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FINANCIAL INCLUSION AND POVERTY ALLEVIATION: RETHINKING THEORY AND INTERVENTION STRATEGIES BASED ON RURAL PRACTICE IN CHINA

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Abstract. This study argues that poverty is not only a lack of income and consumption for individuals and families, but also a lack of opportunities and rights, particularly in terms of financial access and capability. Therefore, to comprehensively address the issue of poverty, it is necessary to increase individuals' opportunities to access financial services, improve their financial literacy and enhance their financial health and overall financial well-being. Although China has set a target of eradicating absolute poverty in rural areas by 2020, poverty reduction efforts in China still face a more challenging situation. First, the majority of families lifted out of absolute poverty are dependent on government subsidies and lack independent sources of income and livelihoods, making them extremely vulnerable to falling back into poverty; second, the economic gap between urban and rural areas is widening; third, rural residents face challenges in increasing wage income and household business income, while asset-based income remains low; finally, the severe ageing of the rural population and the lack of human capital have resulted in slow economic growth in rural areas. In order to alleviate rural poverty and promote balanced and integrated urban-rural development, the Chinese government has adopted a strategy of tilting financial resources towards rural areas and is continuing to develop financial inclusion in rural China. However, as rural residents in China typically lack basic financial literacy and are unfamiliar with the variety of financial products and services available, combining financial services with social services is necessary to enhance the poverty alleviation effectiveness of financial inclusion. Social work plays a valuable role in improving the financial literacy of rural residents and promoting the use of financial inclusion products and services in rural China.

Keywords: *Financial inclusion, poverty alleviation, rethinking strategy, rural of China.*

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1. Introduction

Over the last thirty years, a growing body of research has shown that financial exclusion is an important determinant of poverty (Sinclair, 2001; Leyshon, 1995; Dymski & Wein Li, 2003; Devlin & James, 2009; Mark & Darshan, 2001; Howell & Wilson, 2005). The United Nations introduced the concept of financial inclusion in 2005. It is defined as a financial system that can effectively and comprehensively provide services

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to all segments and groups of society. Financial inclusion requires a general improvement in the availability, usability and quality of financial services. On the contrary, financial exclusion is widespread around the world, present in financial systems at all levels of development and more severe in non-developed countries. According to the Global Findex 2021, nearly 24% of adults worldwide do not have a bank account and 67% of adults in sub-Saharan Africa do not have a mobile money account.

In China, the central government has attached great importance to the development of financial inclusion over four decades and in 2015 issued the first national strategic plan for financial inclusion, *the Plan for Promoting the Development of Financial Inclusion (2016-2020)*, which proposed to "promote people's well-being and enable all segments and groups to enjoy financial services that meet their needs with equal opportunities and reasonable prices". Financial inclusion has also played an important role in China's poverty reduction efforts. Nearly 100 million rural poor people in China have been lifted out of poverty in the past decade and according to the "*China Poverty Indicators Analysis Report (2021)*" recently released by the People's Bank of China, by the end of 2021, the national credit balance for people out of poverty was 914.1 billion yuan, up 16% year-on-year with an annual increase of 126 billion yuan; the credit coverage for people out of poverty reached 28.2%; the balance of loans to farmers for production and operation was 6.84 trillion yuan, up 14.1% year-on-year with a growth of 2.6 percentage points higher than the end of last year.

This study expands on Amartya Sen's theory of poverty by using the capability approach and rights perspective. It argues that poverty is not only the absence of income for individuals and households, but also the lack of capabilities and rights, particularly in terms of financial access, financial capabilities, financial well-being and financial health. Individual and household poverty is caused not only by insufficient income and consumption, but also by inadequate financial functions such as asset building, credit construction and risk management. Therefore, a comprehensive solution to poverty requires increasing individuals' financial opportunities, knowledge and skills, as well as improving their financial health and enhancing their financial well-being.

