A Review on Precise Poverty Alleviation by Introducing Market Mechanism in a Context Dominated by Government

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Abstract. The introduction of market mechanism can improve the allocation efficiency of poverty alleviation resources in the precise poverty alleviation, and is of great significance to achieve the goal of poverty alleviation. The literature reviews are made that includes the necessity of introducing market mechanism to government poverty alleviation, the ways of the introduction of market mechanism, and the new market poverty alleviation model in recent years. Due to the immaturity of the market poverty alleviation model, there are some problems in the market mechanism to government poverty alleviation. The main research area now is how to choose patterns for poverty alleviation and optimize the mechanism of market poverty alleviation.

Introduction

Since 1978, the government has always attached importance to rural poverty alleviation work. The government has introduced a series of poverty alleviation policies and invested a lot of poverty alleviation funds, so that the number of the poor population in China have been greatly reduced. A large number of empirical studies show that the government has a significant impact on poverty reduction in the settlement of a large and concentrative area \cite{1,2}. With increasing investment in poverty alleviation, rural poor distribution is gradually showing new features that are scattered and small concentration. At the same time, the situation of poor residents is not clear so that poverty alleviation funds and measures are not accurate. In 2013-2015, Jinping Xi proposed accurate poverty alleviation requirements in western Hunan, Yunnan, Guizhou and other places when he investigated poverty alleviation. It is that the object should be accurate, the project arrangements should be accurate, the use of funds should be accurate, measures in place should be accurate, village personnel should be accurate, and poverty alleviation effectiveness should be accurate \cite{3}.

The Problems of Government poverty Alleviation

Comprehensive analysis of the existing literature, there are defects in the design of the government's poverty alleviation system. (1) The criteria for poor households are different from place to place. (2) The ownership of poverty alleviation projects is obscure. (3) The dynamic management and assessment mechanism of poverty alleviation is unsound. (4) The sources of poverty alleviation funds are onefold. (5) The government has the problems of multi-sectoral coordination. (6) The problems of information asymmetry exists between the poor households and the government \cite{4-9}. On the other hand, the object of poverty alleviation has its own defects. (1) Poor households lack enough coordination to fill file about poverty alleviation. (2) Poor households are too dependent on the government. (3) Poor families are backward thinking and lack of Education. (4) The rural young and middle-aged labor force is in flux. (5) Rural Party members are generally aging \cite{10-15}.

Therefore, in order to achieve accurate poverty alleviation, we need to solve the two problems of the government and the object of poverty alleviation. The introduction of market mechanisms provides a good approach.
Government Poverty Alleviation and Market Mechanism

In the poverty alleviation, introducing the market mechanism can realize the optimal allocation of poverty alleviation resources, and raise the utilization efficiency of poverty alleviation funds so as to achieve precise poverty alleviation.

The Role of the Market in Anti-poverty. Dongmei Liu (2003) believes that the market economy will help break the existing closed cycle in poor areas, and promote industrial development and management [16]. According to Wenzhen Ye and Jing Yan (2013) the introduction of market mechanism enables the poor to learn how to produce goods in an organized and specialized way with the help of leading enterprises [17]. Zhiming Xu (2008) thinks that the introduction is beneficial to cultivate the market consciousness of the poor people, and to encourage the poor farmers to participate in the market competition actively, and to stimulate the inner power and ability of the poor farmers [18]. Min Wu (2015) considers that it also can change the inert thinking of “Wait, Dependence, Demand” of poor [19].

In anti-poverty, the market can overcome the excessive concentration of government decision-making power, and also can absorb and configure social capital with superior resources. But it is important to note that the introduction is like a double-edged sword. If we allow it to develop, there will be a widening gap between the rich and the poor. Therefore, we also need to rationally introduce market mechanism.

The Practical Experience of the Market Mechanism in Poverty Alleviation. Yu Di (2005) analyzes the ways of empowerment and participation in the poverty alleviation, and the introduction of the market mechanism to transform the former relief mode to realize the effective poverty alleviation from the successful case of poverty alleviation in the Zhongba village of Sichuan [20]. Yonghong Deng (2014) analyzes the difficulty of poverty relief loans, the difficulty of intensive management and the difficulties of scientific and technological cultivation, as well as the three reforms of the market allocation of poverty alleviation, market factors and market cooperation from Mayang Miao Autonomous County of the implementation of market-oriented industrial poverty alleviation mode [21]. Lirong Li and Wei Zhang (2015) analyzes the use of market mechanisms for poverty alleviation can better solve the problem of funds, through advantages of mutual aid, helping to build brand and tourism market from the application of market poverty alleviation in Xingtai [22].

