

# The rural financial ecological environment analysis of Jilin Province in the background of land circulation

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## **Abstract**

Jilin province countryside is in the key period of the land circulation, however, the rural financial ecological environment has shown an unharmonious with economic development. From Jilin province rural financial ecological environment present situation, this paper analyzed rural economic development level, financial resources, the good faith and legal environment, social security and government intervention in Jilin province, and pointed out its problems, and put forward improvement measures according to the problems related to rationalization.

**Keywords:** *Jilin Province, land circulation, the rural financial ecological environment*

## **1 Introduction**

The financial ecological environment is a concept proposed by Xiaochuan Zhou, which applies the natural ecosystem to the financial sector of our country. Many domestic scholars also defined the concept of financial ecological environment, such as Nuojin Xv (2005) argued that financial ecology should include the financial ecological environment (external) and internal mechanism, it was a dynamic balancing system<sup>1</sup>; Yongjun Lin(2005) argued that the financial ecological environment had broad sense and narrow sense, broad sense of financial ecological environment was the macro perspective, narrow sense of financial ecological environment was microscopic perspective<sup>2</sup>; Cheng Liu and Cuining Zhang (2010)

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would not have to distinguish between financial ecology and financial ecology environment, they thought the financial ecological environment was the sum of the external environment and the base conditions of financial survival<sup>3</sup>.

## **2 The land circulation process in Jilin Province**

Land circulation is an important step in agriculture marketization and is a prerequisite for agricultural modernization.

In 2009, Jilin province became the first pilot province in the country to register and license the right to contract management of rural land. A trial was conducted in Yanji, Dehui, Daan and Changyi district of Jilin city.

By the end of 2013, the trial had expanded to 121 villages in 23 townships of 15 counties. In 2013, Central No. 1 file made it clear that it would take five years to basically complete the registration and certification of rural land contracted rights.

In 2014, a pilot project was carried out in the city of Meihekou and Princess ling, and other counties selected a representative town or two villages to carry out trials. Since 2015, Jilin province has fully opened up the registration and certification of rural land. By the end of 2016, there was a confirmation registration of 413.25 million square meters of land in 3,909 villages in Jilin province.

According to the overall deployment of Jilin province, by the end of 2017, work will be completed in advance.

The confirmation of land right is the premise of the land circulation, and it is expected that Jilin province will soon begin to push forward the rural land circulation.

Although the overall situation is good, there were some unfavorable factors in the process of land circulation, we can make use of certain indicators to measure the rural financial ecological environment, find the problems in order to solve the problems.

## **3 The present situation and problems analysis of rural financial environment in Jilin Province**

### ***3.1 Economic environment -- the level of economic development is low***

The economic environment of a region is analyzed mainly from the local GDP and per capita GDP. According to the analysis of Table 1, the GDP of Jilin province was only 2.1 - 2.5 percent of the national GDP in 2010-2015; Per capita GDP is higher than the national average,

but there has been a slowdown since the rapid growth in 2012, indicating that the economic environment has not improved.

Table-1 The contrast between GDP of Jilin province and the national GDP in2010-2015

Table Head	The contrast between GDP of Jilin province and the national GDP in2010-2015	
Time(Year)	Jilin province GDP accounted for a share of nation	Per capita GDP in Jilin province accounted for the share of national GDP per capita (%)
2010	2.5	102.3
2011	2.2	105.7
2012	2.2	118.5
2013	2.2	108.2
2014	2.1	106.3
2015	2.1	102.2

According to Fig. 1 data analysis, the first industry growth rate of Jilin province also fell sharply in 2010-2015, but the contribution rate of the first industry was relatively buoyant. There is a relationship with the transformation of the agricultural modernization process. Jilin province rural land circulation is in a critical period, transferred to the market-oriented transformation, out of the protection of the government, in the face of market competition, revenue relied on land declined, so the way of farmers' income and lifestyle will be transferred, such as working in cities entrepreneurship, the whole Jilin province is in the critical period of the transformation. The overall economic situation in Jilin province has been relatively low as the overall economic situation.

