

A Study on the Influence of Financial Literacy on Farmers' Lending Behavior

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Abstract: The accumulation of capital will promote economic growth, whether it is a country, a region or an individual family, financial capital can promote the joint of capital and the improvement of consumption level. The family plays a very important role in the development of social economy for the whole society. For farmers' borrowing behavior, farmers' financial literacy, such as capital resources, natural resources and education level, will have a very direct effect.

1. Introduction

Since the reform and opening up, although the economic environment of our country has been greatly improved, the overall financial support system still appears to be relatively lagging behind, for the market financing, bank loans are still the most important channel, which means that banks always play a very important role in economic growth. With the deepening of reform and opening up, the rapid development of private capital makes the importance of bank loans in economic growth gradually decrease.[1] Under the current social development background, the rural economy has also been greatly developed in the process of urbanization, but to further promote the development of urbanization, both farmers and villages need a lot of funds to engage in agricultural production and consumption. In this context, it is difficult for farmers to realize the current rural production or consumption demand with their own funds, which is the need to obtain funds through borrowing to meet this demand, and to further expand production or smooth consumption after obtaining the funds, so as to improve the income level and living standard of farmers, and finally to realize the economic growth and development of the whole rural area.[2] Whether the farmers can borrow smoothly or how much the amount of the loan amount has a very significant correlation with their financial literacy, so the analysis of the borrowing behavior from the perspective of financial literacy is helpful to enhance the reasonable borrowing behavior of farmers, meet their borrowing needs and then promote the development of agricultural production and rural economy.

2. Farmers and Lending Practices

Farmers are mainly engaged in agricultural production and live in rural areas, in the current state policy situation, rural areas cannot enjoy social security, in the enjoyment of the political status is relatively low. The present peasant household is still the agricultural production labor economic organization with the blood relation as the link. For farmers, rural areas are the main living and production areas, mainly rely on the family as the unit of individual labor force agricultural production, consumption is also based on the family as the unit of consumption and reproduction. Although rural areas are self-sufficient in production, they are low in marketization. In the process of urbanization, many households engaged in agricultural production gradually moved to non-agricultural production.

Borrowing is an economic behavior, which can be divided into capital borrowing and real borrowing according to the different carriers. At present, most of the financial markets are mainly capital borrowing, and the rural financial system and lending behavior, is also mainly capital borrowing, there will be very few in-kind borrowing. Lending is a kind of financing behavior. Farmers' borrowing is the financing activity between farmers and formal and informal financial institutions. Farmers' own funds are financed by lending their own funds to individuals or organizations on a reimbursable or unpaid basis.



Figure 1 Agricultural production

3. The Influence of Financial Literacy on Farmer's Lending Behavior

3.1. Influencing Factors of Financial Literacy

For farmers with better financial literacy, it is easier to obtain better borrowing products. In essence, family literacy is a comprehensive embodiment of a family, in financial terms, it is the ability to obtain resources from the outside, and for families, the farmer's borrowing behavior itself is a concrete manifestation of obtaining an economic resource from the outside. From the existing analysis and research, it can be seen that the higher the household literacy of farmers, the less difficult it is to obtain better loan products from the outside world. In general, the impact of family literacy on the main way of farmers' lending is also quite different.[3]The richer the household elements, the richer the economic capital, natural capital and social capital, the more conducive to farmers' access to formal financial institutions to borrow. Economically capital-rich farmers are likely to have less access to informal financial borrowing. For the rich economic capital farmers, financial institutions can send a stronger ability to repay the credit signal. In the case of socially capital-rich farmers, this indicates that the social networks of such farmers are broader, and in this case the trust between households with high household literacy and credit is very high. In this case, due to the symmetry of information between farmers and lenders, the formal financial institutions will take the initiative to find the products with lower capital cost for farmers. In this case, the default risk of farmers will be much lower, and the situation between farmers and financial institutions will be a win-win situation.