These practical experiences of poverty alleviation provide effective support for the introduction of market mechanism to poverty alleviation, and provide guidance.

The Role of Government. After introducing the market mechanism in anti-poverty, we need to draw the line between the government and the market, so as to fully play the service function of the government and release the market forces to participate in the poverty alleviation. Zhiming Xu (2008) points out that the traditional practices of the government in the development of poverty alleviation must change rapidly [18]. Dongmei Liu (2003) believes that in the poverty alleviation, the government's function is to provide public goods, and formulate corresponding economic policies and regulations [16]. Yanjun Zhang and Jinhao Liu (2007) further argue that if only the market competition can control the management activities, the government should not directly intervene, and the government needs to do is to provide technical and information services [23]. Xiaoyun Zhang and Yan Tang (2014) consider that the government needs to change its functions and decentralized the approval authority for poverty alleviation projects. Simultaneously, the government should maintain a good relationship with the market and guide enterprises to participate in poverty alleviation [24]. Tianhui Zhuang (2015) points out that in addition to the top-level design of poverty alleviation and development, the government needs to play a good role in regulation and supervision [25].

The Ways of the Introduction of Market Mechanism

Nowadays, how to introduce the market mechanism into government poverty alleviation has become the focus of many scholars. According to the existing literature, the functions of the introduction can be divided into two aspects. Firstly, the marketization of poverty alleviation resources allocation
makes the optimization of the allocation of poverty alleviation resources. Secondly, the marketization makes the poverty alleviation subjects market-oriented, and attracts social capital to participate in the poverty alleviation.

**The Marketization of Poverty Alleviation Resources Allocation.** How to scientifically allocate poverty alleviation resources is a key link to realize the accurate poverty alleviation. Guoyong Wang (2015) argues that the government needs to transfer projects and funds to the county, mobilize the enthusiasm of the county level, and establish a results oriented funding incentive allocation mechanism [8]. Ruiqiang Zheng and Guoqing Cao (2015) put forward that the government uses the advantages of the third party poverty alleviation service, such as precision, professionalism, low cost and heavy service, achieves through large data resource flow to the poor, and improves the allocation efficiency of poverty alleviation resources [26]. Baohua Zheng and Jingmei Jiang (2015) propose the establishment of demand response cost of supporting resource supply mechanism and sharing mechanism construction. The government needs to adopt some policies, open and fair competition, to enable villagers to decide for themselves and support active people, so as to improve the efficiency of poverty alleviation and resource allocation.

It is not difficult to find that the introduction of market mechanism to improve the efficiency of poverty alleviation allocation of resources. There are two main directions of work. They are the marketization of the allocation of government resources and the market access of poor households to obtain resources.

**Marketization of Poverty Alleviation Subject.**

**Guide Social Capital Participation.** The realization of comprehensive poverty alleviation requires extensive participation by the whole society. It is far from enough to rely solely on government input. In twenty-first Century of poverty alleviation, we should break the pattern of a single government to help the poor, and introduce market mechanism to attract social capital, so that the government funds can achieve twice the result with half the effort. Yanjun Zhang and Jinbao Liu (2007) point out that the government funds implement the necessary financial subsidies to the poverty areas, and give the necessary tax benefits to increase the profits of enterprise projects [23]. Jielong Liu (2015) believes that it is necessary to create various market platforms so as to promote the contact between the poverty alleviation object and the external market [27]. Wenzhen Ye and Jing Yan (2013) put forward some specific requirements, such as setting up a working platform for private enterprises to participate in poverty alleviation, taking the media as a propaganda platform to widely publicize, and guiding enterprises to bring about strategic donations [17].

Based on the above literature, the market development of poor areas is not enough. It needs to introduce market mechanism and attract social capital. This can effectively cultivate the market awareness and ability of the poor. It also trains enterprises to become specialized poverty alleviation organizations and to improve the efficiency of poverty alleviation.

