

Research on the Path of Rural Financial Poverty Alleviation from the Perspective of Public Policy

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Abstract

In the process of building a well-off society in an all-round way, financial poverty alleviation work plays an important role. Therefore, giving full play to the role of finance in poverty alleviation has always been a key task of government departments. At this stage, although China's economy is developing rapidly, the uneven development between regions and the imperfect distribution system have gradually widened the gap between the rich and the poor. There are more poverty-stricken areas, which require government departments to help the poor and promote social development. Based on this, this article first analyzes the current status of China's financial poverty alleviation, further studies the existing problems, analyzes the reasons for these problems, and proposes corresponding optimization paths, aimed at implementing beautiful rural construction policies and entering a well-off society.

Keywords: Public policy, Rural Finance, Financial poverty alleviation, Path study.

I. Research Background

1.1 Literature Review

After the 19th National Congress, the cause of building socialism with Chinese characteristics entered a new era. During this period, targeted poverty alleviation has become the main guiding ideology of poverty alleviation projects in China. As an indispensable part of poverty alleviation projects, finance plays an important role in the final results of poverty alleviation. Therefore, research on rural financial poverty alleviation projects has become a key research content of academia. Hua Qianyuan and others took Chuzhou, Anhui as an example, through field research and literature review to study the problems that exist in the process of precision poverty alleviation in finance, and put forward corresponding solutions according to the existing problems, with a view to realizing the two goals of overall rural revitalization, rural beauty and farmers' wealth in Chuzhou (Hua et al., 2018). Zheng Jinhui and others conducted research and exploration on the role of rural finance and private investment in poverty alleviation, and put forward countermeasures and suggestions on how to effectively use private investment in poverty alleviation (Zheng et al., 2019). Guo Xingping pointed out that the social development in the new era puts forward new requirements for financial poverty alleviation, so on the basis of summing up the experience of financial poverty alleviation in the new era, conducted an in-depth study on the existing problems of financial poverty alleviation and proposed corresponding solutions based on the existing problems (Guo, 2013). Yu Jia and others pointed out that the level of rural financial development is of great significance to rural economic development. Therefore, according to the effect of rural financial poverty alleviation, specific innovation paths are proposed, mainly including aspects such as economic research, precision poverty alleviation financial product innovation, and construction of practice systems (Yu et al., 2018). Zhang Yabo and others conducted research on financial poverty alleviation from the perspective of organizational system and development path, and proposed that we should also focus on microeconomic organizations and rural financial poverty alleviation sustainable development theory and practice related research (Zhang and Wang, 2016). According to the current situation of

poverty alleviation in rural financial credit, Min Dalu and others put forward corresponding improvement paths. On the one hand, financial institutions involved in agriculture in poor rural areas should be the focus of cooperation. On the other hand, when rural financial institutions in poor areas carry out poverty alleviation, they should adhere to the principle of marketization (Min et al., 2012).

1.2 Purpose of Research

In the report of the 19th National Congress of the Communist Party of China, General Secretary Xi Jinping emphasized that the national party members should be the main force to resolutely win the fight against poverty, and should focus on the task of poverty alleviation in deeply impoverished areas, to ensure that the population in the poor rural areas achieve poverty alleviation and prosperity, and truly achieve poverty alleviation, so that farmers are truly wealthy. At the same time, at the symposium on in-depth poverty alleviation, General Secretary Xi Jinping further pointed out that more effective measures should be adopted for poverty alleviation work, and the poverty alleviation work should be promoted in depth. In response to poverty alleviation, the General Office of the State Council and the General Office of the Central Committee of the Communist Party of China have issued the "Implementation Significance of Supporting Poverty Alleviation in Deeply Poor Areas". Major financial regulatory agencies have also issued relevant guidance documents on financial poverty alleviation. For example, the "Opinions on Financial Support for the Depression of Poverty in Deeply Poverty-Stricken Areas" jointly issued by financial institutions such as the People's Bank of China and the China Banking Regulatory Commission and regulatory authorities, aims to comprehensively innovate poverty alleviation operating mechanisms, deeply implementation of financial services in poverty-stricken areas, let finance become an important support for poverty alleviation and prosperity in deep poverty areas. At the same time, the core of public policy is to maximize social public interest and to enhance social public welfare as its value goal. Therefore, in order to achieve prosperity for farmers, the government departments should carry out rural poverty alleviation work based on public policy perspectives in order to better achieve poverty alleviation. Based on this, from the perspective of public policy, this paper deeply studies the financial poverty alleviation work carried out in rural areas of China, and makes a concrete analysis of the current status of financial poverty alleviation work, strive to provide scientific decision-making basis for poverty alleviation work of government departments, and provide action guidelines for the targeted poverty alleviation work in poor areas, to guide the poverty alleviation work in rural areas to achieve the effective use of resources and funds, and to play the role of the financial market in rural areas in poverty alleviation work, and further promote the government to achieve poverty alleviation work in rural areas through financial channels.

