

Research on the Development of Inclusive Finance in Poverty-stricken Areas under the Background of Precise Poverty Alleviation

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Abstract—Currently, the government has vigorously promoted the precise poverty alleviation. Considered to be a basic work for precision poverty alleviation, the Inclusive Finance can effectively promoted precision poverty alleviation. Increasing financial supply in poverty-stricken areas through the development of Inclusive Finance is the main focus of financial poverty alleviation work. The purpose of Inclusive Finance is to establish an effective and all-round financial system to provide services to all social strata and groups, and to provide the vulnerable groups with equal access to modern financial services and rights. Inclusive Finance takes system as guarantee, product as carrier and service as advantage, so as to improve the accuracy and effectiveness of financial poverty alleviation. Although the Inclusive Finance work in poverty-stricken areas has achieved some achievements in recent years, there are still vast poor people in the rural areas which have led to many problems in the implementation of the Inclusive Finance. This paper mainly introduces the concept and characteristics of the Inclusive Finance under the background of precise poverty alleviation. It deeply analyzes the problems in the implementation of the Inclusive Finance in China poverty-stricken areas, and put forward suggestions on how to improve rural Inclusive Finance in response to existing problems. This paper hopes to improve the Inclusive Finance system in poverty-stricken areas and better assist in the realization of the goal of precise poverty alleviation.

Keywords—*precision poverty alleviation; Inclusive Finance; poverty-stricken areas; precise poverty alleviation*

I. INTRODUCTION

Finance is the core of the modern economy and the booster for the development of the real economy. However, in poverty-stricken areas, especially in remote areas, financial exclusion is still very serious. In order to solve the problem of financial exclusion in rural poverty-stricken areas in China and promote the inclusive development of finance, the Communist Party of China explicitly put forward the policy of developing Inclusive Finance at the Third Plenary Session of the 18th Central Committee, which is intended to solve the problem of financial support for the poor people in poverty-stricken areas. The Inclusive Finance can provide high-quality and efficient financial services for the poor groups in poverty-stricken areas, truly help these groups get rid of poverty, thus achieving social equity and fairness, and effectively promoting the development

of rural economy and society. However, there are still many problems in the implementation of Inclusive Finance. To carry out Inclusive Finance in poverty-stricken areas mainly depends on the government's policy guidance and financial support, and lacks an inclusive mechanism with market efficiency. Therefore, we must further polish the sword of Inclusive Finance, in order to effectively help the fight against poverty.

II. RELEVANT CONCEPTS OF INCLUSIVE FINANCE IN POVERTY-STRICKEN AREAS

So far, China's financial market development has not yet achieved full market operation. In the financial market, each transaction entity cannot obtain open and fair trading opportunities. The financial market cannot yet borrow funds according to the expected repayment ability of each capital demander. Therefore, it can be said that financial exclusion is everywhere. Financial exclusion leads to inefficient allocation of financial resources, high financial risks, and severely affects economic and social development. In order to solve financial exclusion and promote inclusive development, Inclusive Finance emerged as the times require. Inclusive Finance has five characteristics: popularity, convenience, inclusiveness, diversity and sustainability. Inclusive Finance is a reflection on the existing financial system. The original intention of formulating Inclusive Finance is to solve the financing problems of vulnerable groups such as "agriculture, rural areas and farmers" and small and micro enterprises, so as to achieve financial precision and poverty alleviation, and promote social fairness and justice. Inclusive Finance and precision poverty alleviation have consistency in target value. Therefore, in order to win the battle of precise poverty eradication, we must make full use of the sword of Inclusive Finance so as to eradicate poverty and achieve social fairness and justice. Therefore, we must attach great importance to Inclusive Finance and further strengthen the construction of Inclusive Finance system.

III. PROBLEMS IN THE IMPLEMENTATION OF INCLUSIVE FINANCE IN POVERTY-STRICKEN AREAS OF CHINA

A. *The Top-level Design Needs to be Improved*

At present, there is a lack of systematic and operative arrangements for policy support, institutional functions and regulatory evaluation of inclusive finance, and a complete and

targeted set of Inclusive Finance indicator systems and statistical system arrangements have not yet been formed. The mechanism of data cooperation and sharing among different departments is not perfect, and there is a lack of interdepartmental policy coordination and linkage. It is lack of effective basis and means for standard and measurement of Inclusive Finance construction. In addition, the laws and regulations on Inclusive Finance are relatively scattered, and the legal hierarchy is also low. There is no clear legal norm for some new financial formats. It is impossible to clarify the responsibilities and obligations of the various participating departments, governments at all levels and various financial organizations in the development of Inclusive Finance.

