

Research on the Implementation of Micro Credit for Poverty Alleviation in Xw County, Sichuan Province

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Abstract: Based on an Interview with Xw County Finance Bureau and a Questionnaire Survey of More Than 300 Poor Loan Households, This Paper Analyzes the Problems Existing in the Supply and Demand of Micro Credit for Poverty Alleviation, and Puts Forward Suggestions Such as Enriching Loan Models and Strengthening the Synergy Effect of Poverty Alleviation Policies.

1. Introduction

Xw County is Located in the Southern Edge of Sichuan Basin and the Junction of Sichuan, Yunnan and Guizhou. It is Rich in Natural Resources and a National Poverty-Stricken County. in Recent Years, Xw County Has Actively Responded to the Poverty Alleviation Micro Credit Policy, Attached Great Importance to Poverty Alleviation, and Solidly Promoted the Poverty Alleviation Micro Credit Work. Since 2015, the Coverage Rate of Micro Credit for Poverty Alleviation in Xw County Has Been 100%, and the Loan Scale Has Increased Year by Year. But There Are Some Problems as Well as Some Achievements.

2. Descriptive Analysis of Household Survey of Poverty Alleviation Micro Credit Loan in Xw County

2.1 General Information and Causes of Poverty

Based on the stratified sampling of loan scale, 332 questionnaires were issued and 300 valid questionnaires were recovered. Among the poor loan households, the average age is 46, the average family population is 4.46, the average labor force is 1.6, the average education period is 6.2 years, the average cultivated land area is 2.93 mu, the average loan amount is 35000, the average repayment period is 2.8 years, the number of people with skills accounts for 25%, and the number of people with technical training accounts for 39%; among the causes of poverty, 99 households (33%) lack of labor force and 78 households (26 %)42 households were lack of technology, 30 (10%) were due to diseases, 18 (6) were due to disability, 15 (5%) were due to poor environment, 9 (3%) were due to sudden natural disasters and 9 (3%) were due to other disasters.

2.2 Loan Rate Difference between Sample Villages

The loan rates of poor households in 19 villages are different, ranging from 21% to 44%. Combined with the industrial poverty alleviation and other Poverty Alleviation Policies of each village, it can be concluded that the more perfect the industrial policy and market system, the higher the farmers' enthusiasm for loans and the higher the loan incidence. For example, the Yongshou village in Bowangshan town with the highest loan rate, is rich in tourism resources. Its black bone chicken, cattle breeding industry, pear tree, plum tree and other planting industries are led by the village government, and the agricultural enterprises are contacted for unified acquisition. Therefore, the farmers have high enthusiasm for production and strong willingness to loan. For another example, Daping village launched one village one product project. The village committee actively promoted poverty alleviation micro credit, and took cattle breeding as a key poverty alleviation project. At the same time, the supporting breeding insurance, after purchasing the relevant

insurance, a cattle death can be compensated with 4000 yuan. The village is equipped with special cattle breeding technicians, who provide regular technical guidance to the farmers. This series of measures improve the confidence of the poor farmers in raising out of poverty, and are willing to loan for cattle breeding.

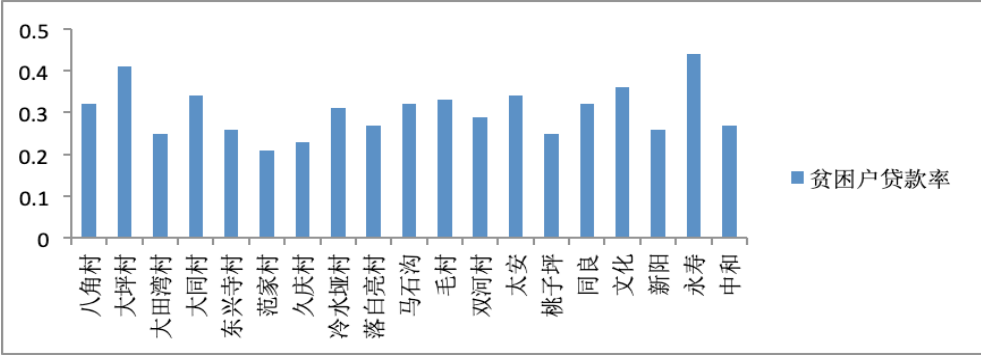


Fig.1 Loan Rate of Poor Households in Each Village

2.3 The Satisfaction of Borrowers to the Poverty Alleviation Micro Credit Policy

In terms of the borrower's satisfaction score for loan policies and processes, except for the relatively inconvenient loan due to the relatively remote location, the borrower's satisfaction score for loan convenience is relatively low. In addition, the satisfaction score for other factors such as publicity, loan processes and credit rating results is more than 4 points (full score is 5 points). This shows that both grassroots poverty alleviation workers and bank workers have made a lot of efforts and improvements in poverty alleviation micro credit to help poverty alleviation.