By analysing and summarising the available literature, this study proposes five mechanisms and approaches for applying financial inclusion strategies to reduce poverty. The first mechanism involves increasing income. Financial inclusion allows rural residents to expand their investments in microenterprises and promote employment for low-income individuals. Additionally, inclusive loans can help the poor increase their income and improve their household production, particularly in agriculture. Another benefit is the ability for vulnerable households to manage their consumption smoothly during periods of reduced or lost income, thus avoiding economic crises. Finally, financial inclusion can help build assets. It allows households to save money for long-term family development planning and steadily accumulate family assets. The fourth characteristic is managing credit. By dealing with financial institutions, it enhances the poor's contractual spirit, sense of integrity and awareness and ability to manage credit. The fifth characteristic is controlling risks. Increasing household resilience to crises and reducing vulnerability can be achieved through inclusive insurance or other financial inclusion services.

2. The theoretical relationship between Financial Inclusion and poverty alleviation

2.1. Definition of Financial Inclusion

Financial inclusion is defined differently in the literature. Some studies define it as the opposite of financial exclusion and as a dimension of social exclusion. For instance, Leyshon (1995) highlights the exclusion of certain groups and individuals from the formal financial system, while Sinclair (2001) stresses the inability to obtain necessary financial services in an appropriate form. In contrast, Amidžić et al. (2014) and Sarma (2008) provide definitions of financial inclusion. According to Amidžić et al. (2014), financial inclusion is the economic state in which individuals and businesses have equal access to basic financial services. Sarma (2008) defines financial inclusion as the process of ensuring that all members of society have equal access to the formal financial system. Both Amidžić and Sarma's definitions of financial inclusion are similar to that of The World Bank. The World Bank defines financial inclusion as the availability of useful and affordable financial products and services that meet the needs of individuals and businesses, including transactions, payments, savings, credit and insurance, delivered in a responsible.

Financial inclusion lacks a universal definition and standard measure. Scholars and policymakers highlight different aspects when measuring financial inclusion. Sarma (2010) uses the UN Human Development Index (HDI) to measure the basic state of financial inclusion in various countries. The HDI includes bank penetration, financial service availability and usage status as the main indicators. Camara and Tuesta (2014) argue that financial inclusion can be determined by three dimensions: usage, barriers and access. Massara and Mialou (2014) use factor analysis to create a financial inclusion index based on two dimensions: outreach and usage of financial services.

Numerous countries and international organizations have conducted extensive research and developed financial inclusion indicators at a global level. There are two main trends in assessing and monitoring financial inclusion. The first trend involves organisations such as the International Monetary Fund, the Alliance for Financial Inclusion (AFI) and Fin Mark Trust, who design financial inclusion indicators for measuring availability, usage and other dimensions. The second trend involves The World Bank, who develop the Global Financial Inclusion Indicators to assess and monitor financial inclusion based on bank account usage and specific business categories, such as savings, loans, payments and insurance.

The Global Partnership for Financial Inclusion (GPFI) adopted the G20 Financial Inclusion Indicators System at the 2012 Los Cabos Summit. This system introduces financial services quality indicators and measures financial inclusion across three dimensions: availability, usage and quality. The GPFI encourages each country to develop and supplement indicators based on its own national conditions. The Analysis Report on China's Financial Inclusion Indicators uses the G20 indicator system.

This study argues that the availability of financial services reflects their accessibility, affordability and outreach. In addition to availability, the usage of financial services is also an important measurement dimension of financial inclusion. This includes the rate of account opening, usage rate of savings, payments, insurance and loans, as well as the quality of financial services such as the safety and reliability of financial products and the financial protection and literacy of consumers. This study identifies and adopts the G20's indicator system, which is referred to in the figure below.

