

# Thoughts on the Legal Value of Two Typical Rural Microfinance Models

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## Abstract

The "poverty alleviation" rural microfinance model and the "commercial" rural microfinance model are two typical rural microfinance models in the field of economics. rural microfinance is analyzed respectively. The paper analyzes the freedom and efficiency value of "commercial" rural microfinance, and proposes the choice of two modes to be applied. Through different emphases on the legal value of the two models, the fair and orderly value of "poverty alleviation" rural microfinance is analyzed respectively. The paper analyzes the freedom and efficiency value of "commercial" rural microfinance, and proposes the choice of two modes to be applied.

## Keywords

Rural microfinance, poverty alleviation model, commercial model, legal value.

## 1. Introduction

As one of the most popular poverty alleviation tools in the world, rural microfinance is mainly targeted at poor low-income families. It mostly distributes funds to farmers through credit loans to solve the contradiction between insufficient credit qualification of farmers and capital needs, eliminate rural poverty and promote economic development in rural areas. Do not number your paper: All manuscripts must be in English, also the table and figure texts, Organization of the Text, Rural microfinance economics mainly divided into "poverty" and "commercial" to study the two modes, the author attempts to base on legal value dimensions, especially the objective value value point of view, from the justice of law, order, freedom and efficiency in two modes on the basis of basic values, to explain the rural microfinance model meet the needs of the individual, group, society, national positive meaning.

## 2. "Poverty Alleviation" Mode of Legal Value Thinking

The poverty alleviation rural microfinance model originated in Bangladesh in the 1970s and was introduced into China in the 1990s. This mode broke the traditional pattern of "despite the poor and curry favour with the rich;" by lending the support obtained from the government financial department and the donations absorbed by various social organizations to poor farmers, and most of them used low-interest or interest-free ways to help them develop productivity and thus get rid of poverty.

### 2.1. Analysis of the Legal Justice Value of "Poverty Alleviation" Mode

Aristotle divided justice into distributive justice and corrective justice. In his view, distributive justice is a proportionate equality, in which two people and two things are equally equal. Only by maintaining such an equal relationship can we say that distribution is just [1]. Legal norms emphasize that citizens have the right to equality, is the embodiment of the purpose of justice, all social members or groups in the right, power, obligation and responsibility should be equal allocation. To ensure that each social group, every social member basic survival, and for each

potential social groups and social members of the free development of space, providing full for each social group and due itself as every social member, realize social groups, mutual reciprocity and mutual benefit between the members of society.

Under the market economy system, the income distribution mechanism determined by the law of value and the market competition system will inevitably lead to the income inequality among social members, even the excessive gap between the rich and the poor. And poverty alleviation of rural microfinance's primary goal is to promote the development of the society and elimination of poverty, its position in the provision of microfinance financial services, provide technical training to poverty, education, health and other social services, is more favorable to help the poor or try to reduce their burden, this part to ensure citizens' equal shall have the right to the social resources, promote the realization of justice. Social justice is the value orientation of rural poverty alleviation microfinance system. Justice not only indicates freedom and equality, but also expresses the equality and just pursuit of external interests.

## **2.2. Value Analysis of Legal Order of "Poverty Alleviation" Mode**

Order, "refers to the existence of a certain degree of consistency, continuity and certainty in both natural and social processes." [2] Compared with norms and institutional contents that focus on justice, order focuses more on internal institutions of the system, reflecting the internal laws of nature and human society. According to Roscoe Pound, order means social control through habit or state compulsion. Social control makes it possible for the greatest number of people to do the greatest number of things. [3] Poverty alleviation micro-credit can prevent and alleviate the chaos of social order that may be caused by poverty, which reflects the pursuit of order value under the means of national macro-control.

The funds obtained from poverty alleviation micro-credit can only be used for the poor households to develop production or the characteristic and advantageous industries that can effectively promote poverty alleviation and prosperity. [4] on the one hand, these social members can improve their living environment and enhance their development ability. On the other hand, the gap degree in distribution can be narrowed, so that many conflicts caused by material interests between groups and classes can be alleviated differently, and a relatively stable normal operation can be achieved. In this way, it not only maximizes the distribution of social benefits, but also enables the orderly operation of power, guarantees the basic operation of the society, and is conducive to the realization of the value of legal order.