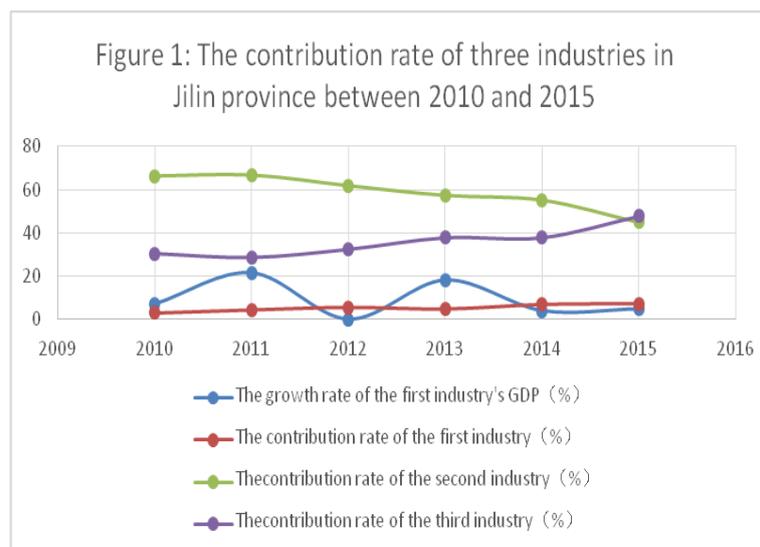


Fig. 1 the first industry growth rate of Jilin province in 2010-2015

### ***3.2 Financial resources -- the allocation of financial resources is unreasonable***

China's financial market is a bank-dominated market and is characterized by monopoly of state-owned commercial Banks. Despite the financial system is in the reform, strengthening the support to the countryside, such as land management income mortgage loans, loans for direct subsidies of grain, etc, which can meet the credit demand of Rural finance subjects at a certain extent, but go far enough.

According to Table 2 analysis, the proportion of rural banking institutions is less obviously, however, rural deposits present a tendency of increasing and the proportion of loans remains largely unchanged. The supply of financial resources provided by formal finance is not enough to meet the credit needs of rural financial entities. So, private lending and policy lending should be the main way to fill the scarcity of financial resources. Especially during the transition of land circulation, the decline in farmer's land income, the development of township enterprises contribute to increase demand for financial resources, but the original resource supply system is not in conformity with the requirements, reforming financial resources supply side is so vital.

*Table 2 -Analysis of rural financial resources in Jilin province*

Table Head				
Analysis of rural financial resources in Jilin province				
<i>Time(Year)</i>	The number of rural banking institutions	The proportion of rural financial institutions (%)	The proportion of rural deposits (%)	The proportion of rural loans (%)
2013	23464	25,6	14.2	12.6
2014	25584	27.0	15.3	12.9
2015	27898	28.6	17.0	12.5

### ***3.3 Credit and legal environment -- credit loss and legal construction lag***

Rural land owned by collectives, according to relevant laws and regulations, it is forbidden to land for mortgages, but land operating earnings and direct subsidies to grain can be for mortgage, the scale of loans is small; because of the agricultural marketization trend, food prices plummeted, farmers' income could not repay the loan, they can only go to borrow. The opportunity of using these earnings is only once, so private lending has become major means of financing. Such a vicious cycle could lead to an endless debt crisis for farmers.

Rural credit environment in a lower level, default events often happen, the ways to solve the problem are litigation mode, settled, but most are the default state. The farmer's mentality is to fight the case to pay the cost, not as often to collect the debt or the civil mediation.

The construction of legal system in Jilin province presents a certain lag. As a big agricultural province, agricultural transformation is bound to cause a series of problems, such as the contradiction between the financial resource allocation and financing subject requirements, the government can try to innovate within the range permitted by law, but there was no action. The promotion of the new type of rural old-age insurance is also a trial run on the basis of national advocacy, there is no first move.

### ***3.4 Social security and government involvement - the level of protection is not high, and the government services are inadequate***

In 2009, 《Guidance of the state council on the launch of a new type of rural social endowment insurance》 was issued, Jilin province also began a pilot program for new rural old-age insurance. But the cost ratio of new-type rural social endowment insurance was relatively high, it cannot accepted by the farmer that is relatively low income in transition period.

From Table 3, Jilin agricultural insurance status: agricultural premiums were falling in proportion to the national one, the amount of reparations that make up the national fluctuates greatly, the percentage of premiums that make up the premium was also larger .It showed that the agricultural development environment in Jilin province has a problem, which causes the insurance accident, which leads to the increase of the compensation rate. At the same time, as can be seen from table3, the rural guarantee level in Jilin province is not high.

