Effectiveness and Path Analysis of Sichuan Agricultural Bank Financial Precision Poverty Alleviation

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Abstract: This paper starts with the research on the theory of precision poverty alleviation and financial precision poverty alleviation, summarizes the primary development stage, rapid development stage, steady development stage and new development stage of ABC financial poverty alleviation experience. The empirical research evaluates the effectiveness of ABC financial poverty alleviation: The effective financial precision poverty alleviation implemented by ABC has made remarkable achievements. Various types of agriculture-related loans have played a fundamental role in boosting farmers' incomes and agricultural efficiency. Four paths have also been put forward: Poverty alleviation of the Mass Path; Financial Enterprises Pass; Financial Ecological Paths; The Path of Cooperation between Banks and Enterprise.

1. Introduction

Since the reform and opening, remarkable achievements have been made in Chinese characteristic path of poverty alleviation and development. In November 2013, president Xi Jinping proposed the important thought of "precise poverty alleviation" for the first time, emphasizing precise identification, precise help and precise management of poverty alleviation targets by applying scientific and effective procedures in light of the circumstances in different impoverished regions and different poor farmers. Wang Sangui et al. (2015) argue that precision poverty alleviation includes precise identification and precise help for poor households, dynamic management for poverty alleviation targets and precise assessment of effects of poverty alleviation. Financial assistance for poverty alleviation is an integral investment in resources essential to the fight against poverty, which provides strong support for the implementation of precision poverty alleviation. According to Wang Hao (2016), there are seven typical patterns of financial precision poverty alleviation across the country: the government- dominated financial poverty alleviation pattern, the financial institution-led poverty alleviation pattern, the industrial financial poverty alleviation model, the internet financial poverty alleviation pattern, the "E-commerce platform + Finance " pattern, the participation of international financial organizations in poverty alleviation and development model and financial poverty alleviation of social poverty alleviation organizations model. There are also problems such as low coverage of financial institutions outlets, inadequate financial services, inadequate competition (Guo et al., 2016), the need to further improve the incentive and restraint mechanism for financial precision poverty alleviation and the need to further implement the compensation and sharing mechanism for financial risk-relief in poverty alleviation (Yang Zhao, 2016).

As a major agricultural and populous province, one of the six provinces with key poverty alleviation in the country, six provinces with key poverty alleviation. At the end of 2016, there were still 83 poor counties, 9064 poor villages and 2.72 million rural poor people in sichuan province. There are problems such as broad scope of the poverty-stricken, large quantity and deep level, and severe situation of overall regional poverty. Thus, it is still a daunting task to get rid of poverty. As a large state-run financial institution in the county, Agricultural Bank is one of the major financial entities that promote rural economic development and has been playing a leading and pillar role in poverty alleviation and development.
Therefore, this article starts with the research on the theory of precision poverty alleviation and financial precision poverty alleviation, and summarizes the course, experience and empirical research of ABC's financial poverty alleviation to evaluate the effects of financial precision poverty alleviation for the purpose of making a positive contribution to helping peasants in poverty-stricken areas to get rid of poverty and promote a good solution to the three rural issues.

2. Basic Theory of Financial Precision Poverty Alleviation

Effective Allocation of Financial Resources Theory. From an economic point of view, financial precision poverty alleviation is to achieve the optimal allocation of financial funds, from another perspective, we should try our best to reduce the "imprecise" allocation of financial funds or "mismatch." Applying this theory to mention the efficiency of financial aid to poverty alleviation can be done in two ways. One is to lean financial funds toward areas and targets that are better off poverty. For example, through innovative "leading enterprises +" new mode of credit services, On the basis of direct financial support, providing financial services to the whole industry chain both upstream and downstream, so as to enhance the marginal benefit of financial resources; and the other is to improve the operational efficiency of financial resources by improving the mode of financial operation, integrating financial resources for poverty alleviation and exerting economies of scale. Innovative credit use of funds for poverty alleviation, under the guidance of the government, based on voluntary households, the loan funds will be focused on large-scale use.

Financial Credit Rationing Theory. The fundamental cause of credit rationing is the existence of information asymmetry in the credit market, which leads to incomplete understanding of banks' risk to the counterparty. The role of the interest rate mechanism is greatly limited. It cannot reflect the risk level of the lender and thus the pricing of the loan unreasonably, increasing the bank's risk. To reduce the degree of credit rationing, we need to fundamentally reduce the information asymmetry, fully understand the customer's credit and loan investment projects proceeds and risks as much as possible to make a more accurate pricing. The theory of financial credit rationing reveals that the most important reason why poor peasants can hardly obtain financial support lies in the banks' unsymmetrical information about the financial demand, repayment ability and risk of poor households, which lead to the neglect or negation of the financial rationing of poor households. It also provides a reference for the selection of financial customers, credit distribution, risk control and interest rate pricing.

3. ABC Finance Poverty Alleviation Process

The preliminary stage of development (1985-2000). In 2000, when the "August 7" Poverty Alleviation was completed, Poverty alleviation loans provided by banks reached 4.155 billion yuan in total, loan balance of 6.15 billion yuan, 2.818 billion yuan more than that was over and loans of 116 million yuan from poor counties. Making a positive contribution in order to achieve the province's "7118" poverty alleviation plan.

