

## Savings Mobilization in Rural Areas of China ; Special Reference to Chinese Rural Credit Co-operative

GAO Wen\*, Masaaki ISHIDA\*\*

\* Graduate Student, Doctor Program of Biosphere Conservation,  
Graduate School of Bioresources, Mie University

\*\* Professor, Department of Sustainable Resource Science,  
Faculty of Bioresources, Mie University

### Abstract

Rural finance includes both allocation of credit and mobilization of savings. Many researchers have pointed out that no rural financial markets can be soundly developed without savings mobilization, and financial institutions depending on internal savings are more viable and efficient than those that depend on external funds from government, the central bank and foreign donors. In China, capital formation in the agricultural sector depends more and more on the savings mobilized in rural areas. This paper obtains a clear picture of current status of rural savings mobilization in China. This attempt will be done in the steps of showing quantitative growth of savings mobilized by rural financial institutions, analyzing the saving behavior of farm households and appraising the major policies and programs on this problem. Emphasis will be given to Rural Credit Co-operatives, for the reason that they have played the most important role in the mobilization of small rural savings from farm households.

**Key words:** rural savings mobilization, quantitative growth, saving behavior, incentives

### Introduction

“Savings Mobilization” is a key word in the study of rural financial markets and rural financial development. There are at least two strong reasons for stressing rural savings mobilization (RSM) in developing countries : ① RSM will enable savings to be assembled and invested properly and hence contribute to rural economic development, otherwise these savings would be kept idle and sterile. In low-income countries, the savings programs seem to be a first step in a bootstrap approach to rural development. ② RSM will help to promote the viability and the development of rural financial institutions. Rural financial institutions which depend on external sources from government, the central bank and foreign donors have been proved almost everywhere to be inviable, insufficient, and susceptible to political pressures and economic fluctuations of foreign countries. Success stories have generally been observed in rural areas where some emphases were placed on savings rather than

on lending alone. (Dale W Adams [1], Arnaldo Mauri [2])

Figure 1 shows some indicators of capital investments for primary industry in China. Primary industry still contributes to one-fifth of the country's GDP in recent years, while share of government expenditure for agriculture decreased to less than 10% and share of foreign investment for agriculture decreased to nearly zero. Along with the declining trend of government expenditure to GDP ratio, investment for agriculture can not be gained both from the government and donor countries. It is also hopeless that urban-based financial institutions could provide loans to agriculture which is the unpreferred sector with low profitability. Consequently, capital formation in the agricultural sector has to rely chiefly on rural savings within the rural areas, and more attention should be given to RSM in China.

The purpose of this paper is to obtain a distinct and overall picture of current status of RSM in China and find out the incentives to improve RSM, because RSM has never been studied comprehensively although it is one of the crucial subjects. The analysis covers from 1979 to 1998, during which the transition from a centrally-planned to a market-oriented economy has been advancing. National socio-economic and financial situation had changed greatly in this period.

This paper is composed by three sections. The first section shows quantitative growth of rural savings mobilized by Agriculture Bank of China (ABC, state-owned commercial bank) and Chinese Rural Credit Co-operative (RCC, co-operative financial institution).<sup>1 2 3 4</sup> The second section analyzes the saving behavior of farm households, because the amount of farm households savings makes up larger part of aggregate rural savings, and the capacity of farm households to save becomes a key determinant of RSM.<sup>5 6</sup> The third section summarizes government policies and programs that contributed to RSM.

Special reference will be given to RCCs, which form a part of the formal rural credit system, with

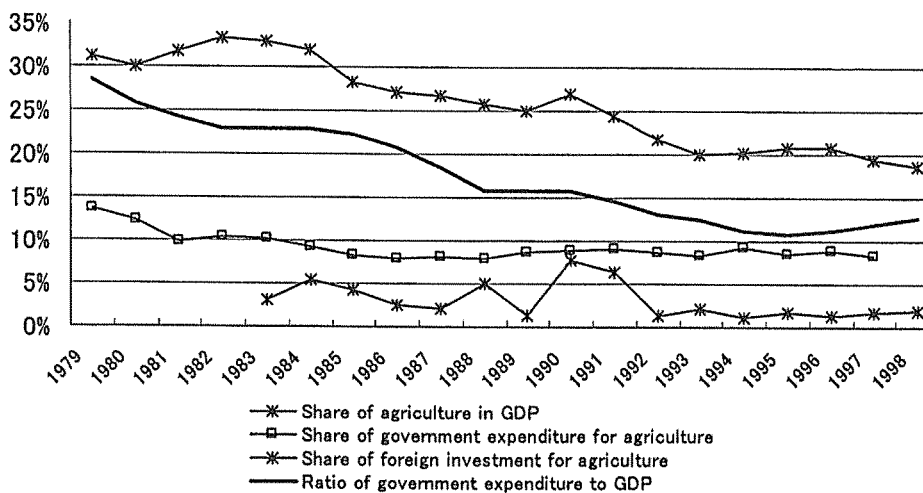


Figure 1. Some indicators of capital investment in primary industry

Note: Total amount of foreign investment includes foreign loans, direct foreign investment and the others.

Source: China Statistical Yearbook (various years).

the widespread existence of branches and stations at the grass-roots level in rural areas. They have played the most important role in the mobilization of small rural savings from farm households. This will be explained in greater details below.

