

# On Rural Small Project Financing Design from the Management Perspective

----Also on Rural Small Project Economy Financing in Developed Rural Areas

Zesen XIONG

*Shenzhen Polytechnic, Shenzhen, Guangdong, China*

**ABSTRACT:** In the process of the transformation of the farm product operation mode of rural economy in developed areas into the rural small business economy operation mode, many rural small business projects lack of instructions in financing design, so even a very good product has been aborted because it cannot be properly described in financing reports. Therefore, I'd like to discuss together with a great number of rural small business operators about the issue of rural small business project financing design from the perspective of project financing management based on my study and practice regarding project financing management for years. It aims to allow more excellent rural small business projects to be started so as to improve "the economy of agriculture, farms and farmers".

**KEYWORD:** rural economy; small business projects; financing design

Design is art, and management is also art. Project financing design itself is a kind of management art. In project financing design, a project business plan is an international practice. In China, most of them are project feasibility study reports, which must comply with the design requirements whether they are expressed in any mode whatsoever. With the broad development and deep extension of the market-oriented economy, rural economy in developed areas has been transferred from the past farm product operation mode to the rural small business economy operation mode with rural areas as carriers. Small business projects are highlights in rural economy. Rural small business economy bears its own properties, namely, less business capital, small operation scale, easygoing management, low operating costs, great development space, ample resources, vast prospect, stable income and other characteristics. Unlike big project financing design covering nearly everything with showy exaggeration, rural small project financing design should seek truth from facts with pertinence, to emphasize focuses, to detail features, to demonstrate advantages, and to describe highlights. Therefore, rural small project financing design should focus on the following five aspects in arrangement:

## 1 IT IS REQUIRED TO MAKE ADEQUATE COMMENTS ON THE DEVELOPMENT VALUE OF THE PROJECT

The so-called development value means economic value and economic benefit arising after a project is started. Economic value should be considered by the vitality, social benefit, market demands and market development prospect of a project, and whether such a project has development benefit after it is started. Economic benefit is the expected economic indices and strategic targets can be achieved on the basis of a project's management mechanism, scientific and technological levels, productivity and changes in internal and external environmental impacts by means of overall analysis so as to determine whether such a project can be invested, which is one of the essential conditions for capital investment.

## 2 IT IS REQUIRED TO PERFORM COMPREHENSIVE ANALYSIS OF AND COMMENT ON THE MANAGEMENT MECHANISM AND MANAGERIAL TALENTS FOR THE PROJECT

Whether the management mechanism for the project is reasonable? Whether the management team can perform their own duties and obligations to the greatest extent? To analyze the cultural quality, professional levels and qualification of managerial

personnel as well technologies for the project after it is started. Whether the personnel and technical strength can adapt to the development of projects, comment on integrative management quality and levels of top project management and analysis of whether they can adapt to and control future society as well as market development and changes are exceptionally paramount to investors. They will never give money to the person in charge of projects without considerable management levels and performance, for this point is one of the most important grounds for the project investment decision-making.

### 3 IT IS REQUIRED TO MAKE ADEQUATE COMMENT ON AND ANALYSIS OF FUTURE MARKET DEVELOPMENT AND POTENTIAL REGARDING SUCH PROJECTS

In feasibility study reports of projects, most of the market analysis and forecast is based on the static analysis and forecast of markets, so in some feasibility study reports, they usually exaggerate effects on markets and future economic benefits, but fail to perform systematic and rigorous market surveys, which lead to lack of the complete scientific data analysis basis. For example, what is the product market size after the project is started? How about the success rate? Once a project is started with products launched into markets, it will certainly result in new market competition, and then it will be necessary to understand how many industries of the same category there are in that area as well their size, yield, cost, market share, competitive power as well as their final strategic targets. It is required to forecast and evaluate actual purchasing power of markets, and moreover, it is also required to analyze and predict the space after products become marketable, demands of consumers, weight of consumer groups, prospect of the production of key raw materials, etc. Investors show exceptional concerns about market analysis, which is one of the essential principles for investment.

### 4 IT IS REQUIRED TO MAKE AN OVERALL ANALYSIS OF AND COMMENT ON RISKS IN PROJECTS

Investors are not afraid of “risks”, but focus on the analysis and forecast of “risks” after a project is started, for only accurate, reliable and scientific risk prediction and analysis results can come up with preventive measures and solutions for possible risks in future, which can avoid possible economic loss. This is one of the most important contents for investors to discuss about whether to put investment

in the project. Specifically speaking, the analysis and forecast potential risks in the project will include:

1. Forecast and analysis of risks in politics and laws: After projects are started, will there be any political unrest in China within several years to come? Will there be any war? Will there be any changes in the existing laws, policies and taxation policies recently in China? Will investors’ rights, interests and capital investment be protected?
2. Forecast and analysis of risks in macro economy: It is required to analyze and evaluate whether there will be possible economic crisis such as economic downturn and inflation in China within three years, five years or ten years to come, for this will directly endanger the increase or decrease in investment net asset as well as whether to achieve economic strategic target for capital investment in the projects in China.
3. Forecast and analysis of industrial risks: Investors will analyze their industries where their project investment is made. It is required to analyze their positions in the industry, and to analyze whether such industries will be eliminated with the progress of the times, how long the business life cycle will be, and whether projects themselves will result in pollution to environments, or risks to human and society, which will, in turn, lead to risks in removal, claim, ordered stop of production and lawsuits.
4. Forecast and analysis of risks in markets: We should understand that investors will make overall evaluation based on market feasibility study reports provided by professional organizations. They will assess the reality, reasonability, logics and science of such analysis reports, work out and adjust marketing management strategies for possible market risks and unforeseeable risks in different periods, and make hypothetical schemes for different risk preventive measures in different periods.
5. Forecast and analysis of investment environments: Investors are to make overall analysis and evaluation of humanity, geography, water quality, power supply, communications and public security in the areas where their investment is made.
6. Forecast and analysis of risks in resources: to evaluate whether there is ample resource supply in areas of projects, whether there are resources of the same kind in surrounding areas and whether transportation conditions and costs are covered by the evaluation.

## 5 COMMENT ON DEVELOPMENT PROSPECT OF PROJECTS AND FUTURE ECONOMIC BENEFITS

How much impact will such a project have on the development of local economy? Has it filled the gap of local industry? Is it the leading business in local and surrounding areas? Is it the industry closely related to people's livelihood in local and surrounding areas? These are factors that will determine the prospect of project development and whether the project can increase its actual economic benefit in an increasingly steady manner after capital investment in the project is finalized.

Strictly speaking, project financing is within the range of investment, so project financing design is very demanding. However, this paper aims to discuss the issues on rural small project economy financing design, which cannot be compared with big project financing design. I believe, as long as we focus on the abovementioned five crucial issues, rural small project financing issues can be solved well.

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## ABOUT AUTHOR

XIONG Zesen, professor and doctor of Institute of Economics of Shenzhen Polytechnic. Research orientation: project investment financing, and business financing.

Contact address: Institute of Economics, 4/F Administration Building, Shenzhen Polytechnic, 2190, Liuxian Road, Shenzhen

Tel: 18138404998

E-mail: xzs108@163.com