II. Rural Financial Poverty Alleviation Development Status from The Perspective of Public Policy

2.1 Current Situation of Poor Rural Areas

According to data from the National Bureau of Statistics, the number of poor people in China at the end of 2018 was 16.6 million, a decrease of 13.86 million from the end of 2017; the incidence of poverty was 1.7%, a decrease of 1.4 percentage points from 2017. The per capita disposable income of rural residents in poverty-stricken areas throughout the year showed an increasing trend, reaching 10,371 yuan, an increase of 10.6% compared with 2017, removing the price factor from all growth, and actually increasing by 8.3%. To make it clearer that the poverty population in China's rural areas is steadily decreasing, the author further draws on the data released by the National Bureau of Statistics to plot the changes in the number and poverty rate of rural poor population from 2014 to 2018, as shown in Figure 1 and Figure 2.

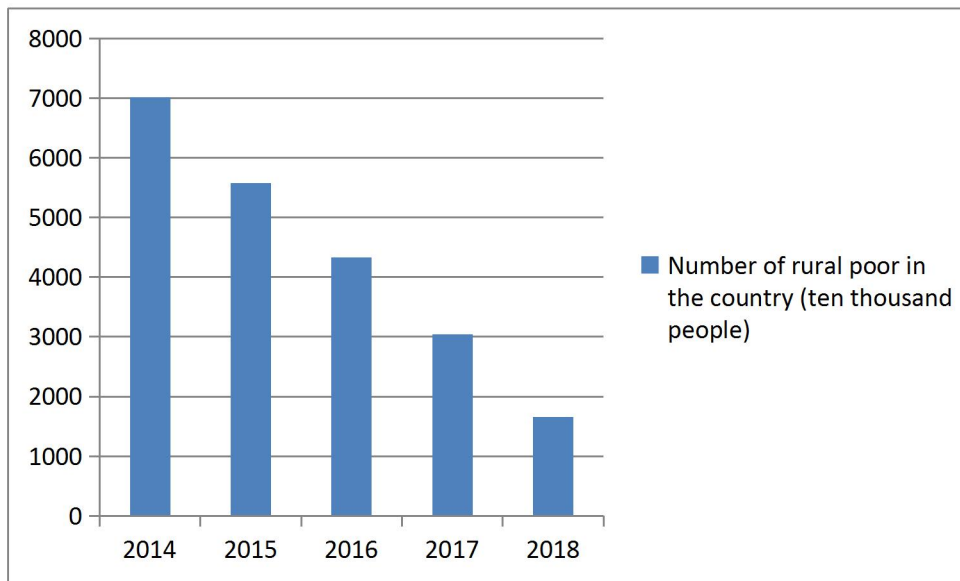


Figure 1: The Number of Rural Poor People in China from 2014 to 2018

Data source: National Bureau of Statistics

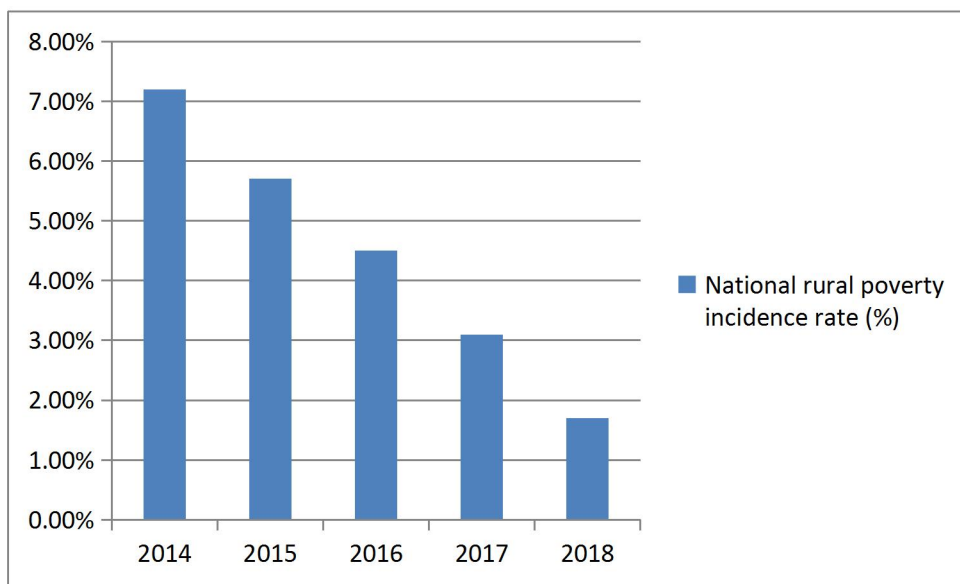


Figure 2: The Incidence of Rural Poverty in China from 2014 to 2018

Data source: National Bureau of Statistics

It can be seen from Figures 1 and 2 that the number of rural poverty and the incidence of poverty in China are showing a declining trend. The number of poor people has dropped from 70.71 million in 2014 to 16.6 million in 2018. The incidence of poverty has dropped from 7.2% in 2014 to 1.7% in 2018, both showing a significant downward trend.

2.2 Rural Financial Poverty Alleviation Operation Mechanism

In 1986, the Agricultural Bank of China began to issue special discounted poverty alleviation loans, marking

China's official launch of financial poverty alleviation work. In the early stage of financial poverty alleviation work, financial institutions were only the implementers of relevant policies of government departments, and their initiative to participate in poverty alleviation work was very limited (Na et al., 2016). Since entering the 21st world, the country has paid