

Research on Innovative Path of Coordination between Inclusive Finance and Precision Poverty Alleviation

Yi Jiang

Wuchang Shouyi University, Wuhan City, Hubei Province, 430000, China

email: 154989686@qq.com

Keywords: Inclusive Finance; Precise Poverty Alleviation; Innovative Path

Abstract: Poverty has become a major problem that restricts the economic development of all countries in the world. Eliminating poverty is the obligatory responsibility of all mankind. Since the founding of the United Nations, “poverty eradication” has been written into the UN Charter. Therefore, poverty alleviation has become a hot issue of people's livelihood that governments and scholars of various countries have been paying close attention to. Attention to the problem of the gap between rich and poor began in the “low level equilibrium trap” theory put forward by the American economist Nelson in the mid-19th century. The more obvious the gap between rich and poor is, the more countries focus on poverty alleviation and poverty alleviation. With the deepening of financial development, financial means have also become an important means of poverty alleviation in the region. The greatest significance of inclusive financial research lies in the innovative combination of financial means and poverty alleviation, and then find a more effective way out of poverty. Strengthening the construction of financial infrastructure will help to build a mechanism for inclusive financial poverty alleviation and optimize the financial ecological environment. We can not only play the strengths of financial instruments, but also get rid of poverty and embark on the road of prosperity.

1. Introduction

Financial precision poverty alleviation is an important part of the poverty alleviation and development strategic system, which means to solve the financial needs of poor areas and population production through financial institutions such as credit, insurance and funds [1]. According to the principle of compliance and effectiveness, it is a way to control poverty by providing precise assistance to the poor. Through financial poverty alleviation, more employment opportunities will be created for the poor and the development of a “blood-making” poverty alleviation model will be promoted. Strengthen the self-development ability of the poor and fundamentally change the backward situation in poor areas [2]. The nature of poverty-stricken areas determines that the greatest financial demand of the poverty-stricken groups is to have low-cost, convenient and fast inclusive financial services. Developing inclusive finance can optimize the allocation of resources and maximize the utility of funds [3]. At the same time, it helps to push forward the deepening of financial reform and promote economic development [4]. However, how inclusive finance can effectively support accurate poverty alleviation is a difficult point. Studying the effective ways of inclusive finance to support poverty alleviation is of great practical significance for improving the effectiveness of financial poverty alleviation and helping poor households get rid of poverty as soon as possible [5].

International experience shows that inclusive finance is a new concept of serving the real economy and an important means of poverty alleviation and development [6]. Under the premise of adhering to the basic principles of inclusive finance, seeking a new path of inclusive finance and precise poverty alleviation is related to the long-term development of inclusive finance and the implementation process and efficiency of the precise poverty alleviation strategy [7]. The precise poverty alleviation time is tight, the task is heavy, and the scope is wide. It is the top priority and the first livelihood project, and it is inseparable from sound and efficient financial services [8]. Pratt

& Whitney Finance and Precision Poverty Alleviation are consistent in ideology, but there are also differences in ideological emphasis. It is feasible and difficult to realize effective coordination between the two. It is necessary to comprehensively strengthen ideological understanding and system innovation, coordinate the role of the government with the advantages of institutions, and simultaneously enhance the ability of capital supply and demand to grasp the key points of coordination between the two [9]. We should carry out coordinated path innovation from the effective combination of microfinance, cooperative finance and other financial poverty alleviation modes, and the effective combination of traditional finance and internet finance innovation and poverty alleviation [10].

2. The Theoretical Concepts of Inclusive Finance and Financial Poverty Alleviation

2.1. Basic concepts of inclusive financial service system

Inclusive finance refers to the principle of equality and business sustainability, through increasing policy support, improving market infrastructure, and improving financial system construction, providing effective financial services for all sectors of society, especially for the poor and vulnerable groups at affordable cost. Mainly to farmers, urban low-income people, the disabled, small and micro-enterprises and other vulnerable groups as the service object. The development of Inclusive Finance is not equal to policy finance and charitable finance, but the real implementation of financial support for the real economy and the improvement of people's livelihood, which is conducive to promoting financial reform and innovation, and promoting social progress and development. Inclusive finance is also different from poverty alleviation and relief. It promotes financial services for groups that can form effective financial needs. It enables equal and dignified use of financial services to achieve poverty alleviation and low-income groups to get rid of poverty. The construction of the inclusive financial system can fully play the role of poverty alleviation by NGOs, microfinance institutions, rural mutual funds, and agricultural commercial banks.