*Table 3- The proportion of agricultural insurance rates and reparation rates in Jilin province*

Table Head	The proportion of agricultural insurance rates and reparation rates in Jilin province		
<i>Time(Year)</i>	The ratio of agricultural premium to national agricultural insurance premium (%)	The ratio of agricultural insurance indemnity to the national agricultural insurance indemnity (%)	The ratio of agricultural insurance reparations to agricultural insurance premium (%)
2012	3.7	3.8	56.9
2013	3.0	2.4	51.2
2014	2.8	2.7	61.4
2015	2.9	3.1	65.5

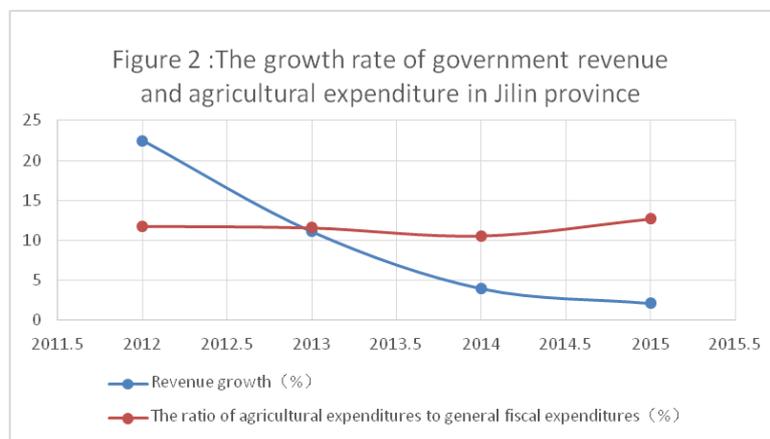
Although reimbursement ratio of new rural cooperative medical care nominally increased significantly, the reality is that the farmers' perception of disease is that they should take medicine, there are a lot of restrictions on medical expenses, and most of them can't be

reimbursed. Since income sources are changing, there should also be a reduction in the urban and rural security.

From the perspective of the government to step in economic activities, according to Table 4 and Fig.2, there was an increase of Rural five guarantees per capita fund, the growth rate of fiscal revenue dropped year by year in Jilin province since the land circulation has been in full swing, and agricultural expenditure proportion also fell, but the rebound in 2015, increased by 2.1%. Spending depends on income, if incomes don't rise, then agricultural spending creates a occupation effect, and studying the effect is meaningful.

*Table 4-* The level of rural social security in Jilin province

Table Head	The level of rural social security in Jilin province		
<i>Time(Year)</i>	The number of people in the rural five guarantees(ten thousand people)	Rural five insurance support fund (billions)	Rural five guarantees per capita fund (yuan)
2012	14	-----	-----
2013	12	-----	51.2
2014	12.1	2.7	61.4
2015	211.3	3.1	65.5



*Fig 2-* Rural five guarantees per capita fund

Based on the above results, the rural financial and ecological environment in Jilin province is undergoing a critical period of transformation, which shows the urgent need for reform.

#### **4 To optimize the ecological environment of rural finance in Jilin Province**

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#### ***4.1 Improving the level of economic development***

Land circulation is an opportunity for farmers to improve their income, and a turning point for farmers to improve their lives. We should use the country's opportunity to develop modern agriculture, innovate and start a business, and achieve rich and higher income.

#### ***4.2 Optimizing the allocation of rural financial resources***

The land transfer must not balance the supply and demand of financial resources, inefficient supply should be canceled, and boldly try new forms of supply. The best way to improve their economic development is to investigate the actual financial demand of rural areas and meet its effective demand.

#### ***4.3 Improve the environment of integrity and the legal environment***

The lack of the good faith is the result of low economic development and the result of less formal financial radiation. To be in good faith we should improve the level of economic development, education and social culture. Legal environment will depend on the area of the legal system, it can be adjusted measures to local conditions on the basis of the existing system, we will make the rural land circulation of Jilin province smoothly, and realize agricultural modernization as early as possible.

#### ***4.4 Raise the level of social security***

Social security is closely related to the extent of government involvement in economic activity. The government will continue to increase the protection of rural communities, so that farmers can benefit from the land transfer and realize the modernization of agriculture.

In conclusion, the rural financial environment restricts the success of land circulation and the level of rural economic development, so the change of the index value about it should be taken seriously.

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