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DOES FARMLAND MANAGEMENT SCALE INFLUENCE CREDIT AVAILABILITY? EVIDENCE FROM 3 PROVINCES OF CHINA

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Abstract

Loans are of great importance for new agricultural management entities in China, and loans from formal financial institutions are one of the main sources for them. Using data of 1096 new agricultural management entities from Henan Province, Zhejiang Province, and Heilongjiang Province in China from 2013 to 2015, we examine the effect of farmland management scale on loan availability. Both problems of endogeneity and heterogeneity are solved, in that method of 2SPLS is applied to eliminate endogeneity for the study, and the FMM Tobit model is used to solve heterogeneity that affects the result. The main finding shows that the land scale would affect the loan availability of farmers. For farmers who are less able to obtain loans, a larger land scale brings higher loan availability, while it seems not applied for those who are more able to obtain loans. Besides, it is confirmed that the effect of land scale also depends on the ability to provide high-quality products, farmers' beliefs, and the development of macroeconomic. What's more, it suggested that, for farmers who owned lots of farmlands, changing the decision of management is a common practice after they obtain credit. Finally, suggestions for sustainable farmland use are proposed to promote the development of agriculture in China.

Key words: loans, finite mixture models, scale management, two-stage Probit least squares

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