



Performance of Mutual Aid Funds and Proposals to Resource Allocation Based on Sustainable Development Perspective: A Case Study of Jiang'an County

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Abstract: At present, mutual aid funds for impoverished villages are a new mechanism and model of utilizing and managing financial poverty alleviation funds and financing development in Chinese rural area. This paper discusses the status of pilot project in Jiang'an County, and evaluates the effectiveness and resource allocation based on integrated questionnaires with interviews. The analyses based on the facets suggest that mutual aid funds for impoverished villages help relieve the financing problems of impoverished peasant households and increase their income. Meanwhile, the paper points out the unsatisfying performances of the practice, which include low efficiency and imperfect management. At the end of the paper, relevant suggestions are put forward to promote long-term development.

Keywords: financial anti-poverty funds, poverty villages, mutual aid funds, resource allocation, sustainable development perspective

1 Introduction

Over the years, the demand for capital in rural areas has been on the increase. But the enormous and diverse demand for financial service is in stark contrast with the inadequate service provided by financial systems. Many regular financial organizations withdraw from rural areas and march into economically developed region. This practice results in financial urban-rural dual structure, making it more difficult for farmers to finance. To cope with the situation, the State Counsel Leading Group Office of Poverty Alleviation and Development and Ministry of Finance of the People's Republic of China initiate the pilot project of The Development of Mutual Aid Funds on the Level of impoverished villages within 14 provinces across the country to explore new model and mechanism of utilizing and managing financial poverty alleviation funds and micro financing development in rural areas. Sichuan Province is one of

the 14 provinces that are groping their way to address peasants' problem of financing. The collection of mutual aid funds in impoverished villages are led by financial poverty alleviation funds, based on mutual aid money volunteered by peasants on a certain scale, supplemented by social donations without attached conditions. It aims to raise the capital for production development of the people, by the people and for the people in impoverished villages.

In this paper, based on questionnaires with interviews approach, we propose systematic means to solve mutual aid funds' managing problems based on a case study of Jiang'an County in China. First, this paper discusses the status of pilot project in Jiang'an County, and then evaluates the effectiveness and impacts based on integrated questionnaires with interviews. As a result, the analyses based on the facets suggest that mutual aid funds for impoverished villages help relieve the financing problems of impoverished peasant households and increase their income. Meanwhile, the paper points out the unsatisfying performances of the practice, which include low efficiency and imperfect management. Finally, relevant suggestions are put forward to promote long-term development.

The paper is organized as follows. In the next section, we test the operation efficiency of the mutual aid funds for impoverished villages. In Section 3, we get the performance of mutual aid funds for impoverished villages through evaluating income increase and investigating of involvement and self-management for peasant households. In Section 4, we conclude our paper. Finally, we also propose some feasible methods to resolve the problems of managing mutual aid funds in Chinese.

2 Literature review

The pilot project about impoverished village mutual aid fund was proposed in the new period of China and for the purpose of solving the problem of financing for poverty farmers. It's a method of poverty alleviation with Chinese characteristics. Therefore, domestic scholars pay more attention to it. Since May 2006, scholars in various fields concerned on mutual aid funds of impoverished

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villages, and had produced many studies, which could be roughly divided into three aspects. First, there are some introductions about the experience of implementation of funding mutual funds from authorities. Then, we can find some investigations of the rural finance organization services for mutual funds from the financial regulators. Thirdly, some scholars analyze the implementation of mutual funds from every aspect. This literature review focuses on the operating performance of mutual funds. It can be summarized that achievements of mutual funds in economic and social presents in the following five descriptions.

