Difficulties and Countermeasures for Financial Institutions to Participate in Targeted Poverty Alleviation—Take County T for Example

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Abstract. The problem of poverty alleviation has always been a difficult problem for all countries in the world. China's targeted poverty alleviation has provided new ideas for countries around the world to eliminate poverty. The full participation of financial institutions is an important guarantee for the successful implementation of targeted poverty alleviation. As the battle against poverty enters a decisive stage, the task of financial institutions is further intensified, shifting from supporting poverty-stricken industries to supporting the development of poor households. This transformation has brought many difficulties for financial institutions to participate in targeted poverty alleviation. In this paper, according to the investigation of T county, we summarized the current difficulties of the financial institutions involved in precise poverty alleviation, then make the corresponding countermeasures and Suggestions, for government agencies and financial institutions for reference in the after work.

Introduction

Since the implementation of targeted poverty alleviation, various poverty alleviation policies have taken root in poverty-stricken areas, bringing substantial improvement to the lives of the poor. In the decisive stage of winning the battle against poverty, only with the full participation of financial institutions can various poverty alleviation policies achieve substantial development in poor areas. Financial institutions have been involved since the early days of targeted poverty alleviation. By supporting agricultural enterprises and supporting the development of farmers' cooperatives, it can provide funds and escort for targeted poverty alleviation. However, financial institutions have some problems in providing financial support to poor individuals and households. Therefore, it is necessary to explore the difficulties and countermeasures of financial institutions in participating in targeted poverty alleviation. Only by ensuring the correct flow of funds and the use of funds can we maximize the role of financial institutions in targeted poverty alleviation. Further, it provides a practical and effective way for financial institutions to participate in rural revitalization.

T county belong to the poor areas of China, the region in the past two years precision introduced some effective policy for poverty alleviation, so this paper choose T county for the study of the specific case of financial institutions to participate in precise poverty alleviation.

General Situation of T County

T county, located in western China, covers an area of 4,466 square kilometers and has a population of 398,000, of which 294,000 are agricultural population, accounting for 85.6 percent of the total population. T county is a dry climate, and only a small amount of cultivated land can increase production through irrigation. Therefore, it is difficult to maintain the household expenditure of agricultural population through simple traditional agricultural cultivation. In this case, the number of migrant workers is increasing while the number of permanent residents is decreasing, and agricultural production is also affected. In addition, there are large scale ecological migration in T county. After migration, farmers have little land to cultivate and lose important income sources.

Since 2011, T county began to focus on developing economic crops, flowers, medicinal herbs, oil-bearing crops gradually into scale cultivation, agricultural output at an average annual growth of 7%, the characteristic agriculture has become an important way to solve the difficulty of increasing farmers' income.
The per capita disposable income of rural residents in T county was 8,216 yuan. The growth rate is much higher than the average level of T county region, but also exposed some problems in 2017. The biggest influence on rural residents per capita disposable income is salary income growth slowed markedly. As the proportion of wage income in rural household income gradually increases, the income instability of farmers will also increase under the pressure of economic growth. The property income also faces certain problems, the Chinese medicine planting base and the flower planting base contract rent payment is not on time. This also indicates that there are still some obvious financing problems in the process of developing industrial poverty alleviation, and also indicates that financial institutions still have great development space in rural areas.

Targeted Financial Poverty Alleviation in T County

Since 2012, the local district government of T county has carried out poverty alleviation policy innovation in the financial field, with the aim of playing the role of poverty alleviation fund industry as leverage. Industrial poverty alleviation must have a large number of start-up funds, so that further industrial leverage can be carried out. Targeted financial poverty alleviation is to solve the problem of starting funds. Only when financial policies are closely linked to local industrial characteristics can they play a full role.

Mutual Funds Tied to Credit Funds

Mutual aid funds are limited and come from a single source. There is no way for the poor groups to achieve long-term development simply by relying on mutual aid funds. Therefore, T county has implemented the policy of binding mutual funds and credit funds. Makes the poor can apply for credit in rural commercial bank more loans, the loan interest rates are generally in accordance with regulations of the central bank's benchmark interest rate, reduce the interest burden at the same time made great poverty. On the basis of this, T county has also subsidized such loans in accordance with the central policy, further easing the pressure on the development of the poor.