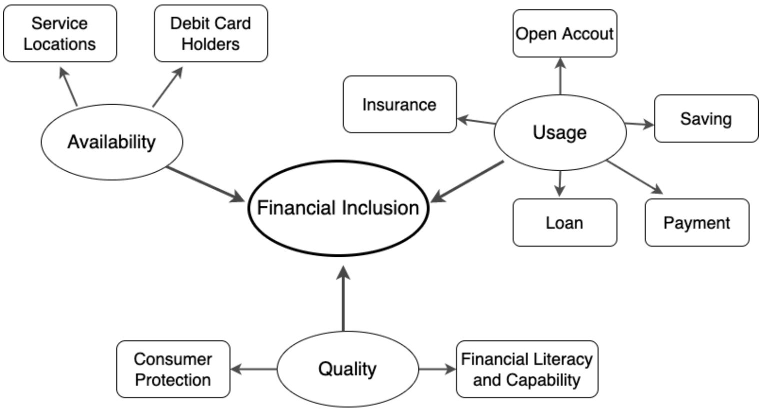

Figure 1. Measurement Indicators of Financial Inclusion

2.2. The Theories of Poverty

2.2.1. The definition of poverty

The World Summit on Sustainable Development (WSSD) defined overall poverty as the lack of income and productive resources necessary to ensure sustainable livelihoods, as well as experiencing hunger and malnutrition, poor health conditions, limited or no access to education and other essential services, increasing rates of illness and mortality due to diseases, homelessness and inadequate housing, living in an unsafe environment and encountering social discrimination and exclusion. The United Nations (1995) defines poverty as also being characterized by a lack of participation in decision-making and civil, social and cultural life. Poverty is a multidimensional concept that encompasses not only the struggle for survival, such as a lack of basic material necessities, diseases and unsafe living conditions, but also a lack of developmental resources, voice and social inclusion. To reduce or alleviate poverty, it is necessary to first understand its definition, causes, consequences and methods of measurement.

2.2.2. Level of Poverty: Absolute Poverty and Relative Poverty

The concept of absolute poverty was first introduced by Booth (1903) in England during the early 19th century. Booth defined an individual or household as poor when their economic situation falls below the subsistence line or minimum subsistence level. Rowntree (1901) measured poverty in a city based on the concept of absolute poverty and established criteria for classifying poverty as the amount of cash required to sustain basic survival. Based on this criterion, solving the issue of poverty requires economic growth and an increase in social wealth. This perspective is static and non-developmental.

Despite a significant increase in societal wealth after the Industrial Revolution, poverty persisted in developed countries. This suggests that the strategy of viewing poverty solely from the perspective of meeting survival needs is outdated, as the average wealth of society has increased and the needs of its members have also changed. Therefore, relative poverty became a popular research field in the 1960s. Adam Smith (1720-1790) was the first to express the concept of relative poverty. He argued that a person may still be considered poor if they do not achieve a decent standard of living recognized in public (Smith, 1913). Relative poverty reflects one's incapacity for social participation, according to Townsend (1984). It is a result of comparison with a reference group and reflects social inequities. The OECD (Organization for Economic Cooperation and Development) (1976) proposed defining relative poverty as individuals with incomes lower than a certain percentage of the average household income, which increases proportionally with national income growth.

2.2.3. Perspectives on the Causes of Poverty

Classical statements on the causal explanation of poverty are multidimensional. There are three explanatory mechanisms: individualistic, structural and spatial accounts of poverty.

The Individualistic Perspectives of Poverty

The dominant approach in poverty research in the United States has long been individualistic perspectives that attribute the origins of poverty to individual characteristics (O'Connor, 2009). It is important to note that subjective evaluations have been excluded from this analysis. These perspectives have separately identified a series of biological, psychological, cultural, economic and social attributes that are closely related to a person's material living conditions and whether they are poor or not. Thus, individuals in modern human society are ranked into different social classes based on their income and wealth possession, which gradually leads to hierarchical inequality. This text discusses individualistic explanatory mechanisms for poverty, including biological theories, cultural theories (Lewis, 1966; Moynihan, 1965; Murray, 2013) and human capital theories (Becker, 1975).

Biological theories suggest that intelligence, cognitive ability, and genetic makeup may determine an individual's socioeconomic status. However, it is important to note that this theory is highly debated and lacks conclusive evidence. The use of anecdotes from the natural world to support this theory is questionable and should be approached with caution. For instance, Erik Olin Wright (2010) has explained the individual attributes account using the fable of the grasshopper and the ant. According to the fable, there is a lazy grasshopper and an industrious ant. When winter arrives, the ant has saved up food and supplies, while the grasshopper is left inadequate and hungry. Therefore, regardless of the metric used, whether resources or welfare, the ant is clearly better off than the grasshopper. Between the two insects, there exists a significant inequality of condition. In human society, a similar outcome is a result of individual attributes - the dispositions, proclivities and habits of each person (Calnitsky, 2018).

In cultural theory, poverty is explained by the beliefs, habits, and dispositions that are instilled in individuals. It is important to note that subjective evaluations have been excluded from this analysis. The concept of a 'culture of poverty' was first proposed by Oscar Lewis (1966), who emphasised the lack of self-control and self-efficacy, as well as short-sightedness resulting from poverty. According to these theories, cultural depredations were rational adaptations to limited opportunities and historical oppression (Calnitsky, 2018). Therefore, poverty policy should focus on curtailing these deviant cultural proclivities (Patterson, 2000; Wilson, 2010; Sawhill, 2014), as the underlying causes are mutable, unlike biological factors.