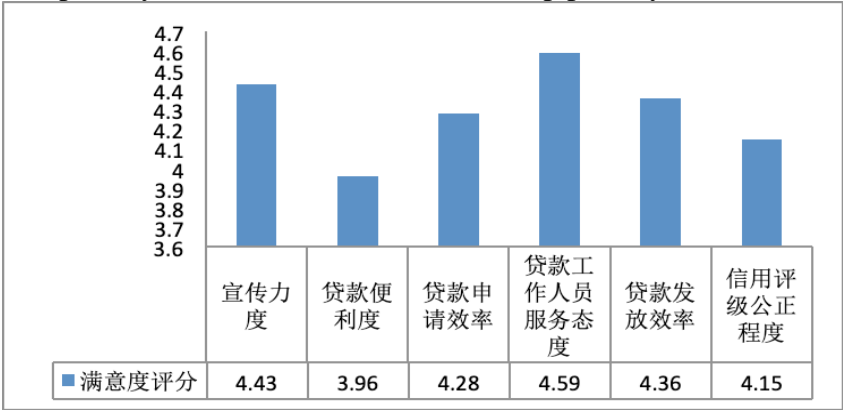


Fig.2 Satisfaction Score

3. Analysis on the problems of micro credit for poverty alleviation in XW County

3.1 Supply Level Feedback

3.1.1 Lack of Coordination between Poverty Alleviation Measures and Deviation of Fund Use

The delay in the issuance of housing subsidies for relocation leads to poor households misappropriating poverty alleviation micro credit funds to improve housing. XW County relocation subsidy is distributed in three stages: foundation construction, completion of house structure construction and relocation. Many poor households do not have the principal to build houses. They will first pay for the project through poverty alleviation micro credit and loan from relatives and friends, and then repay the loan or loan until the subsidy for relocation. The small amount loan of poverty alleviation for housing construction is only used as working capital, but not effectively invested in the production field where value-added can occur, and the capital utilization is inefficient.

3.1.2 Poor Awareness of Poverty Alleviation through Financial Innovation and Absence of Insurance System

XW county's poverty alleviation micro loans mainly adopt the traditional “household loan for household” poverty alleviation mode. From application to return, only the government, loan institutions and borrowers are involved, while other forces such as leading enterprises and professional cooperatives are less involved. On the other hand, there is no sound insurance system to cover the bottom, 74% of poor households said they did not have insurance or did not know the relevant insurance varieties.

3.1.3 Loan Supply Can Not Fully Meet Loan Demand

In 2017, the loan incidence of XW county was 30.2%, which rose to 35.4% in 2018. It shows that with the deepening of the policy, the demand for loans increases. However, the survey results show that there are still many people in the poverty-stricken households without loans who are unable to make loans due to their age, lack of material proof, limit on the amount of loans issued by financial institutions and other reasons, and more than half of the poverty-stricken households who have received loans still say that the loan term is not enough, the amount of loans is not enough, and it is inconvenient to apply for re loans.

3.2 Demand Level Feedback

3.2.1 Poor Households Lack of Financial Knowledge

On the one hand, due to the positioning deviation of the grassroots poverty alleviation team, the poor households are not clear about the specific purpose of poverty alleviation micro credit, so it is difficult to combine the preferential policy of discount interest with their own actual needs. On the other hand, the education level of the poor households themselves is low, and there are some problems in the propaganda and policy understanding. Some poor households subconsciously regard the poverty alleviation micro credit as the government's free subsidy, some even intentionally default to evade debts, which increases the operational risk of financial institutions and the government's financial burden.

