and characteristics of farmers' demand for rural land management right mortgage loan, this paper made a statistical analysis on the farmers' demand by the survey data of 398 peasant households Faku County, Liaoning province in China. The results show that farmers' awareness to rural land management right mortgage loan is low because of insufficient publicity. After the respondents have a better understanding of relevant policies and contents of rural land management right mortgage, 65.3% of farmers have demand willingness. Farmers' demand for rural land management right mortgage loan is characterized by objective demand, productive demand, differentiated demand groups, regional differences in demand and diversity of farmers' risk perception.

Keywords- rural land management right; mortgage loan; awareness; demand willingness; the difference of demand

I. INTRODUCTION

The issue that collaterals are not adequate has resulted in difficulty in obtaining loans to farmers and weak growth in agricultural investment for a long time. To ease the problem, the Central Bank and the China Banking Regulatory Commission jointly issued "*Opinions to accelerate rural financial products and services innovation*" by the end of 2008. Comments on the implementation of rural land management right mortgage loan became a prominent bright spot. Subsequently, pilot regions of the rural land management right mortgage loan began to increase such as Kai County in Chongqing, Shouguang City in Shandong Province, Faku County in Liaoning Province. With the increase of the pilots in the practice, more and more scholars began to work on rural land mortgage loan. Such as the significance, necessity and feasibility of rural land mortgage (Li Yining, 2008; Ji Xiuping, 2009; Xiao Shishun, 2010, etc.), obstacles and constraints (Guo Jiahu, 2010; Huang Ying, 2011; Jin Yuxuan, 2012), survey in pilot areas (Lin Lefen, 2009; Wu Zhenjun, Zhang Yunhua, Kong Xiangzhi, 2011; Qiu Jiqin, 2012) and so on. But the study from the farmers' microscopic perspective is very scarce. There are few domestic scholars researching the willingness and characteristics of farmers' demand for rural land

management right mortgage loan. In fact, the launch and promotion of rural land management right mortgage loan are largely affected by farmers' demand willingness and their demand characteristics. Therefore, this paper, using survey data from Faku County, made an empirical analysis on farmers' demand willingness and their characteristics to provide references and theoretical basis for the subsequent development of rural land management right mortgage loan and rural financial services.

II. DATA SOURCES AND SAMPLE CHARACTERISTICS

Innovation work in rural financial products and services has been launched gradually in some selected pilot counties (cities) since the end of 2008. Faku County in Liaoning province becomes the first batch of pilot counties of rural land mortgage loan. To understand the farmers' cognition degree and mortgage willingness to rural land management right mortgage loan, the research group conducts a survey of households of Dagujiazzi Town, Shijianfangzi Town, Xiushuihezi Town in Faku County in June 2013. The survey includes content such as basic characteristics of peasant household, rural land ownership and transfer, family income and expenditure and access to loans, willingness to land mortgage loan. The survey receives a total of 398 valid questionnaires.

Samples are male-dominated (82.9%), mostly are 30 to 50 years old (65.8%), and their education levels are mostly junior high school and below (85.4%). Most of the sample families has 4 to 5 members, their business types are agriculture-dominated (41.4%) and pure agriculture (36.9%). Family income is mainly from agriculture income and some migrant income. Overall, the sample households are representative and can be used to analyze the willingness and characteristics of farmers' demand for rural land management right mortgage loan.

III. WILLINGNESS OF FARMERS' DEMAND FOR RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

A. Farmers' Awareness and Cognition Approaches

Survey showed that 71.4% of farmers had not heard of land management right mortgage loan, only 28.6% had different levels of cognition. There were 79% of households who have different levels of cognition to the policy had only heard of the policy but did not fully understand. This indicated that publicity of rural financial

products and services innovation was insufficient and farmers' awareness was low.

When farmers were asked how they knew the policy, 31.6% of farmers knew it by the village committee or the village cadres, farmers listening to others and learning through television and broadcasts accounted for 28.9% and 25.4% respectively, while those understanding publicity through financial institutions accounted for only 12.3%. They were showed in Table 1. The current plight of Faku County is that "farmers have demand for loans, and government has wishes to promote the policy, while financial institutions are underpowered based on the legal risks considered".