However, individualistic explanations of poverty become more complex when social causes are taken into account. Human capital theories suggest that inadequate education leads to low productivity and ultimately poverty. Therefore, low education can cause poverty. It is important to avoid subjective evaluations and maintain a clear, objective language. The mechanism behind this explanation is that a person's decisions and aptitudes for schooling may determine their chances of ending up poor. Additionally, precise word choice and grammatical correctness should be ensured. The content of the improved text must be as close as possible to the source text, and changes in content must be avoided at all costs.

Therefore, these individualistic explanatory mechanisms attribute the origins of poverty to a range of causal factors, which can be either social or individual. However, this approach lacks a macro-level appraisal of the subject, blunting its explanatory power (Calnitsky, 2018).

The Structural Perspectives of Poverty

The literature has shifted towards discussing the macro-structural causes of poverty, moving away from the individualistic view. Biogenetic theories of poverty naturalize the phenomenon and suggest that the current distribution of poverty is normatively appropriate. On the other hand, cultural and human capital theories may be prone to moralistic bias and improper responses. According to Sawhill (2014) and Duckworth (2016), poverty may be correlated with a lack of human capital or negative cultural attitudes. They suggest that the best way to alleviate poverty is to focus on changing the circumstances of the poor. However, this basic reasoning mode may commit the fallacy of composition by oversimplifying poverty as a mere aggregation of individual-level accounts. This analogy can be illustrated by the fact that each separate part of an airplane cannot fly on its own (Calnitsky, 2018).

Therefore, poverty in modern society depends not only on individual attributes but also on macro-level economic, social, institutional, and political factors that determine overall distributions (Calnitsky, 2018). The economic account of poverty frequently cites employment as the main reason. To simplify, imagine an economy with eight job vacancies and two poverty vacancies. With ten individuals, both before and after the change in educational attainment, two people will be pushed into poverty (Calnitsky, 2018). Similarly, Deringer and Piore (1971) argue that due to their lack of skills, the poor are only able to enter secondary labor markets and work in marginal industries, which does not help them escape poverty.

In the sociological theory's social account of poverty, the gradational approach asserts that individuals can be ranked based on their income and education levels. Those at the front of the line have more than those at the back. This approach aims to provide an objective evaluation of poverty without subjective biases. For example, Weberian theory (Wright, 2002; Scott, 2014) aims to demonstrate how the hoarding of opportunities can trap individuals in a structure of insider-outsider relationships. In this structure, the advantages enjoyed by some are dependent not only on their attributes, but also on the exclusion of others. According to Marxian theory (Wright, 1985, 1997), the advantages enjoyed by the owners of capital depend on the exclusion of others from the ownership and control of productive assets. The poor are induced to work for the rich due to their deprivations.

In an institutional account of poverty, the explanatory mechanism focuses on institutional factors that are decisive in macro-comparative work. These institutional factors appear as an invisible backdrop for all individuals (Calnitsky, 2018). One macro-level factor that appears in cross-national comparisons is the welfare state. The analysis of the welfare state in these studies varies significantly. Some studies examine total social welfare expenditures (Kenworthy, 1999; Huber & Stephens, 2004), while others distinguish between system-level types (Esping-Anderson, 1990). Additionally, some studies examine the negative effect of welfare generosity on the incidence and intensity of poverty (e.g., Brady, 2009). The welfare state institution has been criticised for fostering welfare dependency and failing to lift people out of poverty.

When discussing poverty in political terms, some studies incorporate additional macro-political variables that influence pre-market outcomes (Calnitsky, 2018). It has been suggested that factors such as union density (Brady *et al*., 2013; Rosenfeld & Laird, 2016), bargaining centralization, left-wing political power (Brady, 2003, 2009; Smeeding & Rainwater, 2003; Piven & Minnite, 2016) and even the proportion of left government seats can impact the level of poverty in a country. This means that the relevant factors are the power relations between different actors before they meet in market.

