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# Analysis of "the Longhua mode" of "Governments, Banks, company, farmers and insurance companies" financial poverty alleviation and a reference for Baoding City

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## ARTICLE DETAILS

## ABSTRACT

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With the rapid economic development of our country, rural poverty is emerging, the poverty alleviation work in Baoding City has been highly valued because of its geographical location. As we all know, financial poverty alleviation is an important way to break through the rural poverty problem. To innovate a poverty alleviation mode, this paper starts with the "the development mode" of the financial poverty alleviation from a "Governments, Banks, company, farmers and insurance companies" financial poverty alleviation "LongHua model", in-depth analyses the advantages and disadvantages, combining with Baoding financial poverty alleviation present situation and the pattern, then launches an innovative road to poverty alleviation for Baoding's development.

## 1. Introduction

Since the 18th CPC National Congress, the CPC has put the poverty alleviation and development work in a more prominent position. And the development of poverty alleviation work can not be separated from financial support. In order to strengthen the financial poverty alleviation, the People's Bank of China issued the implementation of the "financial assistance to eliminate poverty", enhance the precision and effectiveness of pro-poor financial services.

As a prominent region, Baoding City has 9 key counties of poverty alleviation, 1082 poor villages. Large area of poverty has become the bottleneck of restricting the development of the whole city, it is imperative to promote poverty alleviation by innovating the poverty alleviation system. In the new stage of the poverty alleviation, Hebei Longhua Country has established a model of "Governments, Banks, company, farmers and insurance companies" agricultural cooperative loan through innovative guarantee mode and explored the road of poverty alleviation in line with the actual characteristics. Through the analysis of "the Longhua mode", it can provide a reference for Baoding City to innovate the poverty alleviation mode and continue to push forward the financial poverty alleviation work, and provide powerful and effective financial support for the Baoding of poverty alleviation.

## 2. The main practices and effects of "Longhua mode" of financial poverty alleviation by "Governments, Banks, company, farmers and insurance companies"

Recently, the provincial poverty alleviation and development leading group of "Hebei province" made a point to carry out "Governments, Banks, company, farmers and insurance companies" financial anti-poverty work in all poverty counties. "Governments, Banks, company, farmers and insurance companies" financial poverty-alleviation model with the government setting up a platform, the bank cutting interest rate, and insurance making guarantees to achieve the loan of multi-party linkage and coordination.

### 2.1 The effectiveness of the "Governments, Banks, company, farmers and insurance companies" financial poverty alleviation mode in Longhua County

Longhua is one of the key counties of poverty alleviation work. As a response to implement the decision of provincial government on the development of poverty alleviation, Longhua County actively explores the new road of financial poverty alleviation with its own actual situation. "Governments, Banks, company, farmers and insurance companies" financial poverty alleviation model was built in 2016. Led by the Longhua County Government, the enactment of the "the decision about strategy for the implementation of overcoming poverty in Longhua County". This plan cleared their duty. The Government is responsible for establishing a financial service platform, providing credit securing services and integrating agricultural funds, then select cooperative banks and put the funds into the bank, so as to encourage the bank to simplify the approval process. At the same time to introduce insurance companies to reduce the credit risk. Guarantee center, bank and insurance company share the default losses by the proportion of 1:1:8.

The "Longhua model" of financial poverty alleviation has achieved remarkable results, the living standard of people and the comprehensive ability of agricultural production agriculture has been improved obviously. Under the promotion of the model, the loan application can be received within 10 working days. At present, a total of 2935 loans about 334 million yuan issued, establish 93 agricultural industrial park. Longhua also through the model established connection between enterprises and poor households, enterprises absorb the participation of farmers and share out bonus. Through actively integrating the poor population, "government and Bank insurance" model is becoming a strong guarantee of solving the problem about banks do not dare to lend money to the poor.

### 2.2 The financial poverty alleviation model of financial poverty alleviation by "Governments, Banks, company, farmers and insurance companies" for Baoding City reference value

At present, the financial poverty alleviation model of "Governments, Banks, company, farmers and insurance companies" has been a huge success in Longhua County, through reform and innovation, it is gradually spreading to the provinces and the whole country. Four principles are derived from this model has strong reference value to the development of Baoding City. First, relying on the working mechanism of "the five in one", it raises the level of green financial services for poverty alleviation, clear work flow of loan conditions, loan limit, examination and approval, for smoothly "

Governments, Banks, company, farmers and insurance companies" loan business to lay the foundation. Second, optimization of procedures, implement the effective combination of loan and approval. According to the examination and approval quota and conduct the credit screening, users who are creditworthy and in desperate need of loans make timely loans. Third, we need to strengthen the awareness of efficiency, make public consciousness and realize consciousness of serving the people, and truly be in a timely, transparent and civilian service. The fourth principle is the precise combination of poverty alleviation and credit system construction. This innovative model for poverty alleviation was a great results, and to provide strong support for the sustainable financial poverty alleviation, for those who have the dream of getting rich agricultural entrepreneurs to provide financial support, effectively stimulated the enthusiasm of the farmer's entrepreneurial zeal and the development of modern agriculture, at the same time, with the least amount of financial investment make the poverty alleviation work has a qualitative leap. Financial poverty alleviation "Longhua model" provides a good model for the Baoding City, Baoding City on the basis of absorbing the model of poverty reduction in the "Governments, Banks, company, farmers and insurance companies", we need combine the financial poverty alleviation situation in poor areas, realizing the second innovation of poverty alleviation mechanism and improve the poverty alleviation system. In order to solve the problem of financing difficulties for poor households and enterprises in the poverty-stricken areas of Baoding City, the model will play a positive role in the development of poor areas.