## **3. "Commercial" Mode of Legal Value Thinking**

Commercial rural microfinance has different primary purposes from poverty alleviation microfinance. This model pays more attention to realizing the self-sustaining and sustainable development of credit institutions based on marketization. Its operation mode and interest rate are commercialized, and its main goal is economy and efficiency.

### **3.1. The Legal Freedom Value Analysis of "Commercial" Mode**

According to Hayek, freedom is a state of man in which the compulsion of others in society is minimized as much as possible. [5] Freedom reflects the degree to which individuals or groups of society are forced or controlled, and the lower the degree of coercion or control, the freer. Social individuals or groups can choose to do what they should do without being forced or controlled. Of course, freedom also has its own boundaries. While doing their own things, they cannot infringe on the freedom of others. At the national level, the law defines what citizens can do and, in a way, gives them freedom.

Commercialized rural microfinance is the product of marketization, and market transactions follow the basic principle of freedom. Although this kind of freedom is not absolute freedom, it guarantees the stability and realization of freedom through law. Different from the poverty

alleviation microfinance model, the commercial model is not mainly guided by policies, but realizes normal civil transactions according to the consent of both parties. Through a certain interest rate agreement, to help rural poor people improve the economic situation. In the whole process, it is not subject to the interference of the state power, follows the will of the parties, and can develop independently and sustainably, fully reflecting the value of legal freedom.

### **3.2. Value Analysis of Legal Efficiency of "Commercial" Mode**

Efficiency is an economic concept, mainly including input-output efficiency, Pareto efficiency and overall social efficiency. Pareto efficiency is the ideal state of resource allocation. In this state, it is impossible for the reconfiguration of any kind of resource to increase the interests of some people without reducing the interests of others. Overall social efficiency refers to the ability of social production to meet the needs of social subjects for survival and development and promote social development and progress. [6] In this sense, a society is more efficient, which means that it can obtain more useful products, create more wealth and value with the same input than other societies, and allocate better resources and make full progress.

Commercial rural microfinance is a special form of financial service that appears in response to market demand. It pursues efficiency economy under the market concept, conducts commercial operation management according to market demand in all links of credit supply, and aims at sustainable development.

Commercial microfinance institutions aim at rural areas to serve rural areas and profit from the social mission, establish the expansion of rural operations, in densely populated areas, continuously strengthen the core competitiveness of the traditional microfinance market and explore new rural markets. In commercial mode docking in rural areas, to some extent make up for the deficiency of the microfinance poverty alleviation sex, realizing the maximization of resource allocation, as well as the current income distribution system under the shortage of expanded reproduction allocation itself, to create more wealth adjustment mechanism, make a right, authority, resources reasonable assignment and circulation, from the inefficient use of high efficiency.

## **4. The Integration of Rural Microfinance Model under the Guidance of Legal Value**

Justice, order, freedom and efficiency, as very important social values, are the most important purpose values when they become the object of legal services. Certain social problems are bound to present different levels of legal value. When there is a conflict between values and values, it is necessary to integrate values and select values, so as to give feedback to specific problems and put forward guiding solutions. Poverty alleviation rural microfinance is supported by policies, which reflects the basic legal values of justice and order of the power operators, and is extremely important for maintaining social stability. On the other hand, the commercial rural microfinance model is more focused on the operation of free and efficient legal values, realizing the normal operation of the market with the function of poverty alleviation, and focusing on sustainable development goals.

Under the basic background of China as a developing country, as the gap between the rich and the poor is still serious, the poverty alleviation mode cannot be abandoned in especially remote and underdeveloped rural areas, otherwise it is not conducive to the realization of justice.

At the same time, for the better developed rural areas in the middle and east, With the support of small amount of funds, commercial credit mode can be adopted as the main mode, supplemented by poverty alleviation credit, and the development law of the market can be closely followed to support its continuous income generation and enrichment. Under the premise of the operation of the specific mode, it is still necessary to constantly expand new

ideas to ensure the basic rights of citizens in rural areas and promote their economic development.

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