The Spatial Perspectives of Poverty

In addition to structural and individualistic theories of poverty, spatial poverty theory is a new explanatory mechanism for the causes of poverty. It focuses on the impact that living in remote rural areas has on poverty dynamics and intersectionality (Bird *et al*., 2002). This theory is often referred to as 'spatial poverty traps', which describes remote rural areas with high concentrations of poor people. According to this theory, spatial poverty traps can be found in detached, remote rural areas as well as in the burgeoning slums of cities. For those living in remote rural areas, spatial poverty traps mean that they are more likely to experience long-duration, multidimensional poverty that intersects with other drivers of exclusion (Bird, 2019).

Empirical studies from around the world have confirmed the existence of a spatial poverty trap. For instance, previous studies have found a significant correlation between spatial inequality and various spatial and regional factors. These factors include remoteness levels (Daimon, 2001; Bird & Shepherd, 2003), public and private investment levels (Christiaensen *et al*., 2005), public infrastructure levels (Daimon, 2001), agro-climates of different zones (Bird & Shepherd, 2003) and market accessibility (Minot *et al*., 2003).

The definition of spatial poverty traps is multidimensional and consistent. Spatial poverty traps occur where the 'geographic capital' of an area, including physical, natural, social, political and human capital, is low, resulting in high poverty levels due to geographic disadvantage. These traps may be found in geographically remote, ‘low potential’, marginal, ‘less favored’ or ‘weakly integrated’ areas (CPRC, 2004).

The factors that may explain the emergence of spatial poverty traps are: (1) Agro-ecology can affect residents' ability to meet their basic needs. (2) Institutional, political, and governance failures can contribute to the emergence of spatial poverty traps. (3) Stigma and exclusion can lead to social exclusion and discrimination against people living in certain geographic locations. (4) Physical isolation and inadequate infrastructure can result in higher costs of providing basic services and extending physical infrastructure (Bird *et al*., 2010). The presence of spatial poverty traps has numerous far-reaching consequences, resulting in persistent and severe poverty that is challenging to overcome.

2.2.4. Emerging Theories of Poverty

In modern society, new theories of poverty have emerged, enhancing our understanding and analysis of its causes.

Capability Approach Deprivation

The capability approach is a theoretical framework that makes two normative claims. Firstly, it asserts that the freedom to achieve well-being is of primary moral importance. Secondly, it argues that well-being should be understood in terms of people's capabilities and functioning. As Sen (1974; 1979a; 1979b) has argued, capabilities are the real freedoms that people have to achieve their potential doings and beings. Real freedom means having all the necessary means to achieve one's goals or desires. It is not just the formal freedom to do or be something, but the actual opportunity to achieve it.

In contrast to a material-based conception of poverty, Sen's capability approach emphasises the impact of constraints on poverty. The approach focuses on what people can do and be, rather than their material resources and considers both monetary and non-monetary dimensions and constraints.

The influential definition of material-based poverty is individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong. According to Peter Townsend (1979), individuals or families with significantly fewer resources than the average are effectively excluded from ordinary living patterns, customs and activities. This approach presents a static and one-dimensional view of poverty. The capability approach emphasises the intrinsic importance of people's capabilities rather than the instrumental importance of their incomes or material possessions. It argues for multidimensional assessment in poverty analysis and adopts a broad perspective of the various constraints that can limit people's lives.

Sen (2009) argues that, when analysing well-being, the focus should shift from 'the means of living', such as income, to the 'actual opportunities a person has', namely their functioning and capabilities. According to Sen (1999), 'functioning' refers to the various things a person succeeds in 'doing or being', such as participating in the life of society and being healthy, while 'capabilities' refer to a person's real or substantive freedom to achieve such functioning. For example, the ability to take part in the life of society. The capability approach emphasises a person's capabilities, regardless of whether they choose to exercise them or not. It aims to remove barriers that prevent people from living their lives to the fullest.

Asset-based Poverty

In his book 'Assets and the Poor' (1991), Michael Sherraden argued that income alone is insufficient for long-term improvement of one's circumstances. Instead, asset accumulation and investment are necessary. Sherraden's argument highlights the importance of financial planning and investment for long-term stability and growth.