more and more attention to poverty alleviation in rural areas, and has issued a series of poverty alleviation work guidance documents, including "China Rural Poverty Alleviation and Development Program (2001-2010)", "China Rural Poverty Alleviation and Development Program (2011- 2020) "and other documents. More importantly, from 2004 to 2016, the No. 1 document of the Central Government focused on the three rural policies, mainly emphasizing the need to accelerate the participation of policy banks such as rural commercial banks and the National Development Bank in the national financial poverty alleviation work, so as to improve financial coverage in rural areas (Tang, 2011). Under the guidance of the Central Document No. 1, Agricultural Bank of China, Rural Credit Cooperatives and other banks have successively participated in rural poverty alleviation work, and gradually increased the amount of small poverty alleviation loans to rural and rural households. In addition, under the guidance of the Central Document No. 1, various local governments across the country have issued a series of poverty alleviation policies. Financial institutions have also actively responded to government policies and actively participated in specific poverty alleviation work such as poverty alleviation discount loans and paired assistance (Su and Shen, 2015). For example, Dongguan City issued the "Decision on Supporting the Development of Less Developed Areas" in 2002 to clarify policies related to poverty alleviation. Financial institutions in Dongguan actively responded to this policy, formally participated in rural poverty alleviation work, and gradually formed a basic financial poverty alleviation mechanism to guide the smooth progress of financial poverty alleviation work in rural areas.

Under the guidance of the Central Document No. 1 and the national financial system, local governments across the country have actively built a complete financial poverty alleviation system and participated in the national poverty alleviation policy. Specifically, in the process of building a financial system, local governments mainly follow the following objectives.