Firstly, the financial funds investing mechanisms of the impoverished village mutual aid fund has been innovative. In order to improve the efficiency of financial funds and solve the funds demands gap for poverty farmers, the mechanism should ensure the funds using at the real poverty ones. And, the priority task is to define the target groups. Navajas (2000) et al, by sorting out Bolivia MFI loan data discovered the vast majority of micro-credit customers were not the poorest, but near the poverty line^[1]. Rene (1997) also admitted, if we put the benefit maximization as the first goal, the credibility people would be the first choice of the micro-finance institutions, while the poorest would be marginalized^[2]. Wang (2001)^[3], Sun (2006)^[4], and Liu (2012)^[5] pointed out micro-credit aimed at local medium or beyond medium level groups, but poverty farmers did not be included. So, Cao (2007)^[6], Lin (2008)^[7] and Huang (2009)^[8], pointed out that it's necessary to explore a road for farmers to achieving self-organization, self-management and mutual cooperation in the future. Lin and Yang (2009) insisted that selection of donated users was a great mechanism design of impoverished village mutual aid fund, which improved the accuracy of target^[9]. Lin (2007) agreed that this mechanism made farmers gain the right of join funds mutual organization and help them get rid of poverty^[10]. Huang et al. (2007) emphasized, on the one hand, the mutual aid fund directly aimed at demands of poor farmers. On the other hand, it overcame the shortness of poverty alleviation discount loans which were hard for households^[11]. At all, the impoverished village mutual aid fund is a great breakthrough for investing mechanisms of financial poverty alleviation funds^[11].

Secondly, the impoverished village mutual aid fund has improved the efficiency of using financial poverty alleviation funds. Improving the efficiency of the use of fiscal funds is the main content of financial poverty alleviation, Cao(2007)^[10] and Li(2010)^[12] pointed out that through pro-poor cooperatives and nursing poverty funds platform, to funds for based accumulation farmers owned funds to scroll using, and continued development, could significantly zoom financial pro-poor funds of economic. But Ning et al. (2010)^[13], and Xu(2014)^[14] thought efficiency of mutual aid fund presented at the leverage effect and effect of loans. Thus, it's a way to improve the

efficiency of mutual aid fund by improving turnover ratio of funds. Huang (2010) pointed out that the foundation of mutual aid fund and the basic approach to enhance community trust was to protect farmers' right of autonomous decision-making and management from deprivation^[15]. Ding (2014)^[16] and Yan (2013)^[17] pointed out that lack of opportunities for productive investment led poor lending rate for a mutual fund.

Thirdly, the impoverished village mutual aid fund has promoted productions and incomes of farmers. He (2009)^[18], and Tian (2011)^[19] pointed out that it was a innovation of rural financial system. In fact, it overcame the difficulties of asymmetric financial information, and provided low-cost financing channels for farmers to accelerate the development of farmers. Xiao (2013)^[20], Ke (2013)^[21] and Xu (2012)^[22] pointed out that the village-level mutual aid fund relieved the problem of poverty farmers' funds gap and promoted an increase in economic and income growth, which could be a contribution to new rural management. Except that village-level mutual aid fund organizations was a local power rooted in poverty villages, as Luhmann (2008) thought, it ran stably on social credits and adapted for Chinese social logic, so this mechanism met the rural financial institutions^[23]. At last, for the sake of special agency relationship between the client (ministry of finance and farmers in a company) and the agency(governing council or supervisory committee), they both have dominant position on information, trade cost and guarantee, so as Biggart (2000) noted that mutual aid organizations as non-formal financial institutions could make full use of partial knowledge, which led them to be strong vitality^[24].

As village-level mutual aid fund organizations play a major role in training farmers with market consciousness, credit consciousness, cooperating and organizing capability. Thus, on the one hand, poverty farmers become active participants of the market (Wang (2007)^[25], Chu(2009)^[26], and Liu(2010)^[27]). On the other hand, He(2008) pointed out that based on the principle of paid use and risk-sharing of the mutual aid fund, the "acquaintances society", where group lending is used among organization, cultivated the credit consciousness of repaying capital and interest punctually^[28]. In addition, mutual aid fund not only enhanced the capability of organization and operation (Wu (2008)^[29]). But also created a new type of rural culture that can cultivate the managing ability of vulnerable groups (He (2009)^[18]). What's more, it gave the rights and space for farmers' self-employment and self-development (Wang (2013)^[30]).