Distinguishing between income and assets is crucial in understanding the importance of assets. According to the asset-based theory of poverty, income refers to what people receive as a return on their labour or use of their capital or as a transfer from a public program. Income is a flow of resources that is spent on current consumption (Sherraden, 1991). Meanwhile, assets are what individuals accumulate and hold over time, providing a source of security against contingencies for future consumption (Sherraden, 1991). Asset investments also generate returns that typically increase aggregate lifetime consumption and enhance a household's well-being over an extended time horizon (Nam *et al*., 2008). For most households, the way to escape poverty is not through income and consumption, but through saving and accumulation (Sherraden *et al*., 2001).

Why are assets important in reducing poverty? Asset accumulation leads to significant psychological and social effects that cannot be achieved to the same degree by simply receiving and spending an equivalent amount of regular income. In theory, asset accumulation can lead to behavioural changes such as long-range planning, better property care, increased financial literacy and greater social and political participation

(Sherraden, 1991). These changes are important for escaping poverty. Sherraden proposed opening Individual Development Accounts (IDAs) for every person from birth to provide them with the potential to accumulate assets and experience their effects from a young age (Loke *et al*., 2006).

2.3. Redefinition of Poverty in the Perspective of Financial Inclusion

This study argues that poverty is caused by low productivity and unequal distribution, with significant and profound negative impacts on individuals, families and society. Therefore, eradicating absolute poverty, alleviating relative poverty and ensuring that everyone has the opportunity to escape or avoid falling into poverty should be the fundamental responsibility of contemporary governments worldwide. This is seen as a prerequisite for considering financial inclusion as a means of poverty reduction.

Following Sen's capability approach and rights, this study argues that poverty is not only a lack of income for individuals and households, but also a lack of capabilities and opportunities (rights), in particular financial rights and capabilities. Poverty is a manifestation of the lack of financial well-being and financial health of individuals and families. The US Consumer Financial Protection Bureau states that financial well-being should include the following four elements: (1) having adequate control over daily household finances (e.g., paying for daily expenses such as rent and utilities) to meet basic needs; (2) having some financial freedom to enjoy life (e.g., being able to reasonably indulge in hobbies that are not daily necessities); (3) being able to withstand short-term financial risks (e.g., unemployment) and (4) having a healthy sense of self-worth (e.g., accumulating assets for home ownership, entrepreneurship, and retirement). In summary, there are five components of financial well-being: maintaining and increasing income, building assets, managing consumption, developing credit and controlling debt (Sherraden & Huang, 2019).

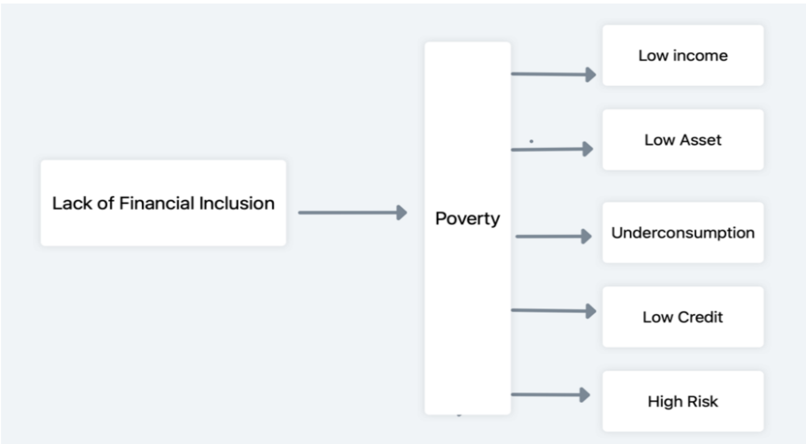

Figure 2. Poverty in the Perspective of Financial Inclusion

In summary, this study argues that the poverty of individuals and families is rooted not only in inadequate income and consumption, but also in inadequate other financial functions, including asset building, credit development and risk management. Therefore, to increase the effectiveness of poverty reduction, it is crucial not only to focus on increasing income, but also to prioritise the improvement of other financial functions. In addition, poverty can be alleviated by increasing the financial opportunities, knowledge and skills of individuals and families, improving their financial functions and achieving financial well-being. In this sense, this study extends the traditional income-based perspective on poverty to one based on financial capability and well-being.

As a result, this study extends the income-based view of poverty to one based on financial capability and financial well-being and argues that poverty can be fundamentally eradicated by increasing the poor's access to and ability to use, financial products and services that can steadily improve their financial functions and enhance their financial well-being.

