

# Study on the Sustainable Development of Targeted Poverty Alleviation through Financial Support

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## Abstract

The 13th five-year plan proposed that rural poor people in China's current standards will lift out of poverty by 2020, and all the poor counties were lifted out of poverty, addressing regional overall poverty. Since then, China's poverty alleviation work has been fought in an all-round way. Targeted poverty alleviation is the mode of poverty alleviation that applies scientific and effective procedures to implement precise identification, accurate help, and precise management, aiming at different poverty-stricken farmers and different poverty-stricken areas. Firstly, this paper studies the problems that are prevalent in the process of promoting financial support for targeted poverty alleviation in China, takes Hebei province as an example to analyze the current situation of financial precision poverty alleviation, proposes to vigorously develop inclusive finance in poor areas, and advocates that financial institutions work closely with government departments to improve the effectiveness of anti-poverty work and establish and improve the risk diversification compensation mechanism to promote the sustainable development of financial poverty, as a result to effectively promote the process of targeted poverty alleviation and to achieve the goal of building a moderately prosperous society in all respects by 2020.

## Keywords

Financial Support, Targeted Poverty Alleviation, Poor Areas, Financial Institutions

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## 1. Introduction

The so-called targeted poverty alleviation is the symmetry of extensive poverty alleviation. It is the mode of poverty alleviation that applies scientific and effective

tive procedures to implement precise identification, accurate help, and precise management, aiming at different poverty-stricken farmers and different poverty-stricken areas. Finance is the issuance, circulation and return of money, the issuance and withdrawal of loans, making and drawing out deposits, exchange transactions and so on. It's to realize the equivalent circulation of value and profit after a reintegration of existing resources, and as a result to promote the development of national economy (*The State Council Leading Group Office of Poverty Alleviation and Development, 2005*).

Under the new period, the government should increase support for financial institutions, and actively guide financial institutions to carry out targeted poverty alleviation and provide more financial support in order to promote the development of the 13th five-year plan and to achieve the goal of building a moderately prosperous society in all respects by 2020. Thus, it is very important to study the precise poverty alleviation work of financial support. This paper first studies the problems that exist in the process of promoting financial support for targeted poverty alleviation in China, then takes Hebei province as an example to analyze the current situation of financial precision poverty alleviation, at last gives some advice in order to effectively promote the process of targeted poverty alleviation and to achieve the goal of building a moderately prosperous society in all respects by 2020.

## **2. The Existing Problems of Financial Support for Targeted Poverty Alleviation Work under New Period**

### **2.1. Credit Resource Is Hard to Obtain**

Considering the current situation of Hebei province, the funds for basic living are not fixed by special poor farmers, the funds available for production and operation are even more scarce. Even though they have a need for capital, however, it is too weak to withstand risk, so they are often unable to obtain financial support. Relatively poor farmers can't get sufficient financial support either due to lack credit and collateral security, which leads to the phenomenon that the development of poor people is slower and the effect of poverty alleviation is not obvious. In financial support for targeted poverty alleviation, some leading enterprises, professional cooperatives and other economic entities of large credit are more difficult to meet. Because the loan term is not consistent with the business cycle of the enterprise and professional cooperatives, some credit needs with long periods and large capital requirements cannot be met, which restricts the development of real economies such as leading enterprises and professional cooperatives (*Zhang, 2016*).

### **2.2. Poor Areas' Own Weaknesses Make It Harder for Financial Institutions to Alleviate Poverty**

In Hebei province, finance supports precise poverty alleviation costs are high and risks are difficult to disperse in counties. The main form of financial poverty

alleviation is microcredit, not donor relief. The poor areas have poor natural conditions, which increases the risk of financial poverty alleviation. The ecological environment in poor areas is fragile and poor areas have frequent occurrence of natural disasters. Added by unreasonable farming methods, the soil erosion is increasing. Even some of the land is gone and farmers lose the basic survival guarantee.

In addition, water, electricity, roads and other infrastructure in poor areas are not sound, which increases the cost of financial poverty alleviation. Because of the special geographical environment, and the long-term spending on fiscal funds is limited. Water irrigation in poor areas is weak, power equipment is little, road coverage is narrow and road conditions are poor (Sun, 2008).

Besides, the agricultural industry structure is single in poor areas, making it more difficult to alleviate poverty. The poor areas take the natural economy as the main body. People pay much attention to self-sufficiency and lack of market exchange and competition awareness. Agricultural crops are mainly food crops and economic crops are rare. And poor farming techniques lag behind, so the cost of production is high and the income is low. In case of natural disasters, market food price changes and other uncertainties, people in poor areas cannot live, so it is difficult to achieve effective accumulation of capital.

### **2.3. Poverty Alleviation Information Sharing Is Insufficient Which Reduces the Accurate Identification of Financial Poverty Alleviation**

The government's poverty alleviation departments, financial institutions and financial supervision departments have not established a complete and unified sharing system for poverty alleviation, thus, financial institutions cannot effectively and timely understand the situation of poor households. So targeted poverty alleviation can't really be achieved.