**Constructing the Common Benefit Community.** The introduction of market mechanism and the attraction of social capital can form a community of interests in villages and enterprises. Liu Dongmei (2003) believes that we can establish the benefit distribution and the adjustment mechanism between the enterprise and the farmer through the factor contract and the property relations, the stock cooperative system and the leasing mechanism [16]. Sangui Wang and Wei Liu(2016) believe that the interest link between village and enterprise can solve the problems of information, technical, sales and financial that are faced by the poor farmers, and reduce the threshold for the development of industries for poor households [3]. Tianhui Zhuang (2015) points out that we should promote the management mode of industrial poverty alleviation organizations innovatively, establish financing models and channels for industrial development funds and all raised funds, establish various forms of benefit linkage mechanism of industrialization, such as contract type, interest refund type, equity participation and cooperative type and so on [25]. Ruiqiang Zheng and Guoqing Cao (2015) point out that the industrial chain of poverty alleviation can be effective docking of multidimensional poverty factors through the combination of poverty alleviation model [26]. Guoyong Wang (2015) points out
that when the market performance is great, the farmers sell by themselves; when the market performance is poor, and the enterprise pays the purchase price.[8]

Obviously, all kinds of "combination type" interest community can combine the limited manpower, funds, land and other enterprises with farmers. It is able to establish and strengthen the mechanism of interests linking between poor areas and society, revitalize the potential resources in rural areas, stimulate the enthusiasm of social participation in poverty alleviation, boost the development of enterprises and realize mutual benefit and win-win situation.

New Forms of Market-oriented Poverty Alleviation Model

Along with the market mechanism in China and the improvement of market strength, there have been some new patterns of market poverty alleviation in recent years. Such as government purchase services, public-private partnership (PPP) and asset income poverty alleviation model. We are mainly from three aspects to sort out the new market poverty alleviation model. (1) The characteristics of the new market poverty alleviation model. (2) The practice of the new market poverty alleviation model. (3) The problems of the new market poverty alleviation model.

The Characteristics of the New Market Poverty Alleviation Model. An important feature of the new market poverty alleviation models is the privatization of the way to help the poor, which means that the government needs to give more rights of poverty alleviation projects to private enterprises and organizations. The government turns from management type to service type, and gives fully to play the function of market allocation of resources. Wang Yan (2016) argues that the government purchase of services and PPP in poverty alleviation can further integrate and optimize allocation of social resources, which can improve the efficiency of poverty alleviation and establish partnership between government departments and the private sector.[28] The two new types of private and government cooperation in poverty alleviation mode break the monopoly of the government in the public domain. Through the professional use of social capital, it can promote the reform of poverty alleviation service system, effectively improve the utilization efficiency of the resources of the government. By the professionalism of social capital, the government can promote the reform of the system and mechanism of poverty alleviation services, and effectively improve the efficiency of the use of government resources.[29] The mode of poverty alleviation is an effective way to support disabled people. And it can stimulate the initiative of the poor object to participate in the operation of cooperatives and other carriers.

Practical Experience of New Market Poverty Alleviation Model. In the government's choice of partners, the NDRC documents and the Treasury documents points out the criteria for project procurement and partner selection. Through open tender bidding, competitive negotiation, competitive negotiation and single source procurement and other methods, we can choose a partner which has the corresponding professional ability, financial strength and social capital to meet the needs. The project competition mechanism can be formed. And it also encourages local governments to introduce excellent projects.[30,31].

In the aspect of government purchasing service and helping the poor, Junli Zhu (2013) provides a case that the government purchases the poverty alleviation service from charity organizations.[32] Sixu Shang (2015) provides a case that the government of 3 villages in Juancheng County of Shandong Province buys services from the poverty alleviation association.[33]

In the PPP pattern poverty alleviation practice, Huihong Lv (2015) provides a successful case that Hunan Dongkou draws on the PPP model to develop rural poverty alleviation industry.[34] Biao Zhou and Gang Li (2016) explored the mechanism design and key issues of PPP model applied to tourism in Guizhou.[35] Yunnan province has made some useful exploration and application in “PPP + precision poverty alleviation”.