The first is the policy release mechanism. At present, the central government formulates targeted poverty alleviation policies for financial institutions and markets, as well as local governments. Specifically, the central government mainly introduces policies and financial subsidies to guide financial institutions to invest financial resources in rural areas. For government departments, the central government mainly communicates poverty alleviation work as an administrative order to local governments by issuing administrative instructions.

The second is policy implementation. Financial institutions increase farmers' income by investing financial resources in rural areas. At the same time, on the basis of obtaining financial funds issued by the central government, local government departments further introduced detailed financial and fiscal preferential policies to encourage financial institutions to participate in rural poverty alleviation and provide financial support for agricultural projects. In the specific poverty alleviation work, the functions of various financial institutions and government departments are shown in Table 1.

Table 1: Main Functions of Financial Institutions

Institutional sector	Function
Financial Office, China Banking Regulatory Commission, China Insurance Regulatory Commission	Formulate poverty alleviation policies, implement poverty alleviation work, and guide financial institutions to participate in poverty alleviation work
Agricultural Bank of China, Postal Savings Bank and other commercial banks	Use the advantages of outlets to provide poor farmers with the funds necessary to develop productivity
Credit Union, Rural Commercial Bank	Meeting the financial needs of poor farmers
Microfinance companies, village banks	Good flexibility, able to develop adaptable products according to the specific needs of poor farmers
Life insurance, life insurance	Compensating farmers for losses caused by agricultural disasters

2.3 The Main Measures of Rural Financial Poverty Alleviation

Since the reform and opening up, China has vigorously promoted the reform of the financial system, gradually forming a situation in which banks, insurance, securities and other financial institutions coexist, forming a complete financial organization system (Pang et al., 2018). Among them, the financial poverty alleviation work of financial institutions and markets for rural areas mainly starts from the following aspects. First, implement preferential policies for loan subsidies. At present, the financial sector mainly uses trust financing platforms for poverty alleviation in rural areas, and actively helps rural areas to solve the problem of insufficient funds. And according to the local financial situation to make appropriate deferred repayment processing, aimed at solving the problem of financing difficulties in rural areas. Second, financial institutions are encouraged to implement measures to reduce debt and interest of village groups. In terms of bank debt, financial institutions with paired support tasks can make decisions to reduce or exempt village group debts for farmers' areas. In terms of loan interest rates, financial institutions can give rural areas appropriate discounts to reduce farmers' interest burden.

III. Problems in Rural Financial Poverty Alleviation from The Perspective of Public Policy

3.1 Lack of Clear Division of Responsibilities Among Poverty Alleviation Subjects

At present, many financial poverty alleviation entities will participate in poverty alleviation work in rural poverty-stricken areas, but there is also a lack of clear division of responsibilities among financial poverty alleviation entities of different natures. On the one hand, the work fields of the poverty alleviation financial entities are different, but there is also a phenomenon that the work among the poverty alleviation entities overlaps a lot. For example, the National Development Bank and the Agricultural Development Bank have significant overlaps in key poverty alleviation projects. This situation has led to unclear division of labor between the two sides and unclear priorities. At the same time, the government departments did not make overall planning for the financial poverty alleviation entities in the poverty alleviation process, and only gave guidance at the macro level, so it is easy to cause a lack of overall division of labor among the financial poverty alleviation entities. In addition, in terms of specific policies, the government has not played a leading role in guiding the cooperation between the various subjects, which has led to the emergence of separate policies among the subjects. More importantly, in very rare cases, there are certain discrepancies between the poverty alleviation of financial institutions and government policies. The financial poverty alleviation entities cannot complement each other, and the financial poverty alleviation work is more scattered.

3.2 Poor People Lack Financial Awareness

Most farmers in poor rural areas have low education and lack financial awareness. The living environment further restricts farmers' understanding of financial knowledge and aggravates the lack of financial knowledge of the poor. Based on the principle of profitability, financial institutions set up fewer service outlets for rural poor groups, resulting in the lack of relevant financial knowledge training for poverty alleviation targets. And because financial institutions lack professional financial talents, they cannot respond positively to government policies, making it difficult for the government to fully expand financial knowledge in rural areas, which further exacerbates the lack of financial awareness among farmers in poor areas. Therefore, at present, the poor rural groups in China have not yet formed a good financial consciousness, and things that confuse the nature of loan funds and government subsidies often occur, which seriously inhibits the leverage of finance in the development of poverty alleviation. In addition, the lack of financial consciousness of farmers has also caused a waste of resources, which has caused the phenomenon of ineffective input by financial institutions to the rural poor groups, which cannot form a virtuous circle of financial poverty alleviation.