3.2.2 Inefficient Use of Funds

On the whole, the results of household survey show that 28.7% of poor households' actual loan uses are non productive areas, such as housing construction, medical care and children's education, in which the majority of housing construction investment, fund utilization efficiency needs to be improved. There are three main reasons for the irregular use of funds. First, the village committee's vague positioning of poverty alleviation microcredit leads to the lack of use constraints of borrowers; second, the delay in the issuance of relocation subsidies leads to poor households having to use poverty alleviation microcredit to advance the pre project funds. Third, after the loan, there is a lack of continuous tracking of the use of funds of poor households, and there is a lack of effective long-term constraints on the use of loans. Fourth, the lack of attractive industrial projects and poor households' own cultivation technology increase the possibility that loans can be used for non productive purposes, such as children's education, medical care, housing, etc., thus reducing the efficiency of Loan Utilization and greatly reducing the poverty alleviation effect.2.2.3 The borrower's own risk awareness is weak

Poor households engaged in agricultural production are faced with higher risks, coupled with a lack of financial knowledge, and can not allocate funds reasonably to reduce risks, leading to a greater pressure on repayment when the project is in deficit. First of all, there are natural risks. When poor households use the loan funds for the breeding industry, they are faced with higher risks due to their lack of professional knowledge. The second is market risk, especially in the non poor villages promoted by the whole village of XW County, the poor households are scattered all over the village, unable to form a large-scale sales network, which often leads to unsalable agricultural products, difficult capital turnover, resulting in large economic losses, and dampens the enthusiasm of farmers to obtain poverty alleviation micro loans.3,Countermeasures and suggestions on

improving small loan for poverty alleviation in XW County

3.3 Enhance the Financial Literacy of Farmers and Strengthen the Risk Control of Micro Credit

First of all, the grassroots poverty alleviation team should pay attention to the cultivation of farmers' financial literacy, especially the repayment awareness of borrowers, use social network, acquaintance supervision, neighborhood relations and other information to control credit risk by means of comprehensive pre loan investigation and post loan social sanctions; second, establish a compensation mechanism for serious natural disaster risk in agriculture, encourage farmers to purchase agricultural insurance independently, and enhance resistance Risk capacity, reduce repayment pressure.

3.4 Optimize Loan Products and Improve the Efficiency of Microfinance

In terms of the amount of loans, we should expand the amount of small credit loans to facilitate the development of efficient agriculture, agricultural products processing industry and animal husbandry, and provide sufficient financial support for farmers. In terms of loan term, we should extend the term of small credit loan for farmers, which should be consistent with the borrower's production and operation cycle, taking into account the periodicity of different industries. In terms of fund channels, we should constantly promote the innovation of rural financial products and service modes, provide various financial channels and fund access channels for poor households. Village committee cadres often introduce and practice the practicability of these products, truly understand the needs of farmers, communicate with them, and then encourage and guide the application of these financial products.3.3 Strengthen supervision and make the poverty alleviation funds of credit implemented

Village cadres should regularly check the true use of credit funds, ensure that poverty alleviation loans are effectively grasped in the application, audit and pre loan investigation of poverty alleviation projects, and adhere to the policy of helping poor loans to be implemented to households and poverty alleviation projects to prevent misappropriation and crowding out of loans for poverty alleviation. At the same time, the village committee should regularly take measures to strengthen targeted training, meetings and discussions, so as to improve the ability of the poor to find profit opportunities, so that the borrowers can learn practical skills and find a way to make a fortune.3.4 Encourage continuous borrowing and actively develop industrial poverty alleviation projects

Microfinance poverty alleviation funds provide continuous services for poor households to get rid of poverty. In the process of investigation, many poor households responded that the loan funds were insufficient, and after the first batch of funds were put into production, it was difficult to get loans through poverty alleviation micro credit, with high threshold and complicated procedures. It is a gradual process for poor households to get rid of poverty completely, which can not be achieved overnight. We should adhere to the principle of continuous borrowing, and increase their follow-up loans to poor households with good repayment credit, high capital utilization rate and good effect. At present, agricultural industrialization is an ideal industrial model for agricultural development at home and abroad. The poverty alleviation through credit should conform to this trend, support different industrial projects for different villages, encourage village committee cadres to take the lead in developing characteristic industries, develop agricultural industries on a large scale with loans, focus on supporting the production links of agriculture, and self-reliance, so as to make it a whole agricultural industry chain.

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