TABLE I. FARMERS' COGNITION APPROACHES TO RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

Cognition Approaches	Number of Samples	Percent
Village committee	36	31.6 %
Financial institution	14	12.3 %
Television broadcasts	29	25.4 %
Listening to others	33	28.9 %
Other ways	2	1.8 %

B. Farmers' Appraisal to Rural Land Management Right Mortgage Loan

Table2 lists the farmers' views on the land mortgage. 82.7% of farmers consider that it is absolutely necessary or relatively necessary, which showing farmers hold a positive attitude to the rural land management right mortgage and they expect this new financing channel can alleviate the current loan-difficult problems to some degree.

TABLE II. FARMERS' VIEWS ON THE NECESSITY FOR RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

Necessity	Number of Samples	Percent
Absolutely necessary	177	44.5 %
Relatively necessary	152	38.2 %
Indefinable	41	10.3 %
Relatively not necessary	16	4.1%
Absolutely not necessary	12	2.9 %

IV. CHARACTERISTICS OF FARMERS' DEMAND FOR RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

A. Objective Demand

After a description of the policy, the respondents have a better understanding of relevant policies and content of rural land management right mortgage loan, when they are asked "When you need to borrow money, whether you are willing to mortgage loan with land management right ", 65.3% of farmers would choose it. This shows that the way of rural land management right mortgage loan is recognized by most farmers, and there is credit demand for it.

The analysis of the reason why respondents do not want to participate in rural land mortgage loan shows that the fear of losing their land resulting in living without protection is the largest concern for farmers, which also reflects current imperfect social security system in rural

areas and land is still part of the survival guarantee, in addition to 56 farmers without credit demand. Secondly, less land, fear of legal disputes, as well as complexity in applying for a loan are also major factors affecting farmers' mortgage willingness. In addition, the low assessed value of the land and little understanding of the new policy are also important influencing factors.

B. Productive Demand

68.3% of the farmers who have mortgage willingness to rural land management right will apply the loan for agricultural production and commercial operations (Table 3), which show that farmers' demand on land mortgage loan is characterized by productive investment. According to farmers' introduction, when they have living borrowing requirements they will borrow from friends or Rural Credit Cooperatives for microfinance. This shows not only farmers are rational and prudent to land mortgage, but also that rural land mortgage financing system can stimulate the farmers' enthusiasm to develop production.

TABLE III. FARMERS' LOAN PURPOSE OF RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

Loan Purpose	Frequency	Percent
Breeding industry	97	43.4 %
Commercial and industrial operations	56	24.9%
Living needs	65	29.2 %
The others	6	2.5 %

C. Differentiated Demand Groups

The survey found that the majority of low-income households exhibited fear for losing land due to their uncertain future income, so they were cautious to the land mortgage. Higher-income households tended to have more investment opportunities and thus need more capital, and their demand for capital can not be satisfied only by income ,so they chose the rural land management right as mortgage for loan, while they were very confident for their capacity of repayment, so their willingness of land mortgage were strong. In table4, 20.3% of farmers whose annual family income was 10000 yuan or less had willingness for rural land management right mortgage, while 92.3% of farmers whose annual family income was more than 50000 yuan had the needs.

TABLE IV. DEMAND WILLINGNESS DISTRIBUTION OF DIFFERENT INCOME LEVELS OF FARMERS FOR LAND MANAGEMENT RIGHT MORTGAGE LOAN

Annual Family Income	Willingness	Unwillingness
10,000yuan or less	20.3%	79.7 %
10,001-30,000yuan	44.2%	55.8%
30,001-50,000yuan	66.4%	33.6 %
More than 50,000yuan	92.3%	7.7%

Survey showed that demand of farmers who had different land area was obviously different. Professional large families, family farms and other scale operation farmers had large amount of capital needs and their wishes to land mortgage were also stronger compared to the

majority of small-scale dealers. Table 5 showed that 86.4% of households whose land area were 50 acres or more were willingness to choose it, while willingness of the households of land area of 10 acres or less was less than 20%.

TABLE V. DEMAND WILLINGNESS DISTRIBUTION OF HOUSEHOLDS OF DIFFERENT LAND SCALE FOR RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

Land Area	Willingness	Unwillingness
10 acres or less	19.6%	80.4 %
11-30 acres	33.1%	66.9%
31-50 acres	40.7%	59.3 %
More than 50 acres	86.4%	13.6 %

D. Regional Differences in Demand

In Xiushuihezi Town, over 70% farmers had need to rural land management right mortgage loan, while Shanzuizi Village in Dagujiazi Town was 28.3%, less than half the former. This indicated that there were obvious differences of willingness between villages and towns. The first reason was Xiushuihezi Town was rich in red pepper and had a certain industrial base, which led to industry expand and strong capital demand for investment. Secondly, the business activities of acquisition, sale and transportation depending on the pepper industry in the area were active, so economies were more developed, which contributes to open-minded villagers who had less land consciousness and more confidence in repayment ability.