### 3. The present situation of financial poverty alleviation in Baoding city

Baoding city has a favorable geographical location and a favorable development outlook, but it is a significant area of the problem in the ring of Beijing. For this purpose, the government and relevant departments have made unremitting efforts, through policy tilt and increase financial support to these regions, strengthening the construction of rural. In recent years, many counties in Baoding City with the help of the local government and the people's bank has several operating normally guarantee company for poverty alleviation, guarantee companies for poverty alleviation through cooperation with county of rural credit cooperatives and agricultural bank, provides enterprises with poor poor areas with loan guarantees, solve the funding requirements.

Although poor regions of baoding city has made a new breakthrough on the pattern of economic development, but restricts the poverty alleviation work continue factors still exist: (1) The poor have no sense of self development, they accept poverty status, main aim of the loan is to meet the demand such as weddings, which makes the financial poverty alleviation in the marginal zone for a long time, can't drive up the economic development of poor areas. (2) The poor are conditioned by educational level and the degree of financial knowledge, legal consciousness and credit consciousness is weak. (3) Poor people's statistics are not clear, poverty alleviation is not very specific, financial poverty alleviation funds and the use of poverty alleviation programs are unclear, which leads to the difficulty of targeted poverty alleviation. (4) The poor lack of high-value guarantee assets, coupled with the inherent uncertainty risks inherent in agricultural production, often fail to meet the requirements for lending. (5) Due to inadequate conditions in the poor areas themselves, the industry market in poor areas less competitive, and the potential for self-development is limited. In addition, there are no big breakthroughs in the financial poverty reduction model, financial institutions to guarantee loans for poverty alleviation farmers' enthusiasm is not high, the Banks and other financial institutions cannot see business opportunities and even take a risk, they are short of power in terms of increasing poverty alleviation loans. These phenomena have increased the difficulty of lending to businesses and poor households in poor areas, and the huge waste of money in poverty alleviation has failed to improve the economic situation in poor areas effectively.

### 4. The revelation to baoding about the financial poverty alleviation model of "Governments, Banks, company, farmers and insurance companies "

Supply the needs of agriculture and poverty alleviation requires both financial support and model innovation. In order to realize the "five-in-one" and multi-lateral cooperation of the financial poverty alleviation in Baoding City, we must based on the existing poverty alleviation system. According to the task for poverty alleviation and the actual situation of poverty-stricken areas, we will innovate poverty alleviation mode, improve the financial poverty alleviation system and carry out the poverty alleviation work.

#### 4.1 Build a platform: "The Internet plus agricultural enterprises" platform for financial poverty alleviation

The application of advanced Internet technologies to build a platform can make alleviate poverty alleviation work effectively. The Internet can break through the time and space of work, reducing the cost of management of the data and the cost of credit to the agriculture. Also, the use of Internet payment tools has increased the liquidity of funds, and increased the use efficiency of poverty alleviation funds. Through the big data regulator can obtain information efficiently and accurately, it increases the accuracy of poverty alleviation. The government is able to publish information on industry support timely as the government plays a guiding role. "The Internet plus agricultural enterprises" platform for financial poverty alleviation provides data while making government's decision, getting credit Information or doing risk management.

#### 4.2 Develop channels: Absorbing insurance funds to invest in agricultural loans

Compared with other financial institutions, insurance companies have low financing costs and strong financial capacity. Insurance has an unique advantage over long-term investment. Using insurance funds to invest in loan for poverty alleviation can provide more favorable financial support for enterprises. At the same time, insurance companies can help banks break the limits of loan scale to meet the demand for large agribusiness or projects. Insurance funds invest in agribusiness loans, not only expand pools of capital, but also promote the participation of insurance companies in social responsibility. Insurance companies through creative types of innovative insurance, strengthens the cooperation with the bank, making banks, insurance companies and the peasants mutual benefit. This way the financial poverty alleviation system will run firmly with virtuous cycle.

#### 4.3 Risk dispersing: group loan pattern

Led by a bank, several banks have combined loans for the same program, so to achieve the shared interests and risks among banks, and reducing competition among co-operative banks in the financial poverty alleviation system. The credit risk of a loan is dispersed to banks through group loan pattern, lenders take the risk of proportionate according to the proportion of their loans, this enables Banks to achieve effective control of credit risk. Banks can provide the biggest financial support for enterprises in a controlled risk.

#### 4.4 Targeted poverty alleviation: make a loan based on the usage of money

To solve the problem of loan accuracy and encourage the poor to develop themselves, we can provide the poor with poverty alleviation projects by the principle of adjust measures to local conditions. For example, financing institution could put on credit resources in the area which have good mountain resources to establish plantation. In addition, the loan should be paid directly to the third party by the bank rather than leaving it to the poor for their own use. Besides, banks can extend the mortgage range, such as using the right to use the land as collateral.

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