Lastly, a wide strand of research focused on how to strengthen cooperation and ability of farmers or how to relieve the relationship between farmers and cadre. First of all, the mutual aid fund made farmers be aware of their rights and responsibilities as members of the community (Cao (2008)^[31], Gao (2013)^[32]). More

specifically, it raised farmers' consciousness as members of the community and sense of collective identity when they took part in organizations activities frequently (Wang (2014)^[33] and Gao (2011)^[34]). Meanwhile, Huang (2009) pointed out that supervision role, as farmers played, was beneficial to enhance farmers' cooperation and organization ability, showed fully respect for farmers' right of independent management, and relieved the relationship between farmers and cadre^[35].

3 The current situation of mutual aid funds

Pilot project for mutual aid funds has been launched at some villages and communities in Jiang'an County since 2008. So far 40 poor villages from 15 towns have carried out the work of mutual aid funds for three years in three batches. ¥6.1 million has been taken as the expenditure in total. The fund of villagers' initiation has up to ¥1.3182 million, 7725 farmers have joined the club. We chose pilot villages which have ran the poor administration since 2010 as the samples. And we extracted 30 families to visit, talk and fill out questionnaires according to the method of cluster sampling. The response rate was 94.5% and 340 questionnaire were available.

3.1 Financial resources and the distribute mechanism

Mutual aid funds for poor villages is made up of financial relief subsidies, mutual fund from villagers and endowments. The financial relief subsidies were given by the treasury. The allocation fund of first time is 60% of total funds, and the allocation fund of second time is 40%. The interval between the two allocations is no less than 3 month. The mutual funds given by farmers shall not be less than 20% of the financial relief subsidies and below 50%. The specific proportion was determined by the villagers' congress. The agency share for each door is ¥500. The added part of the financial relief subsidies, after cutting the income distribution of the payment for poor households will turn into principal which is from the remaining part and donated part that has been deducted the cost. Each village has an organization of mutual funds in Jiang'an County's pilot. The average size of the investigation to each mainly mutual fund came from the national financial aid funds and local financial support and farmers fund shares. According to the specific circumstance of each poor villagers, the county' treasury earmarked ¥100 thousand for every village as the financial relief subsidies. The financial volume of each organization is composed of 73.9% of financial allocation, 25.8% of shares and 0.3% of other resources. The financial allocations and shares account for 99.7%.

3.2 Mechanism of affiliation and disaffiliation in mutual aid funds

Farmer usually pay ¥500 for joining in the mutual

aid funds organization. And they can also induct the funds of shares. The mutual aid funds established by the village can only induct the villagers' share. In order to improve the accuracy of financial aid funds to poor farmer, we invite them to join by taking the way of delivering stocks or offering stocks. When the following situation occurs, we ought to be in the program of affiliation and disaffiliation: (1) After the financial mutual aid funds are well organized for 6 month, the gearing ratio of mutual aid fund is below 50% for 3 months. (2)The bad loan (the term of loan which is more than 30 days, including 30 days) rate is above 50%. (3)The capital account under the 70% of financial relief subsidies and match aid given by villagers for willing. (4)The mutual aid funds are not in coordinate with the relevant provision of the management or the financial management becomes a mess. For individual farmers after joining in for one year without any debt, the joint team he belonging can apply for loans in case of no past-due payment. If you choose the disaffiliation, you should hand back the mutual funds. And you can't join in until one year later.

3.3 Management mechanism

The work of Jiang'an county mutual aid fund pilot is led by Poverty Relief and Immigrant office whose duty is to organize, coordinate, service and manage each village mutual funds organization. The township people's governments and villagers committee are responsible for supervising and checking. The council of mutual aid funds manages it. In practical work the county government mainly focuses on the certain pilot zones and the arrangement and allocation of financial aid mutual aid funds. And it also give the consultation and implementing systems villagers committees should be responsible for propaganda and mobilization. Create mutual aid funds organization and establish relevant systems. Supervise the running of the funds. The most powerful organization mutual aid funds members' congress has set up the council which consists of direction, the executive group leader and the supervisory group leader. And they are in charge of the allocation of the funds.