Poor Families Guarantee Loans to Each Other

Loans must be secured, and the poor have no fixed assets to pledge, so the local government and the rural commercial bank have a "three-family co-insurance" policy. A loan may be secured by three households. If the lender is unable to repay the loan after maturity, the guarantor shall bear certain responsibilities. This system is very clever to help financial institutions to reduce the risk of loans, and the process of finding a guarantor is itself a process of project argumentation. If the lender himself cannot persuade the people around him to guarantee himself, then in a sense, the lender's own creditworthiness is worth investigating further.

Government Financial Guarantee Fund

It is inevitable that some poor families have difficulty finding a guarantor, leading to some good projects being abandoned because they are not understood by the guarantor. Therefore, T county set up a guarantee fund with financial funds to guarantee loans for some innovative and entrepreneurial projects and special industries. Targeted financial poverty alleviation requires a different path and encouragement of innovation and entrepreneurship. This mechanism not only encourages innovation and entrepreneurship among the poor, but also provides an opportunity for rural college students to return to the countryside. People with advanced knowledge levels develop new industries in rural areas with the support of the government, which is a good way to stimulate the endogenous power of the poor.

Credit Assessment

In order to ensure the convenience of poverty groups to apply for a loan, T county government also carried out with the local rural commercial bank credit rating, convenient according to poor credit rating loans restrictions and interest rate preferential policy, also is advantageous to the financial
institutions risk control. Greater financial support should be given to the well-developed poor, and there should be certain restrictions on the use of funds for poverty alleviation loans and the use of funds for other purposes. Only through the joint efforts of the poverty-stricken groups and supporting units can we win the battle against poverty.

In addition to using credit review to restrict the misappropriation of loan funds, financial institutions also use contracts to restrain poor households and cultivate their spirit of contract. Financial institutions and local governments have the right to cancel the preferential policies enjoyed by the lender if it is found that the lender has misappropriated or changed the purpose of the loan without permission.

**Choose Support Projects According to Local Conditions**

Poor loans is roughly same, types are almost the same breeding or characteristic planting, so when deciding lending generally don't need to apply for the poor project investigation. Loans for poverty alleviation, but for the industry requires financial institutions to participate in the review, exactly what kind of industry development is in conformity with the local actual, need to how much financial support, which require financial institutions to evaluate carefully. We will support industrial projects to alleviate poverty according to local conditions.

**Difficulties in the Finance Precise Poverty Alleviation of T County**

**Financial Policy is Homogenized**

The combination of mutual aid funds and credit funds seems to solve the problem of poor households' insufficient development funds, but the coverage is limited to poor households who participate in mutual aid agencies. Three families of group though is the preferential policies for all the poor, but in the actual survey, many of the poor reflects the shortage of their own ability to repay can't provide guarantee for others, it has also led to many of the poor unable to enjoy this policy, so the policy has not essentially do large area coverage. However, the government guarantee fund is limited by the amount of funds of the government itself. In addition, there are 11 government guarantee funds with scattered funds, which cannot solve the guarantee demand of a large number of poor groups. So these policies are homogenized.

**Contradictions between Financial Policy**

In the actual investigation, we found some contradictions between the rural financial policies of T county. For example, in the case of immigrants, T county introduced a larger industry, hoping to turn those who had no land to cultivate into industrial workers. Poor loan investment in enterprises is needed in the process to get dividends, but most people once enjoyed before poverty alleviation loans, and loan has not yet expired. so they cannot continue to obtain loans from financial institutions, ultimately affect the enterprise scale. Most of people don't succeed into industrial workers. This also reflects that the government agencies regardless of their own existing conditions, blindly introduce industries, which leads to the difficulties of enterprise operation after the introduction, and the poor households have not been able to obtain corresponding benefits.