2.2. Relevant theory of financial poverty alleviation

As the rapid development of modern finance has not benefited the poor and low-income people at the bottom, making them unable to obtain the financial services they need, financial development has led to the deterioration of income distribution. The rich and the rich can often become richer by increasing the value of their own assets or using financial leverage, thus hindering the alleviation of poverty. This also proves from the opposite side that the development of inclusive finance has a positive effect on poverty alleviation. Accurate poverty alleviation is aimed at different regional characteristics of poverty-stricken areas, different poverty-stricken factors of poor residents, scientific use of various means of poverty alleviation, strengthening the hematopoietic function of the poor groups themselves, and achieving the goal of getting rid of poverty and getting rich. Accurate poverty alleviation includes three aspects, namely, accurate identification, precise assistance and precise management. Really help the poor to the households, help the poor to the people, so that the scarce poverty alleviation funds play the most effective. Inclusive finance can avoid the low efficiency and moral hazard brought by the government's plan directives in the traditional financial promotion poverty alleviation mode, thus improving the efficiency of poverty alleviation resource allocation.

3. Ideological Differences between Inclusive Finance and Precision Poverty Alleviation

3.1. There are differences in policy objectives between Inclusive Finance and precise poverty alleviation

The main goal of inclusive financial development in China is to provide low-cost and sustainable financial services for low-income people and to achieve equality in access to financial services. Pratt & Whitney Finance is not only a "complete system" based on traditional finance, but also needs to give full play to its "financial function". At present, precise poverty alleviation has been

listed as the main political responsibility of all levels of government. Its policy objective is to truly realize inclusive economic growth in our country and lay a solid foundation for building a well-off society in an all-round way. This goal is not the same as the inclusive financial goal. It is not only a financial goal, but also has a stronger policy and political height. The development of inclusive finance is more about market behavior. The government provides a good policy and legal environment for both financial supply and demand sides, and maintains the “appropriateness” of government intervention. At present, China's precision poverty alleviation has entered a crucial stage, which is comprehensive, systematic and complex. Inevitably, it is inseparable from the strong intervention of the government. It is impossible to achieve such a daunting task in the short term by relying entirely on the power of the market mechanism.

3.2. Inclusive finance and precision poverty alleviation needs incomplete financial services

Inclusive Finance focuses on building a complete and efficient financial system from the perspective of financial function. The external organization of financial institutions can be diversified, but the purpose of serving poor and vulnerable groups is unique. Essentially, it is a sustainable commercial finance that focuses on providing sustainable low-cost financial services to low-income people through policy, institutional and technological innovation. The construction of China's inclusive financial system should pay special attention to the role of commercial finance, especially small and medium-sized commercial finance and cooperative finance. At present, China's precision poverty alleviation is a systematic project led by the government. Many commercial financial institutions regard participation in precision poverty alleviation as a political task. The financial aid-the-poor program is designed according to the government's aid-the-poor plan and will, which more reflects the government's interests and will. A benign market-based aid-the-poor mechanism has yet to be formed. It can be seen that China's precision poverty alleviation relies more on the “policy” financial function, which is only a part of inclusive finance.

4. The Main Strategies of Inclusive Finance Supporting Precision Poverty Alleviation

4.1. Financial institution strategy

Table 1 National bank capital profit rate 2014-2018

Particular year	2014	2015	2016	2017	2018
Rural Commercial Bank	15.93	15.92	14.85	12.41	12.79
Rural Cooperative Bank	16.56	14.86	14.97	12.31	12.71
Rural Credit Cooperatives	16.17	16.13	16.45	12.87	13.02
New Rural Financial Institutions	18.93	16.98	14.19	11.54	12.09
Five Big Banks	19.08	18.89	16.78	14.59	14.95
Joint-stock banks	19.22	18.49	16.75	14.52	14.87
Banking financial institutions	17.43	17.16	15.68	12.97	13.1