3.4 Operating systems of funds

The amount of mutual funds debt is small. Generally, the maximum single loan is ¥3000. The latter maximum single loan (below ¥5000) will be decided by the villages congress. The farmers who do not join in can also ask for a loan under the condition of the guarantee given by the joint farm household since mutual borrowing is a short-term loan. We ensure the term of loan according to the production cycle (generally less than 12 months). The way to pay back is flexible. Payment by installments can be arranged such as two weeks, month, season, et al. And we also allow the one-time return. Different places has different situation. The loan interest month (occupancy rate) ranging from 5-8% per month and the average amount is 6.88%. When

they lend the money to farmers, we don't need borrowers' supply any property guarantee or guaranty unless outstretched the money. The day of borrowing and repayment of 12 mutual funds in the organizations are concentrated.

3.5 Risk prevention and supervision mechanism

In order to control the credit risk of the loan, on the one hand, poor village mutual aid funds organizations' loan balance can't over 90% of the total amount at any time. On the other hand, we should carry out five households consisting of group insurance mechanism. Mutual aid organizations establish reserve for loan risk. The standard of the reserve should be the 1%of the loan balance of this year adding a certain percentage of total amounts of over-due loans. According to the 12 interviewed poverty villages, each village extracts the reserve for loan risk, but perfect risk prevention mechanism has not been fully established, such as they don't set up some plans for bad debts risk systems. Furthermore, the accounting is the traditional hand-writing account without using computers to manage finance and the recognition and warn of risk based on the technological systems. We can infer that the systems of risk prevention are still weak. All organization set up the council which is responsible for these organizations according to democratic election. When someone applies for a loan, the council will be based on the applicant's usually performance and the actual situation to decide whether and how much credit loans should be given to him. In this case, the bad debts will be prevented fundamentally.

3.6 Talent selection mechanism

Mostly, the village chief or secretary is the charge of the organization of the mutual aid funds, and financial staffs are basically intellectuals in villages, which have accounting work experience. As for staffs of council and board of supervisors, they are elected by the public, most of who are respected and qualified for the job. In general, compared with financial staff, they lag behind more in professional skill.

4 Analyses of the operation efficiency of the mutual aid funds

4.1 Accuracy rate of target of financial poverty alleviation funds for impoverished peasant households

This paper adopts Measured Value of Accuracy Rate of Target, which refers to the ratio of mutual aid funds for impoverished villages used as the loans for poverty-stricken peasants to financial poverty alleviation funds of the mutual aid funds, to evaluate the accuracy rate of target of financial poverty alleviation funds for impoverished peasant households. It can reflect how much loans every unit of financial poverty alleviation funds can bring to impoverished peasant households. When the measured value is zero, it says peasant

households have not been granted loans; when the measured value is in the interval of 0-1, it says the proportion of loans obtained by impoverished peasant households is lower than that of financial poverty alleviation funds, which are part of the mutual aid funds; when the measured value is no less than 1, it means that the financial poverty alleviation funds has been fully transformed into loans for impoverished peasant households, achieving the end of poverty alleviation in financial means.

Investigation materials are organized as in Tab.1 (Especially, Vil1 stands for Village1, and Vil2 stands for Village2, and so on in this paper.). In Tab.1, DIPH refers to debts of impoverished peasant households, FAPF refers to financial anti-poverty funds, MAF also refers to mutual aid funds, and MVART refers to measured value of accuracy rate of target. As can be seen from it, of the 12 villages, the only place with measured value above 1 is Village1. It achieves 1.06, which means 10,000 yuan of financial anti-poverty funds can bring the loan of 10,600 yuan to impoverished peasant households. The other place with measured value approaching 1 is village2, which is 0.84. Apart from the two, Village6 scored above 0.5, and the measured values of the rest of nine villages are within the range of 0.1-0.5. The results suggest that financial poverty alleviation funds in Jiang'an County is not well targeted at impoverished peasant households.