## 1. The growth of rural deposits and the performance of RCCs

Savings mobilized by ABCs and RCCs form various deposits (government deposit, corporate or enterprise deposit and personal or household deposit). These deposits are listed in the credit sides of the balance sheets of ABCs and RCCs. The following analyses are based mainly on these balance sheets from 1979 to 1998.

National Bureau of Statistics defines that rural deposits is the sum of deposits in ABCs and RCCs, and the sum of farm households deposits is equal to the amount of personal deposits in RCCs. These two conceptions will be used in this paper, although there exist statistical errors in certain degree.<sup>7, 8</sup>

### 1.1 Rural deposits and the growth rate

From Figure 2, we can know that the amount of rural deposits and deposits in RCCs have been steadily accumulated. The growth rate of the amount of rural deposits is a little bit higher than that in RCCs. But the amount of deposits in RCCs still shares about a half in the total rural

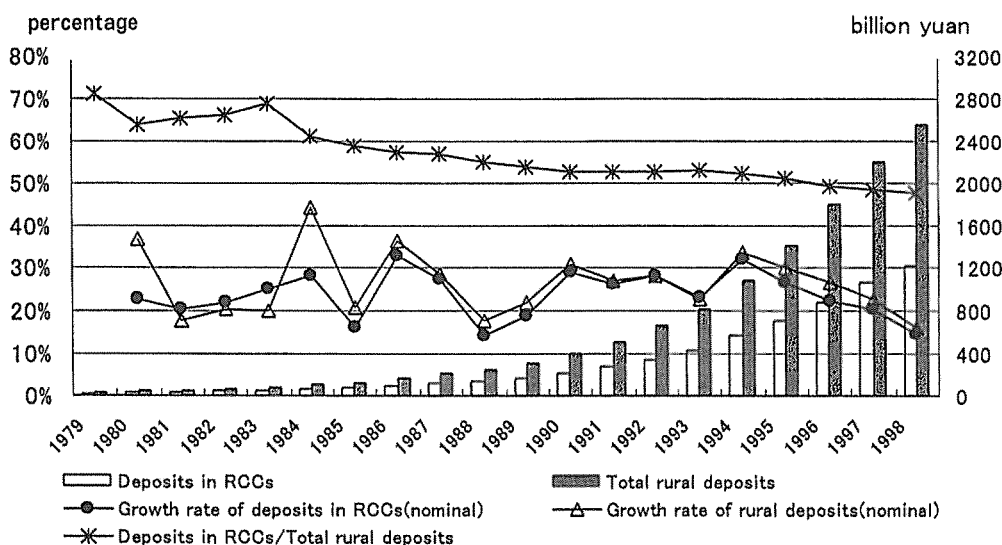


Figure 2. Rural deposits and the nominal growth rate

Note : In the balance sheets of ABCs, deposits shifted from RCCs were counted as parts of deposits in ABCs from 1979 to 1994, and these parts are subtracted.

Source : Statistical Yearbook of China's Rural Finance (1979-1996),  
Almanac of China's Finance and Banking (1996-1999).

deposits during the nearer decade.

Influenced by inflation, the real growth rate fluctuated violently, and once fell down to be negative in 1988 (Figure 3).

The growth of the amount of personal deposits has been very impressive during these decades, and the amount of time deposits shares a large part of them. Farm households deposits contribute above 80% of deposits in RCCs from 1987 to 1998 (Figure 4). This implies that in rural areas, more attention should be given to the mobilization of savings from farm households.

## 1.2 Financial ratios

Ratios of financial aggregates to GNP or GDP are rough indicators of the degree of financial development. These ratios are also measurements of savings mobilization.

Figure 5 shows some financial ratios in China. Here, rural financial ratio is defined as the ratio of rural deposits to rural GDP.<sup>9</sup>

Rural financial ratio increased from 20% in 1979 to 70% in 1998, although declines are twice observed in 1988 and during the period from 1993 to 1995. It can be thought that these declines were caused by the strong inflation. The ratio of the amount of deposits in RCCs to rural GDP shows the same trend as rural financial ratio.

National financial ratio M2/GDP increased much more rapidly than rural financial ratio. This implies that monetarization in rural sector is quite sluggish. This sluggishness becomes a big barrier so as to mobilize more rural savings and to develop rural financial market.

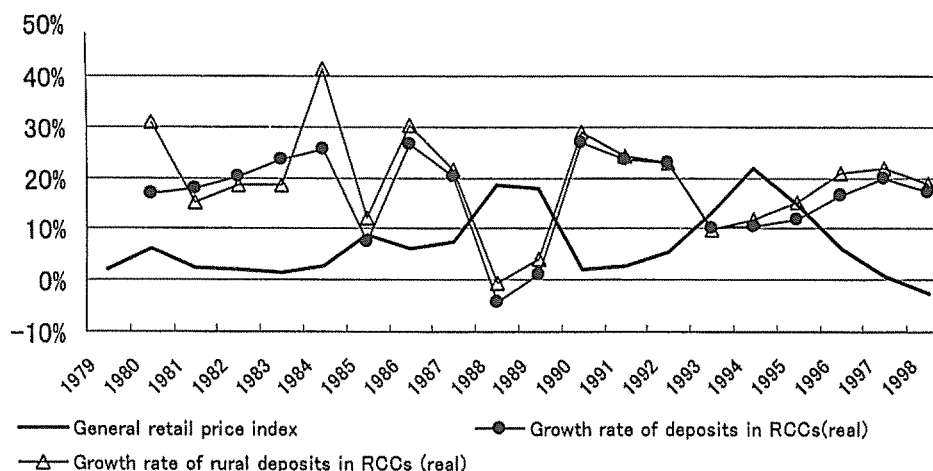


Figure 3. The real growth rate of rural deposits

Source : Statistic Yearbook of China's Rural Finance (1979-96),  
 Almanac of China's Finance and Banking (various years),  
 China Statistical Yearbook (various years).