For a long time, policy-based financial institutions have made little effort to help the poor. They should be set up in all counties. Key poor villages and towns set up business outlets to provide low-interest or even interest-free loans to individuals and poverty-stricken enterprises, which truly reflects the role of policy agencies in supporting agriculture. We should also vigorously support poverty alleviation and development projects so that the poor can enjoy the benefits of poverty alleviation projects. Commercial bank institutions should also perform their duty of supporting agriculture. They need to further develop agriculture-supporting businesses in rural areas. The effect of poverty alleviation should be included in the responsibility assessment. To correct the trend of urbanization of village banks, restore the original intention of village banks, encourage and urge them to focus on villages and towns to develop agriculture-supporting businesses. Rural understanding of finance in poor areas is still insufficient, and quite a few farmers do not understand what financial services are. First of all, financial knowledge promotion should be popularized. Second, the payment and settlement fees of all farmers and poverty alleviation enterprises in poverty-stricken areas should be exempted. Or at least reduce the settlement rate,

reflecting the nature of the offer. Third, the development of rural wealth management products, so that farmers can idle income can generate income. The national bank capital profit rate for 2014-2018 is shown in Table 1.

4.2. Agricultural insurance and credit product strategy

The development of seed-raising industry in poor areas is inherently weak and has poor ability to resist risks. Only with the support of policy-based agricultural insurance can the income guarantee be improved. Policy-based agricultural insurance requires low rates, which also belongs to inclusive finance. In order to carry out poverty alleviation agricultural insurance in poor counties, insurance companies may be required to act as agents. Including poverty alleviation industry project insurance, property insurance and personal accident insurance, industry and property insurance rates should be controlled below 0.5%. Personal accident insurance for the poor can be calculated at 25 ~ 35 yuan per person per year. The reduced premium income and increased insurance compensation should be used as the contribution of insurance institutions to poverty alleviation. Of course, poor households and poverty alleviation enterprises are hard to pay premiums. They need to be paid by the financial risk compensation fund to improve the protection of poverty-stricken areas. In addition, microfinance loans for farmers are difficult to meet the needs of modern rural development and production. Therefore, it is necessary to design farmers' poverty alleviation loans, poverty alleviation industry loans, poverty alleviation project loans, and credit consumption overdrafts to meet different levels of capital needs. At present, the promotion of agricultural insurance and credit products in China is as shown in Figure 1 below.

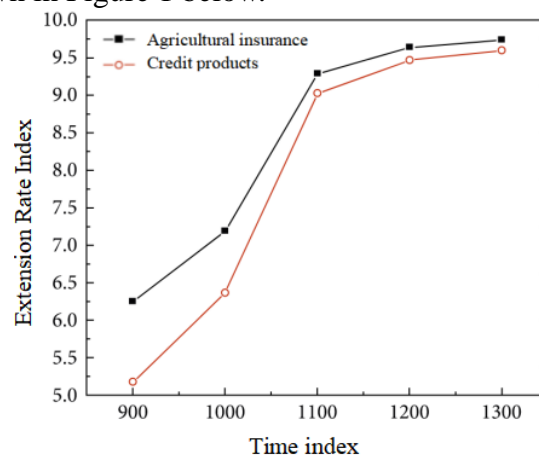


Fig.1. Promotion of agricultural insurance and credit products

5. Innovation of Coordination Path between Inclusive Finance and Precise Poverty Alleviation

5.1. Achieving the effective combination of microfinance and other financial poverty alleviation patterns

Inclusive poverty alleviation of financial services should focus on the credit mechanism and technological advantages of small and medium-sized commercial financial institutions, especially microfinance organizations in poverty alleviation. Cooperative finance has the advantages of mutual fund assistance, especially the mutual assistance of funds and the industrial construction of poor farmers. It can give play to the internal motivation of farmers to get rid of poverty and is a powerful means to help achieve poverty alleviation. Inclusive financial services have precise advantages in precision poverty alleviation, enabling funds to flow to the real poor. Since commercial banks are profit-oriented, large commercial banks can support the development of characteristic industries in poor areas to serve the poor precisely. Policy finance is oriented by the government's policy objectives and does not belong to inclusive finance in the strict sense. However, policy finance can help solve some basic and macro problems in precise poverty alleviation, and play a role in improving backward transportation, education and other infrastructure in poor areas and supporting the construction of relocation projects in poor areas.