Rapid development stage (2001-2008). During 2004 to 2008, a total of 109 million yuan of loans for helping the poor were paid to families, directly supporting 4,780 poor households and the remaining 4,443 million yuan were sent to projects or enterprises to boost incomes and reduce poverty in poor households.

Stable development stage (2009-2014). At this stage, ABC launched a series of measures for financial poverty alleviation based on the actual economic development in poverty-stricken areas in the province: strengthening silver-government cooperation, pooling resources and improving poverty alleviation efficiency; secondly, Setting up a key project bank for financial poverty alleviation in contiguous poverty-stricken areas and promote the integration of resources in poor areas through project construction; thirdly, supporting the development of industrialization of agriculture and lifting the industry out of poverty; and fourthly, attaching importance to accurately helping the poor and boosting the development of the real economy. At the end of 2014, the bank
had a loan balance of 76.51 billion yuan in 88 key counties (districts) of poverty alleviation and development work in the province.

**New stage of development—financial precision poverty alleviation (since 2015).** With the convening of the Poverty Alleviation and Development Work Conference held by the Central Government in November 2015, the precise poverty alleviation work has entered a crucial stage. Therefore, ABC has actively implemented the precise poverty alleviation policies of the Central Government and carried out in-depth financial precision poverty alleviation work. On the main battlefields of the province's poverty alleviation and fortification-Qinba Mountain Area, Wumeng Mountain Area, Liangshan Mountain Yi District, and Tibetan Plateau Tibetan Autonomous Region, Agricultural Bank of China exerted its own system advantages and continued to increase the supply of financial services in the "four major sub-areas".


**Poverty Alleviation Support for Smallholder Farmers.** First, the effective scale of financial precision poverty alleviation has been continuously improved. Since 2015, Sichuan Agricultural Bank under the jurisdiction of the two branches officially launched the financial poverty alleviation project, making precision poverty reduction loans continue to increase. From Figure 4-1 and Table 4-1, the average size of special loans for financial precision poverty alleviation granted by ABC in Liangshan and Guangyuan, as shown in Figure 4-1, shows that the investment in individual poverty alleviation projects has maintained a growth trend: credit loans to Liangshan and Guangyuan Poverty Alleviation Project Three years achieved a cumulative growth rate of 8.08% and 7.83%. In fact, from the absolute number of projects, Liangshan Prefecture in recent years has remained at 29 or so, Guangyuan City remained at 39 or so. It shows that in the case of the same number of projects, the amount of loans continue to grow.

![Figure 1. Liangshan Prefecture and Guangyuan City Agricultural Bank average financial precision poverty alleviation loans.](image)

Second, the coverage of farmer households with accurate poverty alleviation benefits has expanded significantly. Taking Liangshan Prefecture as an example, the total scale of small-scale poverty alleviation loans for farmers has risen from 56.79 million yuan to 214.18 million yuan, eight times in three years. The number of beneficiary households has increased from 3,051 in 2014 to 8,210 in the first half of 2017, with the coverage of precision poverty alleviation projects more than twice, and the number of the farmers' access to microfinance loans has increased from 18,600 yuan to 26,000 yuan, fully proving that the Agricultural Bank of Liangshan precision poverty alleviation resources. For other information, see Table 4-2.
Table 1. Scale and Coverage of Microfinance for Rural Poor Households in Liangshan Prefecture and Guangyuan City (ten thousand).

<table>
<thead>
<tr>
<th>Microfinance balances</th>
<th>Number of covered households</th>
<th>Microfinance household balance</th>
<th>years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liangshan Prefecture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5679</td>
<td>3051</td>
<td>1.861357</td>
<td>2014</td>
</tr>
<tr>
<td>5439</td>
<td>4012</td>
<td>1.355683</td>
<td>2015</td>
</tr>
<tr>
<td>13170</td>
<td>5765</td>
<td>2.284475</td>
<td>2016</td>
</tr>
<tr>
<td>21418</td>
<td>8210</td>
<td>2.60877</td>
<td>2017</td>
</tr>
<tr>
<td>Guangyuan City</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td>210</td>
<td>4.761905</td>
<td>2014</td>
</tr>
<tr>
<td>2000</td>
<td>201</td>
<td>9.950249</td>
<td>2015</td>
</tr>
<tr>
<td>2100</td>
<td>1524</td>
<td>1.377953</td>
<td>2016</td>
</tr>
<tr>
<td>2700</td>
<td>612</td>
<td>4.411765</td>
<td>2017</td>
</tr>
</tbody>
</table>

Poverty alleviation boosts the development of modern agriculture. Sichuan Agricultural Bank has long been based on serving the three rural areas, and actively promoted the upgrading of agricultural industry. Taking Liangshan Agricultural Bank as an example, as of the end of June 2017, the total loans for agriculture related to Liangshan Branch totaled 17.954 billion yuan and the loan balance increased by 7% from the first half of 2014 to the first half of 2017. Among them, the credit scale of livestock husbandry was the largest, conforming to the reality of locating in the developed areas of animal husbandry in the Southwest Highland. Under the new situation, in response to the state's optimization and adjustment of the food strategy, ABC started to vigorously promote the development of the potato industry. In addition, loans for tea, fruit and rural tourism have risen sharply, fully proving that agricultural financial precision poverty alleviation strongly supports the long-term development of agricultural industry.