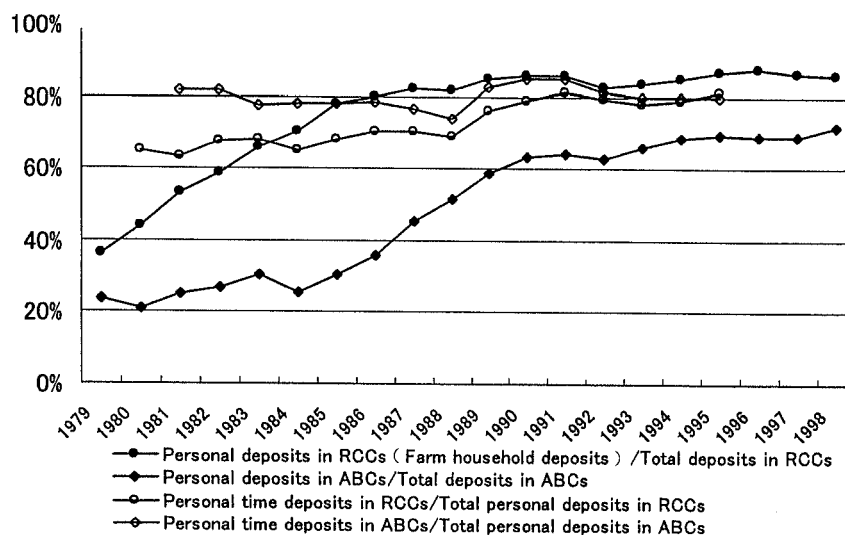


Figure 4. Share of personal deposits in total deposits

Source : The same as Figure 2.

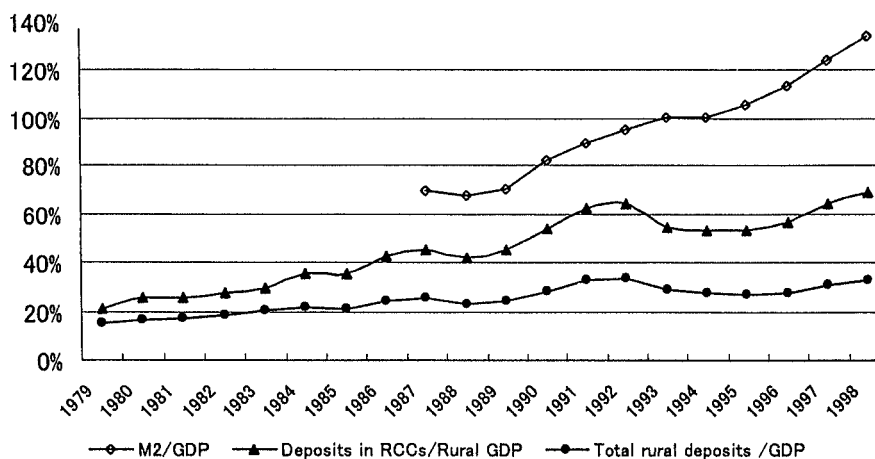


Figure 5. Financial ratios

Note : Rural GDP=agricultural GDP+non-agriculture GDP in rural areas  
non-agricultural GDP in rural areas=value-added of township and village enterprises

M2=cash+total deposits in whole financial institutions

Source : Statistic Yearbook of China's Rural Finance (1979-96),

China Statistical Yearbook (various years),

Almanac of China's Finance and Banking (various years),

Almanac of China's Township and Village Enterprises (1997 version).

### 1.3 The ratios of deposits to total sources of funds

Figure 6 shows some ratios of deposits to total sources of funds. They show increasing trends in this period. This implies that ABCs and RCCs depend more and more on mobilized deposits rather than funds borrowed from government, the central bank and others.

These ratios jumped so high from 1995, after the Chinese economy has been gradually getting out of the nightmare of inflation and succeeding in soft-landing.

It is also notable that the ratio of deposits to total sources of funds in RCCs is much higher than that of ABCs, and ABCs were depending on large bulk of funds shifted from RCCs during the period from 1979 to 1995.<sup>10</sup> This means that RCCs performed much better than ABCs in savings mobilization.

### 1.4 Loan to deposit ratios

Loan to deposit ratio is also an indicator of measuring the degree of savings mobilization performance.

Figure 7 shows some loan to deposit ratios. Loan to deposit ratio of RCCs was relatively low, because RCCs were handling only a small part of rural lending business during 1979-1995, and large bulk of deposits mobilized by them was shifted to ABCs which were in charge of rural credit delivery. Compared with RCCs, ABCs poorly performed in savings mobilization during this period.