Tab.1 Accuracy rate of target of financial anti-poverty funds, unit: yuan

Items	Sum of loan	DIPH	FAPF	MAF	MVART
Vil1	307000	248200	152000	200000	1.06
Vil2	220000	149000	150000	187100	0.84
Vil3	132000	25000	90000	123000	0.26
Vil4	129000	36000	90000	120500	0.37
Vil5	197800	62000	90000	133500	0.46
Vil6	127000	53000	90000	120000	0.56
Vil7	222000	74000	120000	157000	0.44
Vil8	103000	19000	90000	123320	0.25
Vil9	76000	21000	120000	171600	0.40
Vil10	90500	24000	90000	125000	0.37
Vil11	96000	10000	90000	121000	0.14
Vil12	115000	16000	120000	164950	0.19

4.2 Utilization efficiency of financial anti-poverty funds

This paper employs capital turnover rate and enlargement magnitude of financial poverty alleviation funds to evaluate the utilization efficiency of financial poverty alleviation funds. Capital turnover rate, referring to the ratio of the total sum of granted loans to that of mutual aid capital in impoverished villages within a year, reflects utilization performance of invested capital.

The rate is in direct proportion to the frequency of capital utilization. The enlargement magnitude of financial poverty alleviation funds, denoting the ratio of mutual aid capital to financial poverty alleviation funds, reflects the capital it brings that is larger than the scale of itself.

As shown in Tab.2. In Tab.2, FAPF refers to financial anti-poverty funds, SL refers to sum of loan, MAF also refers to mutual aid funds, MPBPH refers to money paid by peasant households, CTR refers to capital turnover rate, and CEM refers to capital enlargement magnitude. The turnover rates of 7 out of 12 impoverished villages are within the interval of 1-1.5, which demonstrates that the utilization frequency within 7 groups is more than once, functioning on a scale bigger than itself; except for Village9, whose capital turnover rate is at 0.44, the remaining 4 villages are in the range of 0.5-1, which means capital utilization rate has much room for improvement. As for the enlargement magnitude of financial aid-poor funds, all the 12 villages are in the interval of 1-1.5, which means financial poverty alleviation funds almost invariably bring a scale 50% larger than itself.

Tab.2 Utilization efficiency of financial anti-poverty funds, unit: yuan

Items	SL	FAPF	MAF	MPBPH	CTR	CEM
Vil1	307000	152000	200000	45300	1.54	1.30
Vil2	220000	150000	187100	33000	1.18	1.22
Vil3	132000	90000	123000	33000	1.07	1.37
Vil4	129000	90000	120500	30500	1.07	1.34
Vil5	197800	90000	133500	43500	1.48	1.48
Vil6	127000	90000	120000	30000	1.06	1.33
Vil7	222000	120000	157000	37000	1.41	1.31
Vil8	103000	90000	123320	33320	0.84	1.37
Vil9	76000	120000	171600	51600	0.44	1.43
Vil10	90500	90000	125000	35000	0.72	1.39
Vil11	96000	90000	121000	31000	0.79	1.34
Vil12	115000	120000	164950	44950	0.70	1.37

4.3 Security of mutual aid funds for impoverished villages

(1) Security of loan

The main indicators of evaluating the security of money loans include the ratio of overdue loan and that of overdue balance of loan, with the former referring to the ratio of the number of overdue loans to overall number of loans, and with the latter referring to the ratio of overdue balance of loan to the balance of loans. In Tab.3, NL refers to number of loans, NOL refers to number of overdue loans, BL also refers to balance of loans, BOL refers to balance of overdue loans, OLR refers to overdue loans ratio, and RBOL refers to Ratio of balance of overdue loans. As can be seen from Tab.3, of the 12 organizations, only Village2 has an overdue loan, with 1.89% of overdue loan ratio and 0.91% of overdue balance of loans. The other 11 villages do not have any overdue loans, which proves the high security of money loan and reflects high credit awareness.