B. The Incentive Mechanism is not Perfect

Due to the lack of perfect credit guarantee mechanism in poverty-stricken areas, farmers lack effective collateral and collateral, and their ability to resist risks is generally weak, which is greatly influenced by multiple factors such as natural environment, market supply and demand. This leads to a higher rate of bad loans. The lack of effective incentive mechanism for supporting financial institutions to carry out financial business in poverty-stricken areas makes many financial institutions reluctant to carry out financial business in poverty-stricken areas, which hinders the implementation of Inclusive Finance in these poverty-stricken areas.

C. Lack of Professional Financial Talents Equations

The concept of Inclusive Finance has not been deeply rooted in the minds of the people, making the professional financial talents in this field relatively scarce. With the acceleration of urbanization process, the professional financial talents in poverty-stricken areas are gradually shifting to cities, which make the number of the professional financial talents in poverty-stricken areas decrease gradually. Due to the difference in education level between urban and rural areas, the financial institution employees who eventually stay in poverty-stricken areas tend to have lower academic qualifications and poor professional quality. Without the support of high-quality professional financial talents, many Inclusive Finance is implemented slowly or even blank in these poverty-stricken areas, thus hindering the realization of precise poverty alleviation.

D. lack of credit funds

The development of Inclusive Finance must depend on sufficient credit funds, but the reality is that the development of inclusive finance in poverty-stricken areas is facing the predicament of insufficient credit funds. Generally speaking, the development of precise poverty alleviation relies mainly on the support of financial funds, while the financial funds invested in inclusive finance are even fewer. Many industrial projects in poverty-stricken areas have not been supported by corresponding financial funds. Even though financial subsidy policies have been established for a few projects, only a few farmers can enjoy the subsidy policy because of the high threshold. What is even more surprising is that in some poverty-stricken areas, the interest rate of loans given by financial institutions to farmers is very high, leading to many

farmers simply unable to obtain loans from financial institutions. The source of funds for farmers is mainly the original accumulation, borrowing between relatives and friends, private lending and even usury. The lack of credit funds has seriously affected the development of inclusive finance, and further affected the realization of the goal of precise poverty alleviation.

E. The Backwardness of Infrastructure

In poverty-stricken areas, the financial infrastructure is relatively backward, and the service network of financial institutions is relatively small, resulting in relatively low level of financial payment in poverty-stricken areas. The backward financial infrastructure is contradictory to the goal of precise poverty alleviation, and is not conducive to the innovative development of Inclusive Finance. At the same time, the construction of information database in poverty-stricken areas is relatively backward, and the construction of information database is the basis of building social credit system. In some poverty-stricken areas, transportation is underdeveloped, and even in some areas there is no electricity. This makes it difficult for financial institutions to grasp the credit status of farmers in these poverty-stricken in time, thus affecting the updating of information database. Due to the information asymmetry between financial institutions and farmers, it is extremely prone to repay the debts, the poverty alleviation loans are used for other purposes, and the loans are borrowed from the banks in the name of individuals. In addition, the backward construction of information database makes it difficult to accurately confirm and measure rural resources such as rural land contracting and collective construction land in these poverty-stricken areas, thus affecting the mortgage of these agricultural resources. It is difficult to revitalize agricultural resources and ultimately hinder the development of precise poverty alleviation.

F. Greater Financial Pressure

In the early stage of the development of Inclusive Finance, financial institutions need continuous innovation, and innovation is inseparable from a large amount of financial support. Financial institutions must invest a large amount of funds, which will make financial institutions face greater financial pressure. In addition, the amount of loans provided by financial institutions to farmers in poverty-stricken areas is generally small. Most of the funds range from tens of thousands to hundreds of thousands. However, transportation in these poverty-stricken areas is inconvenient. For every loan provided by financial institutions, employees of financial institutions need to travel long distances to the farmer's home for investigation, sometimes more than once, resulting in higher operation cost and lower benefit for financial institutions, and with the further development of Inclusive Finance, the cost will also increase further, which will make the financial pressure on financial institutions more and more serious.

IV. HOW TO ACHIEVE BETTER DEVELOPMENT OF INCLUSIVE FINANCE

A. Strengthen the Top-level Design

We should further strengthen the top-level design of Inclusive Finance, establish a communication and coordination linkage mechanism between departments, clarify the policy standards for Inclusive Finance construction, and improve the legal and regulatory system for Inclusive Finance.

B. Improving the Policy Environment

The central bank will further increase financial investment in poverty alleviation, innovate financial products and services to accurately meet the financial needs of the poor and ensure that the farmers in poverty-stricken areas benefit. Commercial banks should also participate extensively in Inclusive Finance strategies and inject more vitality into the economic development of poverty-stricken areas. In addition, government departments should appropriately relax the access conditions of financial markets, actively guide social capital and private capital to participate in Inclusive Finance strategy, and create more financing channels and sources for farmers in poverty-stricken areas, and further eliminate financial barriers. Government departments should also relax the regulatory conditions of financial markets, and appropriately increase the freedom of financial institutions within the scope permitted by law. Government departments should encourage financial institutions to increase financial innovation in poverty-stricken areas, develop more financial products, and better serve the precise poverty alleviation.