Loan to deposit ratio of RCCs and ABCs (total amount of deposits in RCCs and ABCs ÷ total amount of loans in RCCs and ABCs) can reflect the status of rural saving and lending business objectively. The ratio was above 100% during 1984-1993, and "over-loan" phenomenon had occurred.<sup>11</sup> But from 1994, the ratio turned to be lower, this means that ample deposits were

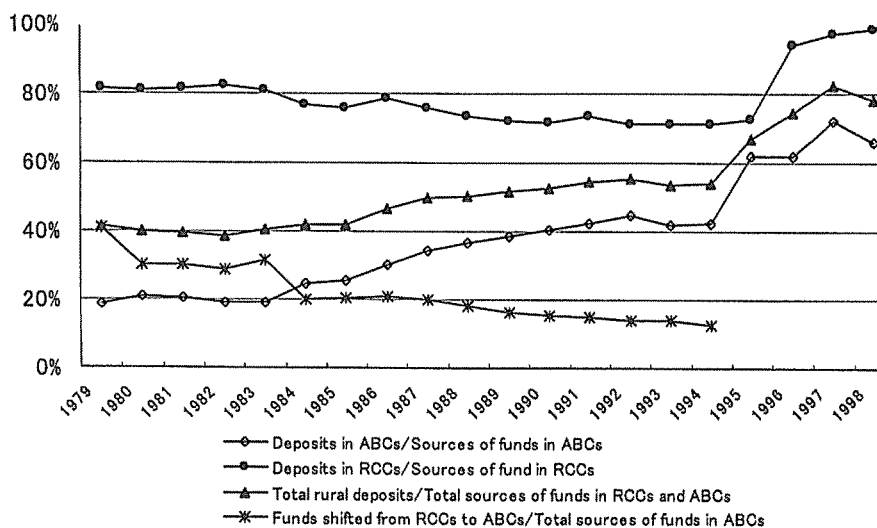


Figure 6. Deposits in total sources of funds

Source : The same as Figure 2.

mobilized as a source of loanable fund in rural sector.

### 1.5 Farm households deposits and RCCs

Figure 8 shows the amount of farm households deposits, compared with that of national personal deposits and urban households deposits.

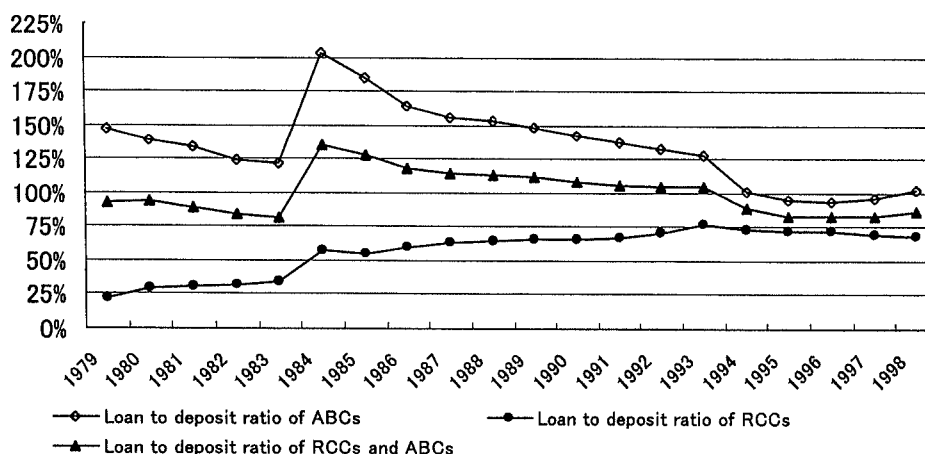


Figure 7. Loan to deposit ratios  
Source : The same as Figure 2.

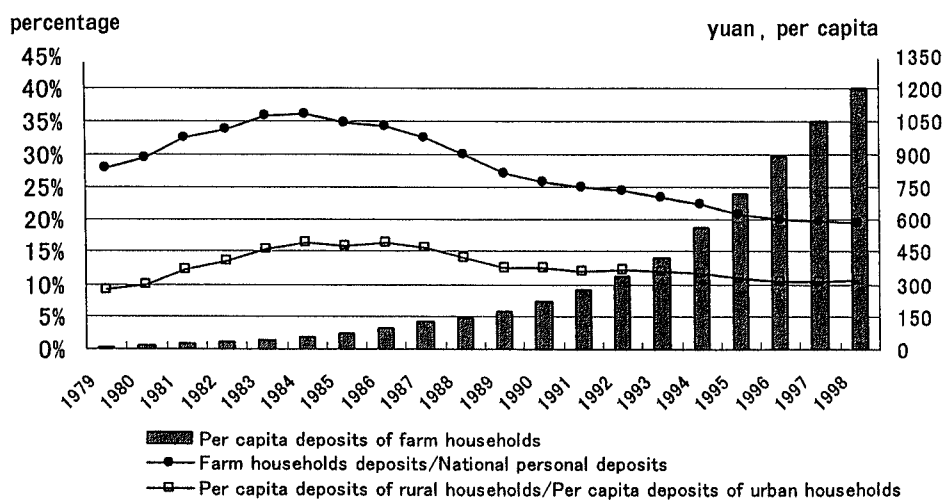


Figure 8. Farm households deposits

Note : Farm households deposits = Personal deposits in RCCs

Source : The same as Figure 3.

The ratio of the amount of rural households deposits mobilized by RCCs to the sum of national personal deposits has been declining since 1984. This is because urban financial sector has developed much more faster.

However, RCCs still gathered about one-fifth of the total sum of national personal deposits (mobilized by all the banks in China) in recent four years. It is no doubt that RCCs have been playing a crucial role in mobilizing personal savings.