3. The Effects of Financial Inclusion on Anti-Poverty

3.1. A general analysis of previous studies

Several studies have shown that financial inclusion not only promotes economic development in some countries or regions, but also effectively reduces poverty and inequality in the world.

Honohan (2007) examined the role of financial access in reducing income inequality. His results show that high financial access significantly reduces income inequality. Park and Mercado (2015) used the financial inclusion indicator for 37 developing Asian economies and found that financial inclusion can be helpful in reducing poverty and income inequality. Jiang constructed a household financial inclusion index using the 2015 China Household Finance Survey and found that financial inclusion significantly reduces the probability of poverty and household vulnerability. Koomson (2020) examined the effect of financial inclusion on poverty and vulnerability to poverty among Ghanaian households, using data from the 2016-2017 Living Standards Survey. The results suggest that financial inclusion has two effects on household poverty. First, it reduces household poverty by 27%. Second, it reduces a household's risk of falling into poverty by 28%. Using the Gini coefficients of 13 Latin American countries and constructing an unbalanced panel dataset using Feasible Generalised Least Squares (FGLS) and Limited Information Maximum Likelihood (LIML) techniques, Eduardo's results suggest that financial inclusion is a powerful tool for reducing poverty and inequality. Moreover, "the combined effects of financial inclusion and technology can reduce the level of poverty and inequality" (Polloni-Silva *et al*., 2021). Similarly, using cross-country data, Demirguc-Kunt and Levine (2008) found that the number of people living on less than a dollar a day falls sharply in countries with very high levels of financial development and that almost 30% of the cross-country variation in poverty reduction is due to differences in financial development across countries. Nyasetia (2012) examined the impact of financial deepening on savings and investment behaviour in Kenya and found that financial deepening increased savings and investment in Kenya. This finding implies that financial deepening is crucial for increasing household savings. Similarly, Wang'oo (2013) investigated the relationship between financial inclusion and economic development in Kenya. Using meta-analysis, the research concluded that financial inclusion and economic development are positively correlated, meaning that when there is significant financial inclusion, economic development responds in a similar manner (Mhlanga, 2021).

Financial inclusion, by providing households with financial products or services such as commercial insurance or emergency credit support, can serve as an effective tool for families to manage risk and help them improve their risk management capacity

(Ngaka, 2012). The linear probability model shows that a one standard deviation increase in the financial inclusion index reduces the probability of poverty and vulnerability by 8.75 percent and 7.43 percent, respectively. The results also show that financial inclusion can reduce household poverty and vulnerability by promoting household entrepreneurship and improving risk management capacity (Jiang & Liu, 2022).

3.2. Anti-Poverty Role of Financial Inclusion

Financial inclusion tackles poverty primarily through two pathways: the macro-path and the micro-path. On the one hand, financial inclusion improves the well-being of low-income or disadvantaged groups and reduces the wealth gap by promoting regional economic growth, the development of social services and infrastructure. Financial inclusion services for micro-enterprises can increase investment in micro-enterprises and provide employment for low-income groups, thereby increasing their incomes. In addition, financial inclusion increases social investment in education, health care and other basic services and facilities, which significantly improves the social welfare of low-income or poor people. Bruhn and Love (2009) examined the impact of financial services for low-income Mexicans on business activity and income. They found that the number of informal businesses increased by 7.6 per cent over two years, while employment increased by 1.4 per cent, including the contribution of low-income people to economic growth.

On the other hand, financial inclusion directly improves the wellbeing of individuals and households. Ellis (2010) found that access to financial services can increase income growth by enabling households to invest. Some studies show that microfinance can improve the ability of individuals or households to respond to crises, diversify income sources, build assets and empower women (Hashemi *et al*., 1996; Morduch, 1998; Zaman, 1998); IBS-Hyderabad collected primary data using field survey techniques and concluded that microfinance has a significant positive impact on annual household income growth and household resilience. Jiang (2022) verified that financial inclusion reduces the risk of household poverty and vulnerability by promoting entrepreneurship and improving risk management skills.

3.3. The Anti-poverty Mechanism of Financial Inclusion

Based on the literature review, this study attempts to explore a model of financial inclusion for poverty reduction. In this model, financial inclusion is the independent variable, poverty is the dependent variable and they are negatively correlated. Financial inclusion helps the poor to get out of poverty by increasing their financial capital through the following mechanisms.