Table 2. Liangshan Agricultural Bank Financial Precision Poverty Alleviation Modern Agriculture Development (ten thousand).

<table>
<thead>
<tr>
<th>years</th>
<th>Animal husbandry</th>
<th>Lin bamboo</th>
<th>Tea</th>
<th>Fruit</th>
<th>Potato</th>
<th>Featured tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2800</td>
<td>360</td>
<td>5</td>
<td>2896</td>
<td>23</td>
<td>2400</td>
</tr>
<tr>
<td>2015</td>
<td>4120</td>
<td>1400</td>
<td>34</td>
<td>3402</td>
<td>35</td>
<td>1000</td>
</tr>
<tr>
<td>2016</td>
<td>2878</td>
<td>1300</td>
<td>73</td>
<td>4670</td>
<td>1273</td>
<td>2840</td>
</tr>
<tr>
<td>2017</td>
<td>3536</td>
<td>1370</td>
<td>83</td>
<td>6208</td>
<td>1776</td>
<td>2621</td>
</tr>
</tbody>
</table>

Poverty Alleviation Support Cultivation of New Business Entities. New agricultural management mainly includes: leading enterprises, family farms, large professionals, cooperatives and other rural new types of collective economic organizations. While implementing financial precision poverty alleviation to support poor households, ABC has helped ordinary farmers and poor farmers to develop poverty alleviation industries by innovating loans for new types of business operators, innovated the mechanism to get rid of poverty and get rich, and enhanced the substantial achievements in promoting agricultural and rural development and getting rid of poverty.

It strongly supports the simultaneous development of new types of business entities. From 2014 to 2016, the total amount of loans to professional major households increased from 14.52 million yuan to RMB586.57 million. The average loan amount for a single professional major increased year by year, from less than 200,000 yuan in 2014 to more than 300,000 in 2016. The family farms have made great breakthroughs with their loan support. In 2016, the total loans to family farms reached 56.81 million yuan, with an average loan amount of 180.03 million yuan. Although the agricultural banks in both regions supported the absolute size of the new-type agricultural management entities in varying sizes, their credit support efforts are relatively consistent. On the one hand, the Agricultural Bank of China and the two places did not face the situation of abandoning and supporting some new type of business entities. On the other hand, the scale of financial support has been expanding in both the total amount and the average value. Figures 4-4
and 4-5 show the respective numbers of loans and loans to Liangshan and Guangyuan Agricultural Bank in support of various types of new business entities.

5. Path selection of ABC financial precision poverty alleviation

Paths for Poverty Alleviation: Finding the "Point" and the "Root" of Financial Precision Poverty Alleviation. Poor households with building file card can really benefit, which is the starting point and ending point of financial precision poverty alleviation. The focus of the project should include the poor households with establishment of file-card and new agricultural cooperatives, family farms and other new-type rural management entities that jointly developed by poverty-stricken households.

Financial Enterprise Path: "Tailored" Financial Poverty Alleviation Products and Services. Financial precision poverty alleviation must take the initiative. Agricultural Bank of China should collect funds, personnel, technological advantages, innovate continuously, take the initiative to provide customized financial services for the poor. First, it should make innovations on financial products and optimize financial services. Second, win the support of policies, increase service outlets, extend the service radius and improve the availability of financial services for poor households, including poor farmers. Finally, the implementation of financial policies which benefit agriculture to ease the loan difficulties.

Financial and Ecological Path: Cultivate Financial Awareness and Credit System. Through the study of financial knowledge, we should cultivate financial awareness and eliminate the "Stereotypes " of "loan difficulties" and "loan expensiveness." We will continually carry out rural household activities that bring financial knowledge to enable poor households to have deposits, loans and even wealth management to enrich their family financial assets, making finance actually become a means of enhancing the well-being of poor households. Simultaneously, we will actively cooperate with the PBC's rural credit system and encourage farmers with good credit to provide more financial service products through innovation.

The Path of Cooperation between Banks and Enterprises: Make the most of the Advantage of Government and Enterprise Resources. Cohesion and implementation of policies have their own inherent regularity and require cooperation among various departments to form a concerted effort. On the one hand, ABC should adopt a "silver-government cooperation + commercial operation" mode through cooperating with local governments and launch a financial assistance product for poverty alleviation by the coalition government so as to establish a risk guarantee mechanism such as risk compensation and post-loan management. On the other hand, Industries subsidize loans to help reduce poverty and form a production and operation mode of "finance + cooperatives + poor peasants", change "blood transfusion" -style poverty alleviation into "hematopoietic" poverty alleviation and raise poverty alleviation efficiency.
References