Per capita deposits volume of farm households has been no more than 15% that of urban households deposits since 1988. This is because the income disparities between rural and urban dwellers become larger and larger, although government has taken many measures to improve the income of rural residents.<sup>12</sup>

## 2. The saving behavior of farm households

As mentioned above, mobilizing farm households savings has been more and more significant in the rural areas. It is essential to discuss the saving capacity and behavior of farm households.

### 2.1 The capacity of farm households to save

Table 1 shows some data of per capita incomes and expenditures of rural households collected

Table 1. The capacity of farm households to save (yuan)

	Net (disposable) income of rural households (Y)	Living expenditure of rural households (E)			Annual saving of rural households (AS=Y-E)	Rural average propensity to save (APS=AS/Y) %
			Food	Engel Coefficient %		
1978	133.6	116.1	78.6	67.7	17.5	13.1
1979	160.2	134.5	86.0	63.9	25.7	16.0
1980	191.3	162.2	100.2	61.8	29.1	15.2
1981	223.4	198.0	113.8	57.5	25.4	11.4
1982	270.1	220.2	133.5	60.6	49.9	18.5
1983	309.8	248.3	147.5	59.4	61.5	19.9
1984	355.3	273.8	161.5	59.0	81.5	22.9
1985	397.6	317.4	183.3	57.8	80.2	20.2
1986	423.8	357.0	201.5	56.4	66.8	15.8
1987	462.6	398.3	222.1	55.8	64.3	13.9
1988	544.9	476.7	257.4	54.0	68.2	12.5
1989	601.5	535.4	293.4	54.8	66.1	11.0
1990	686.3	584.6	343.8	58.8	101.7	14.8
1991	708.6	619.8	357.1	57.6	88.8	12.5
1992	784.0	659.0	379.3	57.6	125.0	15.9
1993	921.6	769.7	446.8	58.0	151.9	16.5
1994	1221.0	1016.8	598.5	58.9	204.2	16.7
1995	1577.7	1310.4	768.2	58.6	267.3	16.9
1996	1926.1	1572.1	885.5	56.3	354.0	18.4
1997	2090.1	1617.2	890.3	55.1	472.9	22.6
1998	2162.0	1590.3	849.6	53.4	571.7	26.4

Note : Net income of rural household = Gross income - expenses for business operation - the payment for tax = disposable income of rural household

Annual household disposable income = annual saving + expenditure

Annual saving = net increase in financial assets (mobilized savings) + increase in hoarding + investment

Source : Rural Statistical Yearbook of China (various years).



annually by Chinese Farm Households Economic Survey and the results calculated from them.

Generally speaking, the average propensity to save (APS) is used to measure the capacity to save. The APS for Chinese farm households is not only positive but also very high, although fluctuations due to strong inflation are observed. In 1998, APS increased to 26.4%. (The APS for Japanese farm households is 22% in 1973.)

Engel Coefficient for the average of Chinese farm households is still above 50% in 1998 (Engel Coefficient for the average of Chinese urban households is 44.5% in 1998), although it decreased from 67.7% in 1979. Of course, high Engel Coefficient would impede farm households to save more.

## 2.2 The saving behavior of farmers

Using the above surveyed statistical data, we can estimate *Saving Function* of Chinese farm households (All the data in the following two equations are adjusted by general retail index. Figures in parentheses are *t*-values for the slope coefficients. All coefficients are significant at the 1 percent level.) :

$$S = -30.261 + 0.264Y \quad (R^2 = 0.8375) \\ (-3.04) \quad (9.63)$$

If we take real interest rate (Per annum interest rate on time deposits from various years are used here.) into consideration :

$$S = -28.963 + 0.259Y + 132.4i \quad (R^2 = 0.8791) \\ (-3.28) \quad (10.62) \quad (2.42)$$

Here, *Y*, *S* and *i* denote to the real value of income, saving and interest rate respectively.

As a result, saving shows positive relationships with net income and interest rate, indicating that income is a important determinant of the saving behavior of farm households, and if real interest rate rises, farm households would like to divert more of their incomes to save.

It is said that saving behavior is also determined by some non-economic factors (Nakatani, [8], pp.473-476), besides some economic factors such as income, interest rate and inflation rate mentioned above.

A survey on the purpose of saving shows the following attitude of the rural Chinese people (Du Jin [9]) : They save for ① preparation for sickness and old age (partly because society security system lags rather behind), ② children's marriage, ③ building house, ④ purchasing of durable consumption goods, ⑤ investment in the future. Influenced by these cultural backgrounds, Chinese people seem to be thrifter than the Americans and the Europeans.

It has been clear that savings potentials do exist in the rural areas of China, and these savings can be mobilized by financial markets.

## 3. Government policies and programs for mobilizing rural savings

From the rural households' viewpoint, two key elements are necessary to be pointed out : they need not only have sufficient capacity to be able to save, but also have incentives to save — the secure and dependable opportunities to save, the expectation that their savings will result in substantial future satisfaction. On the other hand, from the rural financial institutions' viewpoint, they must be

interested in mobilizing savings — they do not easily obtain cheap loans, subsidies and free economic aids from external sources ; and have enough in terest margins to operate both lending and saving services. Successful RSM requires appropriate rural financial market policies, because these policies provide incentives to both farm households and financial institutions.

Next, we proceed to examine major policies and programs on RSM in China.