3.3 Financial Poverty Alleviation Institutions Have Low Coverage

At present, China's efforts to promote financial poverty alleviation mainly rely on large financial institutions, but there are few financial outlets in rural poverty-stricken areas. As a result, financial credit services cannot cover rural poor areas on a large scale. In terms of commercial banks, although there are many branches of Agricultural Bank and Postal Savings Bank, due to the relatively small number of policy restrictions, the overall performance of financial institutions in rural poverty-stricken areas is not high, which hinders the promotion of rural financial poverty alleviation. In terms of policy banks, the China Development Bank and the Agricultural Development Bank have relatively few rural outlets. In terms of rural commercial banks, the capital utilization rate of all branches of rural commercial banks is low, and their role in financial poverty alleviation is limited. Even if other financial institutions are laying outlets in rural areas, because they do not understand the basic situation of the rural areas, the loan application for rural residents is inefficient and there is a serious loan refusal, resulting in inefficient financial poverty alleviation in rural areas.

3.4 Poverty Alleviation by Informal Financial Institutions Is Unstable

Rural informal finance includes private lending and other financial activities undertaken by informal financial organizations. Since the implementation of the compulsory financial system by the Chinese government, there has been a serious shortage of formal financial supply to the four major banks and credit unions in rural areas, so the services of regular financial institutions have failed to match the needs of farmers. In this context, rural areas have enabled the rapid development of informal finance and achieved a balance between supply and demand between financial institutions and farmers. However, rural informal finance has financial attributes and responds strongly to risk events, but it does not have stability. Although informal finance in rural areas has effectively made up for the lack of formal financial institutions, and because of its easy accessibility, farmers have mostly borrowed funds through informal financial channels. However, rural informal finance is also free from government supervision and has a strong instability.

IV. The Cause of Rural Financial Poverty Alleviation from The Perspective of Public Policy

4.1 The Mandatory Change of System Leads to The Low Efficiency of Public Policy Subjects

From the perspective of supply, in the process of financial market-oriented reforms, financial institutions are gradually being squeezed out of private institutions to withdraw from rural markets, and the financial services provided no longer have advantages. The problem of information asymmetry between rural markets and large financial institutions has not yet been effectively resolved, resulting in large financial institutions facing high costs and high risks in rural areas. To mitigate risks, large financial institutions began to reduce rural outlets and moved to county towns, resulting in insufficient coverage of financial service outlets in rural areas. From the perspective of demand, financial institutions will give priority to loans to large farmers in the breeding industry considering the risks and costs, while most farmers can only obtain less loans from financial institutions, and then there is the phenomenon that the funds and services provided by financial institutions can not meet the needs of farmers. At the same time, government provisions also restrict farmers from having access to loans, so farmers will turn to informal financial loans.

4.2 Commercial Financial Institutions Do Not Attach Importance to Poverty Alleviation

Most financial institutions belong to commercial institutions, and focus on maximizing benefits in the financial poverty alleviation process. Therefore, when poor farmers obtain financial subsidies, they need financial institutions to provide poverty alleviation loans to subsidize living expenses or purchase the necessities of life production, and then repay the principal and interest after profit. However, financial institutions mainly provide poverty alleviation loans or agricultural loans and collect interest to realize their own profits. The above problems illustrate the profit-making purpose of commercial financial institutions and the ins and outs of poverty alleviation

projects. In short, commercial financial institutions are reluctant to participate in poverty alleviation for two reasons: First, the credit rate is low. In order to ensure that the overall profitability does not fall, financial institutions need to increase the interest rate of high-end customers to make up for the shortfall, which affects the competitiveness of financial institutions in the industry. Second, rural financial poverty alleviation risks are greater. Due to the problems of insufficient collateral and credit risk in poor rural households, it may make it difficult for financial institutions to maintain the operation of the capital chain, resulting in credit risk. Therefore, commercial financial institutions are not very involved in poverty alleviation and do not pay attention to rural financial poverty alleviation.