5.2. Achieving the effective combination of traditional finance and internet financial innovation in poverty alleviation

From the theoretical origin and practice of inclusive finance, we can see that the core of inclusive finance is to alleviate the serious information asymmetry naturally existing between financial institutions and vulnerable groups through “innovation”. Reduce the supply cost of financial services and achieve sustainable financial development while serving vulnerable groups. In order to achieve the goal of providing inclusive financial services with accurate poverty alleviation, financial institutions should increase credit mechanism and service mode innovation according to the regional advantages, industrial advantages and basic conditions of poor farmers in poor areas. At present, the rapid development of the Internet has changed the financial consumption experience of low-income people, broadened the scope of financial services, and provided a good carrier for financial institutions to carry out credit mechanism and service model innovation. The “Internet Plus” action plan has also risen to the long-term planning of the top-level design of the country, making the road to achieving the inclusive financial goals broader. “Internet + Inclusive Finance” is inherently consistent with the goal of precision poverty alleviation. With the cost advantage and information superiority of the Internet, “Internet Finance + Precision Poverty Alleviation” is expected to become a powerful weapon for winning the fight against poverty.

6. Conclusion

Poverty has always been a common problem faced by all kinds of social and economic forms, and it is a persistent disease that restricts the progress of modern society. Accurate poverty alleviation is the focus of poverty alleviation for a long time to come. At present, financial poverty alleviation still faces many difficulties and challenges. Against this background, commercial banks have stepped up their efforts to help the poor through the development of inclusive finance. Improving the level of financial services in poor and backward areas reflects a kind of responsibility and responsibility of commercial banks. It effectively compensates for market failures and enhances the endogenous power and development vitality of poverty-stricken areas. Judging from the practice of inclusive finance in the world in recent years, many countries have attached great importance to the construction of the inclusive financial system and achieved good results. In short, financial precision poverty alleviation is a powerful weapon to solve the poverty problem. Only by actively promoting institutional and management innovation in poverty-stricken areas, innovation in financial products and services, and innovation in financial poverty alleviation models can we improve the self-development capacity of poor and low-income groups, and ultimately achieve the goal of precise poverty alleviation.

References

- [1] Yongbin L U, Wang C, Weican Q U. Measurement of Rural Inclusive Financial Development and Analysis of Spatial Effects on Anti-poverty. *Asian Agricultural Research*, 2017 (01):37-44.
- [2] Han J, Wang J, Ma X. Effects of Farmers’ Participation in Inclusive Finance on Their Vulnerability to Poverty: Evidence from Qinba Poverty-Stricken Area in China. *Emerging Markets Finance and Trade*, 2018:1-16.
- [3] Barwick M, Ansell D, Pritchard J. The role of governance in delivery of natural resource management programmes - a case study involving the restoration of freshwater fish communities in the Murray-Darling Basin. *Ecological Management & Restoration*, 2014, 15(Suppl. 1, Sp. Iss. SI):62-66.
- [4] Ng B K, Kanagasundram T, Wong C Y. Innovation for inclusive development in Southeast Asia: the roles of regional coordination mechanisms. *The Pacific Review*, 2015:1-30.
- [5] Cadilhon J J, Pham N D, Maass B L. The Tanga Dairy Platform: Fostering Innovations for more Efficient Dairy Chain Coordination in Tanzania. *International Journal on Food System Dynamics*,

2014, 7(2016):81-91.

[6] Poku, Michael. The Program of All-Inclusive Care for the Elderly Model: Lessons for the Medicare-Medicaid Coordination Office. *Journal of the American Geriatrics Society*, 2015, 63(10):2223-2224.

[7] Blind L G K. Putting Innovation at the Centre of Europe - Suggestions for a European Innovation Strategy. *Bioessays News & Reviews in Molecular Cellular & Developmental Biology*, 2010, 33(5):368-76.

[8] Babailov, Sergey P. Paramagnetic properties and molecular structure of coordination saturated inclusive lanthanide complexes with 18-crown-6 using NMR. *Journal of Inclusion Phenomena and Macrocyclic Chemistry*, 2014, 80(3-4):377-381.

[9] Voeten J, Haan J D, Groot G D. Understanding Responsible Innovation in Small Producers' Clusters in Vietnam through Actor-Network Theory. *European Journal of Development Research*, 2015, 27(2):289-307.

[10] Smith, Richard J. Ending poverty in Mongolia: From socialism to social development. *International Journal of Social Welfare*, 2015, 24(2):159-169.