**Village Banks and Small Loan Companies Have Failed to Play a Practical Role**

The establishment of village and town Banks and small loan companies is aimed at further improving the rural financial market and undertaking certain targeted poverty alleviation tasks. At present, there are big problems in the establishment and operation of village and town Banks in T county. In the actual survey, the rural residents generally reported that they had no contact with the village bank, but only knew that the village bank had an institution in the town. However, the evaluation of small loan companies is poor, and farmers mostly reflect that the interest rate of small loan companies is too high. Like the local private loan interest rate, it is far less convenient to choose private loan.
Poor People Lack Financial Knowledge

The poor group's lack of financial knowledge leads to some misunderstanding of the government's financial policies. Poor people will blame the government for failing to apply for loans, which they believe is the government setting the bar. In fact, the government is concerned about financial risk control. Some poor families do have repayment pressure, even if they make loans, it will increase their economic pressure. The cause of this situation, on the one hand, is due to the government and financial institutions to the poor financial knowledge propaganda is not enough, on the other hand is caused by the policy itself is too complex, ignore the poor education level.

Factors Influencing Financial Institutions' Participation in Targeted Poverty Alleviation

Industry for Poverty Alleviation

Financial institutions' lending to poor households and supporting poor people to actively seek their own way out can only be a supplement to industrial poverty alleviation policies. Only when financial institutions provide financial support for industrial poverty alleviation can scale effect be brought into full play and bring maximum value. Under this premise, whether the government can properly choose industries suitable for the region affects the effect of financial institutions participating in targeted poverty alleviation.

Basic Branches of Financial Institutions

Poor people generally reflect that financial institutions' business outlets are almost the only channel through which they can obtain financial information. However, for financial institutions, there is still a lack of network layout at the township level. Only two institutions, rural commercial bank and agricultural bank of China, have done a better job of setting up shop, but there are few grassroots outlets for village Banks and small loan companies. This has also led to a complete lack of understanding of village and town Banks and microfinance companies, making it difficult for the two institutions to function.

Endogenous Dynamics of the Poor

The key to successful participation of financial institutions in targeted poverty alleviation is the poor themselves. Poor only actively to find a way out, find suitable for their own development industry, financial institutions to the corresponding credit support, otherwise more credit funds also just for the poor in a certain period of time to increase household disposable capital, will increase for many families in maturity repayment pressure. In our field investigation, it is found that there are some cases where poor households change the purpose of loans privately, and then re-borrow after the loan is due through private loans. If this situation cannot be improved, the involvement of financial institutions in targeted poverty alleviation can be said to be ineffective.

Countermeasures

Industrial Policy Compatible with Financial Policy

As the industrial policies of local governments play a key role in targeted poverty alleviation, they must be realistic in formulating industrial policies. Financial institutions shall formulate reasonable credit plans for industrial projects and provide appropriate financial support within the scope of their functions and powers. Only under the normal implementation of industrial policies can financial policies participate in targeted poverty alleviation as a powerful auxiliary means.

Simplify the Policy on Small Scale Poverty Alleviation Loans

The purpose of small poverty alleviation loan is to support the poverty alleviation industry suitable for the development of families, which has certain requirements on the management ability and education level of poor households. Microcredit policies need to be considered to ensure that the
most needy people can successfully apply for loans. Therefore, the policy should be as simple and clear as possible, so that the poor themselves can assess their own conditions before applying for loans to avoid the waste of funds.

**Standardize the Use of Credit Funds**

Current regulations have the problem of poor households applying for farming loans for other purposes. There is no proper way for financial institutions to deal with this. In order to solve this problem, financial institutions should properly strengthen the number of inspections, set up surprise inspections and so on. At the same time, we should cooperate with the villages where the poor live, improve the credit rating system of the poor, and increase or decrease the loan amount according to their credit rating.

**Strengthen Publicity on Financial Knowledge**

In order for poor people to use credit funds strictly as required, it is necessary for them to fully understand the rules and regulations of bank credit. Governments and financial institutions encourage poor groups to apply for a loan, you should do some more formal presentations, on the one hand, contribute to the implementation of the credit policy, on the other hand can also help the regulation of using the late.

**Conclusion**

The problems exposed in T county represent the common difficulties of financial institutions participating in precision poverty alleviation at present. In addition to improving the situation by developing policies and promoting education, it is more important to stimulate the endogenous power of the poor. Such as trying to practice the farmer housing and the mortgage of the right to contract land, on the one hand, strengthen the solvency of farmers and also to give farmers a certain pressure on the other hand, prompting them to actively seek suitable for their way out of poverty.

**References**