TABLE VI. DEMAND WILLINGNESS DISTRIBUTION OF FARMERS IN DIFFERENT AREA FOR RURAL LAND MANAGEMENT RIGHT MORTGAGE LOAN

Region	Willingness	Unwillingness
Xiushuihezi Town	73.6%	26.4 %
Shijianfangzi Town	35.8%	64.2%
Dagujiazi Town	28.3%	71.7%

E. Diversity of Farmers' Risk Perception

Although few farmers among those who had willingness to rural land management rights mortgage were worried that the land would be affected if they failed to repay the loans, most of the sample farmers were not worried. The reasons why they did not worry about the safety of land can be grouped into three categories. The first idea was that applying for a loan was a very careful decision, and the premise was the investment project had a higher expected return and the probability of success to guarantee they had the ability to repay the loan otherwise they would not. For example, farmers running business of red pepper in Xiushuihezi Town were confident in their investment, thinking the risk was very low and did not worry about repayment. This idea was universe. The second idea was that even if the investment or business failed, maturing loans could be paid off by way of private lending to ensure the safety of land. The third idea was that because the land mortgaged was just parts of the land, even if the land was disposed it would not affect their normal

life. The above description of the farmers showed the diversity of farmers' risk perception.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

Through the above analysis, the following conclusions are drawn.

Farmers' awareness to rural land management right mortgage loan is low because of insufficient publicity. After the respondents have a better understanding of relevant policies and content of rural land management right mortgage, 65.3% of farmers will choose it. The current plight is that "farmers have demand for loan, and government has wishes to promote the policy, while financial institutions are underpowered based on the legal risk considered.

The fear of losing their land resulting in living without protection is the largest concern for farmers. Less land, fear of legal disputes, as well as complexity in applying for a loan are also major factors affecting farmers' mortgage willingness. In addition, the low assessed value of the land and little understanding of the new policy are also important influencing factors.

Farmers' demand for rural land management right mortgage loan is characterized by objective demand, productive demand, differentiated demand groups, regional differences in demand and diversity of farmers' risk perception.

Farmers' demand for rural land management right mortgage loan is subject to many factors. Family income, land area, rural land mortgage policy awareness and region factors have significantly positive impact on their willingness to participate in rural land management right mortgage loan.

B. Recommendations

To solve the farmers' financing problems and promote rural land management right mortgage loan running orderly, and develop a replicable and practical rural financial product innovation model, we propose the following recommendations:

First, encouraging farmers to transfer rural land by the ways of subcontract, lease, transfer, shares and other forms in accordance with the principles of "lawful, voluntary, paid" to expand farmers' land management area and promote large-scale operation and cultivate their financing demand.

Second, financial institutions should classify the farmers based on farmers' land area, income and other family characteristics. Financial institutions should focus on the relatively high-end customers having large land and high income in the early stages of business.

Third, government should improve the service system of rural land circulation and definition and evaluation mechanisms to rural land management right. Fourth, social security system in rural areas should be strengthened to remove farmers' worries after land mortgage.

Fifth, improving laws and regulations, and the Rural Land Contract Law should clearly states "rural land management right can be mortgaged in accordance with law", thus providing a legal basis and guarantee for rural land mortgage.

Sixth, the financial institutions should publicize widely the role and content of rural land management right mortgage, collaborating with the primary sectors, to eliminate the farmers' concerns and enhance the farmers' cognition degree of the policy.

ACKNOWLEDGMENT

Thanks to the support of the funds. The funds are Youth Project of the National Natural Science Foundation, "the follow-up study of rural land management rights mortgage: supply and demand, the effect and mechanism analysis" (71203147), Humanities and Social Science Fund of the Ministry of Education, Youth Project "rural land contract management rights mortgages operational mechanism and performance evaluation" (11YJC790249), the Science and Technology Planning Project of Science and Technology Bureau of Shenyang City "study on the rural land contracted management rights mortgage loan in rural land circulation in Shenyang city" (F13-315-5-03), "study on farmer professional cooperatives financing difficulties and financing mode selection in Shenyang city" (F13-315-5-02), and Social Science Planning Fund of Liaoning Province (L12BGL013) .

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