(2) Security of funds management

According to the survey, the 12 impoverished villages have opened their corporate checking accounts and save most of their money in the bank. There are accountants and cashiers who are in charge of capital management within these groups. There are 7 groups that have bought safes to deposit circulating capital for daily

uses. For loans repaid, whether it will be deposited into the account is determined by specific situations. In terms of capital account management, only three villages use computers, which are devoid of risk identification and early-warning programs, to handle financial affairs. The other nice groups manage to record financial affairs manually. On the whole, the capital security level deserves more attention.

Tab.3 Bad loan ratio of mutual aid funds for impoverished villages

Items	NL	NOL	BL	BOL	OLR	RBOL
Vil1	42	0	177000	0	0	0
Vil2	53	1	110000	1000	1.89%	0.91%
Vil3	29	0	24250	0	0	0
Vil4	88	0	68500	0	0	0
Vil5	48	0	82195	0	0	0
Vil6	28	0	81000	0	0	0
Vil7	62	0	156000	0	0	0
Vil8	29	0	93500	0	0	0
Vil9	20	0	74000	0	0	0
Vil10	22	0	35100	0	0	0
Vil11	23	0	46200	0	0	0
Vil12	50	0	111100	0	0	0

The indicator of the security of capital risk prevention is whether provisions of risk will be needed to withdraw for possible capital management risks and bad debt risks. To be specific, provisions of risk is prepared by extracting money from mutual aid funds and its net profit in certain proportion so as to make up for the capital loss caused by risks of bad debts. According to the survey, 5 out of 12 capital mutual aid groups set up provisions of risk. 4 of them obtain their provisions of risk by adding 1% of mutual aid funds to 10% of its net profit; one by extracting 15% of its net profit, while the remaining 7 do not take any measures to save provisions of risk.

(3) Continuity of mutual aid funds for impoverished villages

In Tab.4, SR refers to sum of revenue, SC refers to sum of costs, and CBR refers to cost/benefit ratio, which equals to SR/SC. In Tab.5 NL refers to number of loans, DNRG refers to did not realizing the growth, NP also refers to non-poverty, and P refers to poverty.

As shown in Tab.4, in the light of financial continuity, merely 4 mutual aid funds groups gain profit without producing costs. The cost benefit ratio of one group is 0.58, which means there exists a financing gap between total cost expenses and total revenue that needs subsidy from mutual aid funds to fill in. The cost benefit ratio of four groups is in the range of 1-1.5, with two in the interval of 1.5-2 and one more than 2.05. Overall, operation cost is offset by the low interest gained in the daily operations, which manifests a good financial continuity.

5 Performance of mutual aid funds for impoverished villages

5.1 Evaluation on income increase of peasant households

To relieve peasant households' difficulty in financing, mutual aid funds for impoverished villages, capital used for their production development, are established with the aim of helping them develop production and realize income increase. Of the 360 households, 68.10% of them admit that their income has been increased. Impoverished peasant households, who acknowledge that the loan helps them increase income, accounts for 74.29% of them, while the non-impovertised peasant households, who have the same experience, accounts for 56.90%. It points to the fact that impoverished peasant households have a higher probability of achieving income increase through loans than the non-impovertised peasant households. The survey also shows the importance of financial poverty alleviation funds to impoverished peasant households.