4.3 Public Policy Tool Imbalance

Since the financial reform, rural financial resources are still in an unbalanced state, manifested in the following aspects. First, the effect of financial poverty alleviation by policy banks is not good. The service targets of policy financial banks are mainly large agricultural companies, and loans to individual farmers are rarely given, so the effect of poverty alleviation is not good. Second, after the transformation and upgrading of rural commercial and financial institutions, financial services lost their relevance to poor rural areas, so they gradually withdrew from rural areas. Third, financial poverty alleviation is difficult to meet the profit demand of commercial banks, so commercial banks invest less in poor areas.

V. The Optimization Path of Rural Financial Poverty Alleviation from The Perspective of Public Policy

5.1 Optimize the Ability of Public Policy Subjects

First of all, the Chinese central government plays a major role. It can formulate public policies based on regional resources and economic differences, and consider the implementation effects of the policy from multiple perspectives to guide governments and financial institutions at all levels to play a role in rural financial poverty alleviation. Secondly, local governments need to establish files of rural poor households and help poor farmers get rid of poverty according to poverty alleviation policies. Build a rural credit system, unite the joint guarantee system and the credit system, and reduce the default risk of poor people's loans. Finally, the grassroots government needs to work with financial institutions to build a financial service network, expand the scope of financial services, strengthen the supervision and management of rural informal finance, and broaden the rural financial market.

5.2 Actively Cultivate Financial Awareness

Under the guidance of public policies, grassroots governments and financial institutions need to vigorously cultivate farmers' financial awareness, increase the promotion of farmers' financial knowledge in poor areas, and increase the financial knowledge penetration rate in backward and poor areas. In view of the fact that there is a mismatch between the supply of financial institutions and the strong financial needs of farmers in poor areas, and the fact that most farmers lack correct knowledge of formal financial institutions, government departments and financial institutions should vigorously promote and enhance farmers' knowledge of finance awareness and cultivate good financial awareness of poor farmers.

5.3 Improve the Rural Financial Service System

On the one hand, avoid overlapping financial poverty alleviation institutions. The lack of financial institutions in poor areas, it is necessary to establish a diversified financial network. Such as the establishment of rural characteristic financing platforms, planting industry financing platforms, etc. The development of special poverty alleviation projects needs to be connected by special poverty alleviation funds to avoid the mismatch of resources in financial poverty alleviation institutions. On the other hand, give play to the advantages of inclusive finance. Under the rapid development of the Internet, poor areas can promote their superior resources through network platforms and use the network to stimulate the creativity of local farmers to create economic growth points that are

in line with the development of local industries and achieve the goal of poverty alleviation in poor areas.

5.4 Implement Efficient Public Policy Tools

First, the government departments should give full play to the role of guiding the poverty alleviation of special fiscal funds, and standardize the management of credit-based poverty alleviation discount funds. Second, government departments have optimized the original public financial support policies, increased fiscal preferential policies for rural financial institutions, and mobilized financial institutions' enthusiasm for poverty alleviation. Third, relevant government departments adhere to and deepen the reform of the rural financial system, improve rural financial services, guide the standardized development of informal finance, and play the role of financial institutions in rural financial poverty alleviation. Fourth, the relevant departments establish an incentive mechanism for lenders to repay the loans voluntarily, ensure a virtuous cycle of funds, and reduce transaction costs and risks in the process of farmers' credit applications.

VI. Conclusion

From the perspective of public policy, this study analyzes the main problems and causes existing in China's current rural financial poverty alleviation, puts forward the optimization path of rural financial poverty alleviation from four aspects: optimizing the main body ability of public policy, cultivating financial consciousness, perfecting the rural financial service system and implementing effective public policy tools. This paper tries to provide new theoretical basis and practical support for rural financial poverty alleviation of China from the perspective of public policy.

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