### 3.1 Policies on bank density

An establishment of banking facilities in the rural areas will have a significant impact on RSM. If rural savers need not walk long distance or pay for transportation to make deposits since facilities are located in their neighborhoods, they would not like to hoard national currency in their homes.

Table 2 shows the number of institutions and employees of RCCs. There are a great number of RCCs, and their subordinate branches and stations can be found all over the countryside. Full-time employees had doubled from 1979 to 1998. Such enormous expansion of rural financial intermediaries is exceptional in the world.

Chinese government consistently lays stress on developing formal institutions in rural areas and improving the quality and range of financial services for rural households, for the reason that (Sun Hangshen and Yang Ruiguang [10], pp.63-64) : ① Freeing low-income farmers from usurers by enabling them to obtain financial assistance so as to increase incomes of the rural poor. ②

Table 2. Density of RCCs

	Number of institutions					Number of employees	
	1. RCCs	2. Subordinate branches and stations of RCCs			3. County-level Joint RCCs	1. Full-time	2. Part-time
		(1) Branches of RCCs	(2) Savings branches	(3) Credit stations			
1953	2, 270						
1954	124, 068						
1956	102, 558					23, 494	
1968	81, 768			66, 065		137, 119	96, 159
1970	97, 973			252, 965		189, 498	320, 717
1975	84, 293	23, 233		217, 445		190, 005	326, 558
1979	59, 507	21, 752		328, 482		262, 899	365, 762
1980	55, 532	25, 806		315, 493		272, 421	335, 553
1981	55, 044	31, 802	2, 020	300, 860		277, 244	327, 587
1982	55, 209	30, 767	4, 006	303, 182		299, 312	322, 626
1983	55, 953	31, 941	—	281, 498		320, 577	335, 687
1984	58, 255	29, 720	5, 476	328, 131		349, 754	339, 436
1985	58, 603	27, 983	7, 557	312, 375		370, 345	319, 295
1986	59, 194	30, 748	9, 509	294, 083		401, 799	304, 222
1987	61, 195	28, 985	11, 689	290, 721		433, 866	305, 162
1988	60, 897	29, 543	14, 649	292, 972	2, 201	471, 910	294, 826
1989	58, 970	30, 118	14, 276	241, 134	2, 257	488, 116	—
1990	58, 200	30, 290	14, 174	282, 766	2, 296	517, 083	287, 944
1994	50, 745	36, 472	15, 793	—	—	614, 501	—
1995	50, 129	41, 091	16, 815	—	2, 409	634, 245	—
1997	48, 133	43, 998	16, 992	223, 562	2, 493	650, 122	—
1998	41, 719	46, 429	16, 479	218, 324	2, 461	645, 285	—

Note : The number of RCCs sharply decreased to 41,719 in 1998. This is because reorganization of RCCs was carried on, and liquidation and consolidation of RCCs have frequently occurred.

Source : Some statistics on Rural Credit Co-operatives (1953-1985),  
Statistical Yearbook of China's Rural Finance (1979-1996).  
Almance of China's Finance and Banking (1996-1999).

Mobilizing idle funds in rural areas. Although these funds are small and scattered, if collect them, big investments can be done. Particularly, as an important and fundamental task of RCCs, mobilization of rural households deposits has been emphasized.

Because numerous branches and stations of RCC were set up at the grassroots level in rural areas in China, small farmers are able to access easily to saving services with low transaction costs.

### 3.2 Policies for security and liquidity of deposits

Security of deposits is a basic requirement common to all savers. No kind of incentive will be effective unless savers have total confidence in the financial institution in which their money is deposited. Liquidity refers to the extent to which an asset can quickly and easily be converted into cash without loss.

In China, security and liquidity have been adequately obtained because these are strongly supported and promoted by the Chinese government. Each person's savings is protected by the Constitution of China. It is impossible that state-owned RCCs and ABCs would go into bankruptcy. Additionally, "cash control" is more carefully taken so as to meet routine cash requirements of farm households (Lu Hanshuan, Wu Bixia and Cai Jiqun (ed), [11]).

In order to encourage the rural people to make deposits, RCCs follow the principle of "voluntary deposits, free withdrawal, deposit with interest and secrecy about depositors' accounts" as well as other banks, and they more effectively operate by improving services and simplifying depositing and withdrawal procedures. Moreover, some appropriate rules and regulations have been devised to protect depositors against fraud (ASEAN Bankers' Study [12]).

### 3.3 Interest rate policies

In general, if positive real returns are not provided, rural households may not convert some of its liquidity into financial savings ; if rural financial intermediaries can obtain funds more cheaply through central bank rediscounts, or the difference between interest rates on deposits and loans is not large enough to operate profitably, they will not be interested in paying a large amount of interest on mobilized deposits.

In China, interest rates are regulated and controlled by the government. Table 3 shows some basic interest rates decided by the central bank. Negative real interest rates on deposits were often recorded. Discount rates were lower than interest rates on deposits from 1991 to 1994. The margins between interest rates on deposits and loans were not large before 1996. But all of these have turned to be normal since 1996 because inflation was controlled successfully along with the rapid progress of market-oriented financial reform in recent years. It can be said that current interest rate policies are more advantageous to RSM than those before.

It is notable that a kind of "value-guaranteed deposits" was introduced from 1989, so that interest rates on time deposits above three years were interlocked with the inflation rates. This implies that these interest rates were raised simultaneously when the inflation rate rises. This measure seemed to be effective in RSM. (Deng Yingtao and Xu Xiaobo (ed), [6]).