### **2.4. Financial Institutions Are Less Motivated to Work Which Hinders the Effective Progress of Financial Targeted Poverty Alleviation**

Poor areas are economically backward, the financial infrastructure is not sound and financial services are incomplete. For example, rural banking outlets are few and the deposit and loan service business is not convenient, so financial institutions cannot effectively promote targeted poverty alleviation.

### **2.5. The Coordination Mechanism between Relevant Government Departments Are Not Sound Which Affects the Overall Effect of Financial Targeted Poverty Alleviation**

The government has not fully and effectively played the role of fiscal policy in aiding the targeted poverty alleviation, and financial institutions have less preferential subsidies to financial institutions. Financial targeted poverty alleviation involves local governments, agriculture, finance, statistics and other depart-

ments. It involves a wide area but good communication and coordination between departments is not formed. Thus there is some difficulty (Li, 2015).

The problems of financial precision poverty alleviation in the new period have common characteristics. The above five aspects are common in the process of targeted poverty alleviation. However, due to geographical differences, economic development is different. The problems that exist in different places have different characteristics. The following is based on the current financial support in Hebei province and studies the problems of financial precision poverty alleviation in Hebei province.

### **3. The Current Situation of Targeted Poverty Alleviation under the Financial Support of Hebei Province in New Period**

According to Hebei poverty statistics, there are 62 poverty-stricken counties in Hebei province in the year of 2016, among which there are 22 counties listed in the state Yanshan-Taihang mountain, 23 counties outside the area and 17 key counties in the province. There are 7366 poverty-stricken villages in the province, accounting for 15% of the total administrative villages in the province. A total of 485,000 people are in poverty, accounting for 8.5% of the rural population. Poverty remains a serious problem. Hebei province takes various measures to improve the targeted poverty alleviation.

In addition, in order to achieve innovative targeted poverty alleviation model and accelerate targeted poverty alleviation efforts in poverty-stricken areas across the province, the provincial finance office take the lead, provincial finance office, Shijiazhuang central sub-branch of the People's Bank of China, provincial poverty relief office, Hebei banking supervision bureau, Hebei securities regulatory bureau, Hebei insurance bureau, ministry of industry and information and related financial institutions established the provincial financial support group. However, many problems still exist in financial poverty alleviation. We need to summarize the successful experience of the financial poverty alleviation demonstration county, take the experience gained at one unit and popularize it in a whole area and give full play to the powerful role of finance in driving economic development (China Statistics Press, 2011).

## **4. Hebei Province Financial Precision Poverty Alleviation Path Exploration in New Period**

### **4.1. Vigorously Develop Inclusive Finance in Poor Areas**

Inclusive finance provides effective financial services to all sectors of society with financial services at affordable cost. It is based on the principle of equal opportunity. It focuses on farmers in poor areas in order to improve the coverage rate of financial services in poor areas, implement financial targeted poverty alleviation, change the backwardness of poor areas and help farmers to live a happy life.

We should strengthen financial infrastructure in poor areas and optimize the financial environment. It is necessary to realize that there are financial institutions and services in each village. Increase county bank branches, allocate the POS machines, ATM automatic teller machine and other related financial machines. The farmers can enjoy convenient basic financial services without leaving their homes.

#### **4.2. Financial Institutions Work Closely with Government Departments to Enhance the Effectiveness of Poverty Alleviation**

Financial support for targeted poverty alleviation is a huge project. The effective and close cooperation and communication between relevant government departments and financial institutions plays a vital role in the effectiveness of poverty alleviation. The financial institutions and relevant government departments should work together to make the best use of profits. First, the government should make full use of the financing function of finance when giving full play to the role of financial funds in alleviating poverty. Because financial funds are difficult to meet the needs of poverty alleviation, financial institutions should give some discount and actively undertake the social responsibility of poverty alleviation to realize the effective combination of financial capital and financial capital. Second, the governments should establish a sound system for building a file system for poor households, provide financial institutions with basic information about poor areas. At the same time, the government should promptly communicate with financial institutions to realize the real-time sharing of poverty alleviation information.

#### **4.3. Establish a Sound Risk Diversification Compensation Mechanism to Promote the Sustainable Development of Financial Poverty Alleviation**

Because of the weaknesses of poor areas, their repayment ability is weak and repayment risk is large. Moreover, it is difficult to set up a guarantee and risk margin for financial institutions added by limits of local finance.

Firstly, we should strengthen the construction of local social credit systems and crack down on the evasion of the debts. Secondly, the government departments shall carry out the improvement of relevant fiscal policies. We should improve the mechanism for subsidizing loans for poverty alleviation and increase the enthusiasm of financial institutions. Thirdly, we should vigorously develop the insurance market in poor areas, provide poor areas with insurance services and risk insurance in order to protect microfinance in poor areas and strengthen lending activity of financial institutions (Meng, 2013).

### **5. Conclusion**

From the research of this paper, to achieve the goal of building a moderately

prosperous society in all respects by 2020, we should comprehensively carry out financial support for targeted poverty alleviation work (Chen & Wu, 2009). However, there are still many problems in financial support for targeted poverty alleviation during the new period and we need to constantly improve the way we work in poverty alleviation. More practices of financial support for targeted poverty alleviation are needed in the future in order to find more kinds of solutions.

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