In the practice of poverty alleviation of assets income, Tong Su and Zhihong Li (2016) take the photovoltaic industry poverty alleviation as an example to discuss the effectiveness and major problems of the rural assets income poverty alleviation.[36] Xuhong Dai (2016) analyzes the
characteristics of assets income and poverty alleviation, and provided accurate aid to poor groups through the study of the mode of assets poverty alleviation in Sichuan province \[^{37}\]. The Gucheng County of Hengshui adopts the “four in one” model of asset income poverty alleviation with “the government + cooperatives + banks + Chia Tai Group”, and it has achieved remarkable poverty alleviation effect \[^{38}\].

**Problems Existing in the New Market Poverty Alleviation Model.** The application of asset income poverty alleviation, government procurement services and PPP model in the poor areas is still in its initial stage. So the literature in this field is still rare, and it faces many problems and challenges.

According to the existing literature, the problems faced by the government in purchasing services are as follows. (1) The system of government purchase service in our country is incomplete yet. (2) The government still occupies the absolute superiority and status, and there is the unevenness of cooperation. (3) Government purchase is characterized by "Internalization" and formal purchase, and social organizations become an extension of government departments (4) In some areas of public services, the government is difficult to find a number of social organizations to undertake the purchase of the project. (5) There is a lack of special personnel to supervise the technical problems of services \[^{39,40,41}\].

The problems of the PPP model are as follows. (1) The formulation of the PPP law is still in progress and incomplete. (2) The government cannot be completely transparent because of pressure from policies and trade secrets. (3) Some government officials lack the necessary professional skills. (4) The approval process is complicated. (5) The price of the PPP project is determined by the cooperative social capital. (6) The government used to hand over the blame to private investors. (7) PPP contract execution and modification are prone to inconsistencies in risk before and after. (8) Financial institutions are reluctant to provide long-term financing for PPP projects \[^{42,43,44}\].

The asset income poverty alleviation model can incline the income distribution to the poor households who are disabled, and enhance the sustainability of the poverty alleviation effect. However, there are not many theories about problems of asset income poverty alleviation. Yu Ji (2016) argues that the poverty alleviation of assets income mainly faces such problems as difficulty of the integration of resources and funds, incomplete policy support and difficulty of risk prevention and control \[^{45}\].

**Conclusion**

The present research shows that the introduction of market mechanism of poverty alleviation under the government led is not yet mature. There are problems of system, fairness, supervision and technology, which will affect the efficiency of poverty alleviation. Therefore, it is particularly important of the effective connection between the new poverty alleviation model and the precise poverty alleviation. The issue of dealing with partnerships between government, social capital and poverty alleviation objects is critical. In view of various market-oriented poverty alleviation patterns, how to select and optimize is the main research direction. In the various market poverty alleviation models, we need to clarify the links and differences between them. The market poverty alleviation model should be used innovatively to avoid simplification. According to the local characteristics, the various market poverty alleviation patterns are rationally combined. By combined in reason and bring into play advantage, it can realize the maximum efficiency of poverty alleviation work.

In view of how to introduce market mechanism to poverty alleviation, we put forward the following considerations. (1) In the introduction of market mechanisms, poverty alleviation, the most important thing is to choose whom to cooperate with. (2) Sources of poverty alleviation resources need to be found. Generally, it has the government's poverty alleviation funds, social capital, various resources of the villagers and village collectives (for example, the right to contracted management of rural land, collective land ownership, housing ownership, etc.). (3) How to introduce market mechanism to improve the efficiency of resource allocation? Who will manage the funds and realize the profits? (4) How to raise the income of poor households and realize poverty alleviation? What
industries can be introduced? (5) What role does the government play in the poverty alleviation mechanism to provide services for the poor?

In view of the above analysis, we make the following suggestions which effectively link up between the market mechanism and the poverty alleviation. (1) The law and regulation system for poverty alleviation in poor areas need to be improved. (2) A new market poverty alleviation demonstration and publicity platform needs to be established. (3) The service standard of the introduction of social capital to poverty alleviation needs to be refined. (4) The cultivation of professional and technical in poverty alleviation needs to be strengthened. (5) In order to make the poverty alleviation work more practical, we should make further innovations in the new market poverty alleviation model.

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Reference


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