C. Focus on Talent Training

Relevant government departments jointly formulate talent plans related to precise poverty alleviation, pay attention to the targeted selection of Financial College students, and systematically deliver high-quality financial talents to poverty-stricken areas. In addition, the Ministry of Education should encourage universities to set up rural finance major, which is a financial major based on the extensive demand for financial professionals in front-line positions in the construction of Inclusive Finance system and county financial development. The Ministry of Education can implement the free education policy for agricultural finance students by referring to the model of public teachers and students, and train a large number of outstanding rural financial institutions practitioners in poverty-stricken areas. In addition, financial institutions can arrange employees of financial institutions from poverty-stricken areas to learn and exchange in economically developed areas, so as to improve the professional level and quality of employees of financial institutions in poverty-stricken areas and accumulate talent resources for the development of Inclusive Finance in poverty-stricken areas.

D. Broaden Sources of Funding

In addition to increasing support for Inclusive Finance policies in poverty-stricken areas, the government should take further measures to continuously broaden the sources of funds to meet the growing demand in the implementation of Inclusive Finance in poverty-stricken areas. Policy banks such as the

China Development Bank and the China Agricultural Development Bank can raise funds through the issuance of policy-based bank financial bonds for Inclusive Finance in precise poverty alleviation. In addition, the Banking Regulatory Commission should actively guide new rural financial institutions such as rural banks and rural mutual funds to participate in Inclusive Finance strategies in poverty-stricken areas. The Banking Regulatory Commission should encourage the insurance industry to actively innovate in insurance products, and to actively participate in infrastructure construction and livelihood projects in poverty-stricken areas with various forms of insurance funds, such as creditor's rights, equity and asset support plans.

E. Improve the Incentive Mechanism

Government departments should establish and improve incentive mechanisms related to Inclusive Finance, actively mobilize the enthusiasm and initiative of commercial financial institutions to participate in Inclusive Finance strategies, and guide commercial financial institutions to participate more broadly in poverty alleviation. Relevant government departments should issue a series of financial support policies related to precise poverty alleviation, and give preferential policies such as loan discounts and financial subsidies to commercial financial institutions that participate in precise poverty alleviation. Government departments such as finance and taxation should improve their fiscal and taxation policies, establish and improve the cost-sharing mechanism of Inclusive Finance, improve the risk compensation mechanism, and share the non-performing loans of commercial financial institutions. It can relieve the worries of commercial financial institutions to participate in financial poverty alleviation, thereby further enhancing the quality of commercial financial institutions involved in precision poverty alleviation.

F. Improve Infrastructure Facilities

It is very important to optimize the external environment for the development of Inclusive Finance. Government departments should further increase financial investment in poverty-stricken areas and gradually improve infrastructure construction, including road traffic, communication networks and hydropower. Government departments should constantly expand the coverage of financial services, increase the number of financial institutions such as rural banks and rural mutual funds, and actively publicize and promote the use of online payment methods such as online banking, third-party payment, and mobile payment by farmers in poverty-stricken areas. Financial institutions should actively explore the establishment of a credit evaluation index system for farmers in poverty-stricken areas and promote the construction of a basic database of financial credit information, so as to provide precise financial services for farmers in poverty-stricken areas and further improve the quality of financial institutions' participation in precise poverty alleviation. In addition to hardware construction, government departments should vigorously publicize and popularize financial knowledge in poverty-stricken areas, and regularly carry out propaganda, consultation and explanation of financial knowledge, so as to continuously improve the financial quality and risk identification ability of financial consumers in poverty-stricken

areas. These create a good environment for the development of Inclusive Finance strategy.

V. CONCLUSION

In summary, Inclusive Finance and precision poverty alleviation have a high degree of convergence in social responsibility, financial innovation and so on. The broad coverage of Inclusive Finance is highly consistent with the goal of precise poverty alleviation; the sustainability of Inclusive Finance is consistent with the initial focus of consolidating poverty alleviation; and the compensation of inclusive finance is consistent with the requirement of stimulating endogenous motive force for poverty alleviation. Therefore, we must recognize the importance of Inclusive Finance under the background of precise poverty alleviation. Financial poverty alleviation is a way of “hematopoietic” to alleviate poverty. It has changed the traditional way of “transfusion” of financial poverty alleviation. This fully embodies the poverty alleviation concept of “granting to fish” and ensures the effect of poverty alleviation. However, we should also note a series of problems in the implementation of Inclusive Finance. In order to solve these problems, we must constantly improve and innovate. Only in this way can the Inclusive Finance truly benefit the people and truly promote the implementation of the national precise poverty alleviation strategy.

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