Tab.4 Continuity of mutual aid funds

Items	SR	SC	CBR
Vil1	12197	9190	1.33
Vil2	9521	5137	1.85
Vil3	4793	2338	2.05
Vil4	3614	3400	1.06
Vil5	4387	-	-
Vil6	780	1350	0.58
Vil7	1418	1245	1.14
Vil8	840	-	-
Vil9	26	-	-
Vil10	2533	1358	1.87
Vil11	2552	2031	1.26
Vil12	369	-	-

Tab.5 The increasing income situations about farmers with loans

Items	Sample	NL		Growth		DNRG	
		NP	P	NP	P	NP	P
Vil1	30	5	11	2	7	3	4
Vil2	30	8	7	4	6	4	1
Vil3	30	4	9	3	7	1	2
Vil4	30	7	10	4	8	3	2
Vil5	30	2	11	1	9	1	2
Vil6	30	5	6	3	5	2	1
Vil7	30	7	8	3	6	4	2
Vil8	30	3	10	3	7	0	3
Vil9	30	2	9	2	6	0	3
Vil10	30	5	4	3	3	2	1
Vil11	30	3	8	1	6	2	2
Vil12	30	7	12	4	8	3	4

Of the 163 peasant households with loans, 40.56% of them think the project of mutual aid funds for impoverished villages plays an enormous role in meeting

the demand for financing the production development, 22.34% think it has some effects on meeting the demand, 16.72% do not have a clear idea about its effects and 16.28% think it makes no difference. When asked whether the project has helped raised their awareness of financial management, 43.92% of peasant households say it has exerted a big impact, 27.58% think it has some influence, and 5.87% think it makes no difference. As we can see, the project plays an important role in meeting the demand for financing the production development of peasant households, and it helps raise their awareness of financial management.

5.2 Involvement and self-management of peasant households

It is the main goal for funding mutual funds to solve the issue of poor peasantry's agricultural capital. Beyond that it's operation must be managed by farmers themselves. Evidence from survey on 12 mutual funding organization, above all of which has resorted to this method of self-management of farmer. What's more, to ensure fair, equitable, open and democratic, the mutual fund managers are elected by the farmers.

(1) Farmer participation

Mutual aid funds mainly aimed at poor rural households, the quality of their development or not and whether it achieves goal of poverty alleviation, largely depends on the support of farmers. Therefore, it is very important whether rural households actively participate in funding-mutual-funds organizations. Specifically, there are two aspects: The degree of understanding of farmers on the mutual aid funds and degree of involvement, as shown in Tab.6 and Tab.7:

According to the survey, of the 360 peasant households, 17.56% of them are well informed of the project, 34.71% have some knowledge of it, 27.84% have little knowledge of it and 19.89% are ignorant of it. 40.38% of the investigated households report that their enthusiasm for participation has been aroused when informed of the objectives of mutual aid funds and related regulations, 23.16% say they play an active part in the project, and 16.94% don't take an interest in it.

On the whole, peasant households' degree of understanding the project is relevant to their participation. The existence of ill-informed peasant households reflects unsatisfying propaganda, and the proportion of peasant households devoid of enthusiasm may be resulted from forced participation. As manifested in the survey, 14.58% of peasant households admit that they did not have a good understanding of mutual aid funds in impoverished villages when joining the project, which reflects their mentality of following the herd, which in turn may potentially pose negative impacts on the long-term development of the project, resulting from failed anticipation.

(2) Self-management

Self-management of villagers embodies the principle of public governance. According to the survey,

85% of peasant of households investigated is satisfied with the openness and fairness of administrative staff of mutual aid funds and more than 90% of peasant of households investigated is satisfied with fairness and openness of approval for the loans of mutual aid funds for impoverished households and with the transparency and openness of repayments. It shows that peasant households are relatively well informed of related information of mutual aid funds and can involve in the management of mutual aid fund and that the mass of peasant households identify with the broad participation in mutual aid funds and the transparent management mechanism.