Table 3. Main interest rates (per annum, %)

	Discount rate①	Interest rate on deposits② (nominal)	Interest rate on loans③	②-①	③-②	Interest rate on deposits (real)
1979		3.96	5.04		1.08	1.96
1980		5.40	5.04		-0.36	-0.60
1981		5.40	5.04		-0.36	3.00
1982		5.76	7.20		1.44	3.86
1983		5.76	7.20		1.44	4.26
1984		5.76	7.20		1.44	2.96
1985		7.20	7.92		0.72	-1.60
1986		7.20	7.92		0.72	1.20
1987		7.20	7.92		0.72	-0.10
1988		8.64	9.00		0.36	-9.86
1989		8.64	9.00		0.36	-9.16
1990		8.64	9.36		0.72	6.54
1991	7.20	7.56	8.64	-0.36	1.08	4.66
1992	7.20	7.56	8.64	-0.36	1.08	2.16
1993	10.62	10.98	10.98	-0.36	0.00	-2.22
1994	10.62	10.98	10.98	-0.36	0.00	-10.72
1995	11.16	10.98	12.06	0.18	1.08	-3.82
1996	10.62	7.47	10.08	3.15	2.61	1.37
1997	9.36	5.67	8.64	3.69	2.97	4.87
1998	5.13	3.78	6.39	1.35	2.61	6.38

Note : Here, interest rates on per annum time deposits and per annum working capital loans from various years are used.

Source : Almanac of China's Finance and Banking (1991-1999).

### 3.4 The others

When inflation rate jumps high, RCCs often carry out savings campaigns to provide incentives for rural households savings. Prizes and raffles are more often used in these cases. And the campaigns are always launched through nationwide advertising via TVs, newspaper, radios and other media.

In some areas, RCCs also provide other kinds of services, such as the provision of savings accounts for building houses and for purchasing durable consumer goods. In these services, higher interest rates are paid (ASEAN Bankers' Study [12]). Recently, utilization of savings account for education is increasing, because a favorable interest rate free of taxation on interest is provided (People's Daily [13]).<sup>13</sup>

### Conclusions and perspectives

Major findings in this paper are as follows :

- ① With the increase in income, Chinese farm households have had a substantial capacity to save, and the amount of rural households savings has made up the largest part of aggregate savings volume and become a significant capital resource in rural areas.
- ② Deposits mobilized by ABCs and RCCs gradually become the major part of their total source of funds. Particularly, RCCs performed very well in RSM and have played an important role in mobilizing savings from rural farm households.
- ③ Government policies on bank density, security and liquidity of deposits, interest rates and others have also contributed to RSM, and these policies appear to be more and more rational. Many

incentives have been designed to make farm households save more, and to make rural financial institutions be more viable.

④ Strong inflation had a bad influence on RSM, and therefore RSM can be done well in the relatively favorable economic conditions.

It is no doubt that China made a big progress in RSM during these two decades, and the success of RSM will surely contribute to sound development of rural financial market. But we can not neglect that the development of RSM is rather slower than the degree in urban areas, because incomes of rural households are still lower. Efforts should be directed towards increasing farm productivity and incomes of farm households.

Finally, we would like to refer to some connections between co-operative rural finance and RSM. In China, RCCs is the foundation in the rural credit system. On the recent reform of RCCs, an emphasis is placed on changing RCCs to be the real co-operative financial institutions so as to provide more financial services to small farmers and increase small loans to them. Because the reform had just begun, RCCs lack some appropriate measures to improve it, but they can learn from some lessons of other countries such as Japan and Korea. Successful experiences on RSM can be summarized as follows (Tae Young Lee [3], Izumida [14]): ① In any credit delivery system, integration of a saving component would be useful in securing loans and would screen off the wilful defaulters. It is effective to tie savings schemes with the credit delivery and recovery mechanism which can not only make credit co-operatives operate efficiently but also mobilize more savings. ② Multi-purpose agricultural co-operatives can promote RSM, because it is convenient for farmers to use co-operatives as contact points for various activities including borrowing and saving. It is expected that a good credible relationship can be established as soon as possible between RCCs and farm households.

### Notes

1) In the period from 1979 to 1994, formal rural intermediaries include ABC and RCC, ABC was in charge of all rural financial affairs. In June 1994, Agricultural Development Bank of China (ADBC) was founded as the agricultural state policy bank, and policy businesses are shifted from ABC to ADBC. RCCs were subordinated to ABCs, and their operations were under the leadership of ABCs from 1979 to 1996. Based on *The decision on the Reform of Rural Credit System* (State Council, August 1996), RCCs were separated from ABCs and carry out their activities self-dependently stressing the purpose of "restoring co-operative properties", and a new rural credit system was instituted as follows: ① ADBC, as a policy banks to supply policy credit, ② ABC, concentrating on the profit maximization as a commercial bank, ③ RCC, as a co-operative financial institution on the behalf of its members. It is confirmed that RCCs are the foundations of the new rural credit system (State Council, No.33 File, [4]). This paper deals with ABC and RCC for the analysis, but does not deal with ADBC, because sources of funds of ADBC are mainly financed from the central bank and government subsidies, and ADBC does not mobilize rural savings.