3.2. Impact of Natural and Economic Capital

For farmers with abundant natural capital, the more natural capital farmers use in their household accomplishment, which is also an advantage for them to successfully realize their borrowing. Especially with the support of national policy, land circulation and agricultural industrialization make the rural areas better realize the utilization of natural resources.[4]If the human capital is more abundant, then the informal financial loans that farmers may obtain are more abundant, mainly because the richness of human capital is reflected in the larger number of labor force population and the higher quality of occupation, which will increase the income of farmers to a certain extent, and the ability to repay loans is also significantly guaranteed. However, when farmers want to obtain loans from informal financial institutions, it may be due to the large and difficult to meet the needs of informal financial institutions in modern times, on the other hand, it may be due to the rich economic capital to meet their own borrowing needs.



Figure 2 Agricultural loans drive agricultural production

For a normal peasant household, the economic capital in the household accomplishment will play a decisive role in the farmers' borrowing amount. Borrowing is a kind of economic behavior to realize capital appreciation. For the formal financial institutions that serve the countryside, the formal financial institutions, when deciding the amount of mortgage loan, are a kind of rational thinking after considering the comprehensive consideration of the loan farmers, and are able to fully consider the mutual interest between risk and benefit, opportunity and cost. Under normal circumstances, formal financial institutions will consider the profit opportunity cost of capital more from the perspective of income, tend to be risk-averse, the most important thing is to consider whether to recover the funds, and then will consider the amount of income. For the borrowing behavior between relatives and friends, most of the lending economic behavior is not for the purpose of profit, mainly to be able to recover the loan, if the amount of money borrowed out of the larger, the longer the loan cycle will be recovered, at this time more need to consider the ability of farmers to repay loans. For formal financial institutions and informal financial institutions to borrow, the impact on the amount of loans to farmers mainly depends on the economic capital of farmers.

In the analysis of farmers' personal accomplishment, middle-aged and young farmers will obtain more favorable conditions in their lending behavior. From the perspective of the development of life and career, middle-aged and young farmers are in the rising stage of their career or in a peak state, where farmers have a more stable income and have a stronger ability to repay loans. For senior farmers, because their careers may be in the decline of their careers, it is difficult to have a fixed income or the existing income will gradually decrease, at this time for farmers, the ability to repay loans will gradually weaken. Therefore, both middle-aged and youth-dominated farmers would be more advantageous in terms of the possibility of borrowing, the extent of lending finance and the possibility of obtaining loans from formal financial institutions.



Figure 3 Agricultural loan behavior

Since the rural areas of our country still have a core of family composition, followed by a trunk family or a united family, in terms of the ability to repay loans, the strongest ability to repay loans is the trunk family, which is equivalent to a "big" family will be easier to obtain loans than a "small" family. In terms of the ability to repay loans, the families of the next generation are also weaker

than the families of the main families, so the main families are the most easily available families in different types of families.

3.3. Education and Impact of National Policies

The more educated the owner is, the more cautious the user becomes in making lending decisions, and financial institutions are more likely to accept their lending intentions when judging the risk of the farmer's borrowing. In this case, once the more educated farmers have decided to borrow, it is clear that they have made a more comprehensive analysis and judgment and have more financial planning. On the other hand, the higher the education level, the higher the income of the corresponding occupation, and the more objectively, the better the ability to repay loans. For low-educated farmers, when minlin's own funding gap, will ignore the risk of borrowing, generally will pay more attention to the ability to get loans, although have a certain ability to repay loans, but even if access to get loans, but also difficult to get the ideal amount of loans.

The state's financial policy will also have an impact on rural lending. At present, the state vigorously promotes agricultural production, and the state's financial institutions have responded to the state's financial policy by intensifying their support to rural areas, especially those in the western region. Rural areas in the west have easier access to loans than in the central and eastern regions. In addition, it may also be due to the gradual saturation of financial lending markets in the central and eastern regions, where formal financial institutions will accordingly raise the threshold for borrowing, making it difficult for farmers to obtain credit eligibility.

4. Conclusion

The development of urbanization in our country needs the all-round development of rural economy. With the continuous promotion of reform and opening up, the development of rural economy must rely on financial support. Rural development, especially in the western region, must rely on the support of formal or informal financial institutions. In this context, farmers'personal financial literacy will have a direct impact on their lending behavior, and will have a certain impact on their lending decisions and the decisions of financial institutions, so they need to be comprehensively analyzed.

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