Tab.6 The degree of understanding of farmers on mutual aid funds

Degree of understanding	Sample	Proportion (%)
Very understanding	60	17.56
Understanding	118	34.71
General understanding	95	27.84
No understanding	68	19.89

Tab.7 Participation degree of farmers on mutual aid funds

Participation degree	Sample	Proportion (%)
Very active	137	40.38
Active	79	23.16
General active	66	19.52
No active	58	16.94

6 Research conclusions and policy implications

6.1 Research conclusions

By analyzing the performance of mutual aid funds in impoverished villages in Jiang'an County, we have obtained the following conclusions. Firstly, the innovation of poverty alleviation by means of mutual aid funds for impoverished villages and financial funds could be better intended for impoverished peasant households. Secondly, the project can meet the impoverished peasant households' needs of capital for production development. Thirdly, the practice can cultivate their awareness of financial management and foster their ability of self-development. Fourthly, it boosts their awareness of broad participation, cultivates the ideals of self-management, thus contributing to the development of new socialist countryside. However, the practice also exposes problems like the shifting up of accuracy rate of target, low capital utilization rate, potential safety risks and poor continuity of mutual aid funds. Based on the above-mentioned, this paper made the following proposals.

6.2 Policy implications

(1) Strengthen the propaganda and enhance accuracy rate of target

Broad peasant household participation is the premise of bringing the mutual aid funds into full play. To arouse their enthusiasm in the mutual aid funds must have knowledge of mutual aid funds known to them. Therefore, government should conduct propaganda rigorously to inform peasant households of the nature and applications of mutual aid funds so as to arouse their enthusiasm for the project. On the other hand, extra attention should be paid to poverty-stricken peasant households. To involve them free shares or rationed shares can be given to them. Priority should be given to poverty-stricken peasant households, and it should make sure that they enjoy the right of continual borrowing and loan limits for them should be properly relaxed. Governments of higher levels and poverty alleviation office should strengthen the supervision and management, pay close attention to the utilization of mutual aid funds, and make sure that the users are mainly peasant households with relatively low income.

(2) Enhance money utilization rate and properly relax loan limits

To better exploit the funds and bring funds into full play, extra efforts should be made in the following aspects: firstly, rural industry structure shall be adjusted to ensure scale production and specialization, the relevance between mutual funds and the income of peasant households shall be enhanced, exploration and creation by peasants shall be advocated, unconventional and non-endemic industry should be sought, and new economic growth point shall be searched. Secondly, administrative staff responsible for mutual aid funds should strengthen the planning for it and strike a balance between capital turnover rate and capital maximum benefit. Thirdly, the loan limits shall be relaxed, within the framework of laws and rules, the application for loans shall be handled flexibly. Fourthly, apart from lending money to impoverished peasant households, mutual aid fund groups are supposed to guide the production and management activities of impoverished peasant households, and to make full use of market information and production technology to ensure higher yield of mutual aid funds

(3) Reinforce risk control and management

To cope with potential safety hazard in the management of mutual aid funds, risk control and management should be reinforced. Firstly, risk awareness of administrative staff should be raised, accountability should be made clear and the initiatives of administrative staff should be enhanced. Secondly, credit awareness of peasant households shall be raised to lower the credit risks. Thirdly, capital safety management should be strengthened, hardware facilities should be perfected, office conditions should be improved, training for administrative staff of mutual aid fund should be improved and expertise level of them should be elevated. Fourthly, capital management mechanism should be perfected, pre-planned schemes for bad debts should be formulated, and provisions of risk system of mutual aid funds should be reinforced.

(4)Strengthen supervision and guide standardization of operation

Government, poverty alleviation office and finance office on all levels should strengthen the supervision of the operation of mutual aid funds for impoverished villages, regularly provide technical training and service related to technology, information, policy and laws for administrative staff and all membership. Moreover, they should conduct surveys at grass-root level, find out problems in the operation of mutual aid funds, constantly sum up experience, perfect operation mechanism and ensure that impoverished villages develop in an efficient, healthy and sustainable way. Meanwhile, the authorities should guide mutual aid funds groups to strengthen communication, establish model organizations, and encourage attempts in new model and mechanism in the framework of laws and regulations.

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