2) Some informal rural intermediaries such as Rural Credit Co-operative Fund (RCCF) also mobilize rural savings, but they are not covered in this study, because the bulk of rural savings mobilized by

them was too small compared with the formal intermediaries and the data are incomplete and sketchy. (With regard to the activities of RCCF, see details in reference [5])

3) Post offices which have widespread branches in the rural areas began to provide rural postal savings services from 1988. The bulk of rural savings mobilized by them increased rapidly, from 24 million yuan in 1989 to 1,079 million yuan in 1998. But compared with money mobilized by ABCs and RCCs, they can be neglected in this study.

4) Urban-based financial institutions such as Industrial and Commercial Bank of China, Construction Bank of China also have some agencies in the prosperous rural areas. Their activities of RSM are not known due to the lack of data. The bulk of rural saving mobilized by them could not be large, because commercial banks are not greatly interested in attracting small savings accounts which are troublesome and costly to handle. They are not covered in this study.

5) Domestic savings are classified as public savings, business or corporate savings, and personal or household savings. In rural China, the amount rural household savings has been making up larger part of total rural savings after introducing "the agricultural production responsibility system" which changed the collective people's community production system into family farming in 1979.

6) There are two possible meanings of saving. Saving, in a flow concept, is the difference between disposable income and expenditure. On the other hand, savings, in a stock concept, refer to a change in the stock of financial assets. The following formula may be helpful in understanding the concept.

Annual household disposable income = annual saving + current expenditure

Annual saving = net increase in financial assets (mobilized savings = deposits, securities and insurances) + increase in hoarding (non-mobilized savings = hoarding in national currency or cash + hoarding in goods) + investment

Needless to say, non-mobilized savings does not contribute to economic growth. In addition, because insurance and security business have not been extended commonly in the rural areas, they are not analyzed in this study.

7) Many ABCs are situated in urban areas. They act as a linkage between urban and rural areas and serve many agriculture-connected industries, and also mobilize a large quantities of deposits from urban households (In official figures, personal deposits in ABCs are all counted as "urban households savings".) and many urban enterprises engaged in farm-products processing and distribution. Because these deposits almost contribute to agricultural and rural development, they are also counted as "rural deposits". So the increase of the amount of deposits in ABCs is partly depending on urban sector. In addition, RCCs cover everywhere in rural areas of China.

8) ABCs which are located in the rural areas (in common, in relatively prosperous areas) mainly serve large-scale rural enterprises and agricultural collectives and mobilize deposits of them. They are reluctant to attract small farm households accounts and have much fewer institutions than RCCs which have widespread branches and stations at grass-roots level even in poor areas. This is the reason that personal deposits mobilized by RCCs alone are counted as "farm households deposits" in official figures. But with the increase of rural people going to cities to work, a part of farmers also deposit much money in urban banks. So the bulk of "farm households deposits" might be underreported.

9) The same method was used in the study on Chinese financial development reported in 1994. (Deng

Yingtao and Xu Xiaobo (ed), [6], pp.266-267)

10) During the period from 1979 to 1995, the source of funds in ABCs partly depended on RCCs. Because RCCs were subordinated to ABCs, and therefore, providing deposits to ABCs is one of their functions and duties. But the share of the amount of these deposits in total sources of funds in ABCs had been declining since 1983, because RCCs operate more and more independently. In 1996, RCCs are completely separated from ABCs, and have no duty to provide their deposits to ABCs from that time.

11) "Over-Loan" phenomenon occurred in all national financial institutions in this period. Increasing the provision of loanable funds was viewed as a more effective method of stimulating the pace of investment and economic activity than undertaking other methods, because this method is simpler to implement with relatively lower cost. But this induced strong inflation and the confusion of economy. "Over-Loan" was controlled from 1995, along with the deepening of financial reform in China (Zhang Yi [7]). It was also stipulated in Commercial Bank Law (issued in July 1995) that loan to deposit ratio must be no more than 75% in order to ensure safe and sound operations of banks.

12) This result is calculated based on statistics (sources from China Statistical Yearbook 1998). In 1998, the gap of per capita annual disposable income between rural households and urban households was 3,263 yuan.

13) China began to levy 20% tax on the interest of savings accounts from November 1, 1999. But savings account for education is the exception, in order to encourage people to save enough money for a non-compulsory high school education, secondary technical schooling, undergraduate / postgraduate course study in universities to advance China's education.

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## 中国農村における貯蓄動員の進展 — 農村信用合作社を中心として —

高 紋\*・石田正昭\*\*

\* 三重大学大学院生物資源学研究科

\*\* 三重大学生物資源学部

“貯蓄動員”は、多くの研究者によって農村金融機関の経済的自立性(viability)を高め、健全な農村金融市場の形成に欠かせない要因であると指摘されており、農村金融市場と農村金融発展を研究する際に、ひとつの重要な課題として取り上げられている。中国では、農業発展の資本需要は農村金融機関による貯蓄動員に依存するようになっていく。本論文は今までほとんど研究されてこなかった、1979年から1998年までの20年間にわたる中国農村の貯蓄動員の進展とその誘因を論じるものである。論文は3つの部分から構成されている。第1は、貯蓄動員の量的成長であり、第2は、農家の貯蓄能力と貯蓄行動、第3は、貯蓄動員に関する政府の政策とその役割である。また、本論文では農家の零細な貯蓄を動員するのに大きな役割を果たしている中国農村信用合作社を中心として分析・考察がなされている。