First, increase income. Financial inclusion enables residents to expand their investment in micro-enterprises and promote employment for low-income people; in addition, the poor increase their income by using inclusive credit to expand household production, especially agricultural production. Second, it smoothes consumption. Vulnerable households can avoid economic crises by smoothing their consumption during periods of reduced or lost income. Third, asset building. Enable households to save money for long-term family development planning and steadily accumulate family assets. Fourth, credit management. Dealing with financial institutions can enhance the poor's contracting spirit, sense of integrity, awareness and ability to manage credit. Fifth, risk management. Inclusive insurance or other financial inclusion services can increase the resilience of vulnerable households to crises or risks and reduce household vulnerability.

In addition, the anti-poverty effects of financial inclusion are moderated by financial literacy. Residents with high levels of financial literacy are able to use finance more effectively to improve their economic situation.

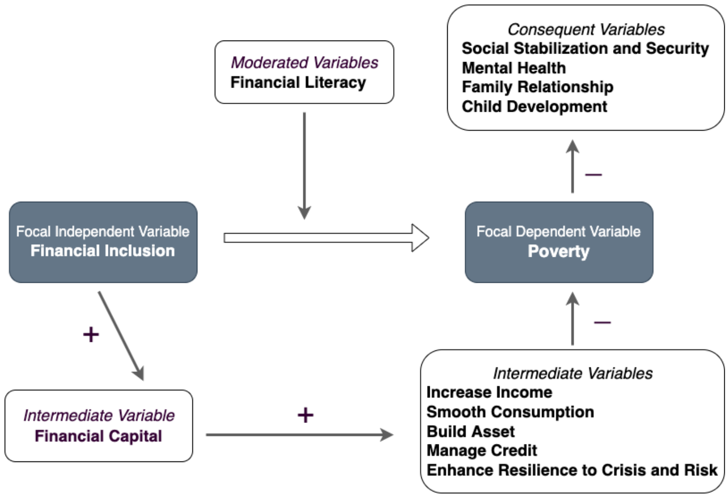

Figure 3. Framework of Anti-poverty Mechanism of Financial Inclusion

4. The intervention strategies for poverty alleviation through financial inclusion in rural China

4.1. Poverty in Rural of China

By today's standards, China has lifted nearly 100 million rural poor and 832 poor counties out of poverty (per capita income of 2,300 yuan/month, about $328/month) and eliminated regional poverty and absolute poverty by 2020. Although China has eliminated absolute poverty in rural areas, preventing absolute poverty and alleviating relative poverty remains the main goal of China's rural development efforts.

As China enters a new historic era of poverty alleviation, it faces an even more challenging environment for poverty reduction. First, the majority of households that have lifted themselves out of absolute poverty are dependent on government subsidies and lack independent sources of income and livelihoods, making them extremely vulnerable and at risk of falling back into poverty.

Second, the economic disparity between rural and urban areas is growing. In 2013, the gap in per capita disposable income between urban and rural residents is 17,037 yuan, about $2434; in 2019, the gap widens to 26,338 yuan, about $3762; in 2021, the gap widens to 28,481 yuan, about $4069 (National Bureau of Statistics of China).

Third, rural residents face the challenge of increasing their wage income and household business income, which are the two main sources of income for rural residents. While the asset-based income of rural residents is still at a low level, accounting for less than 5% of total income, resulting in sluggish income growth (China Rural Revitalisation Comprehensive Survey Report 2021).

Fourth, the characteristics of rural demographic structure and human capital lead to sluggish growth of rural economy. According to China's seventh national census, 63.89%

of the country's population now lives in urban areas, an increase of 14.21% compared to 2010. The data shows a rapid decline in the rural population, with a significant ageing trend, as the proportion of people aged 60 and over reached 20.04% and those aged 65 and over reached 13.82%. In addition, according to the China Rural Revitalisation Comprehensive Survey and Research Report 2021, the overall educational level and human capital of rural households in China are both lower than those of urban residents, which is unfavourable to the economic growth and community prosperity of rural areas in China.

4.2. Financial Inclusion as a Poverty Alleviation Strategy in China

In order to remove obstacles to rural development in China, especially to alleviate rural poverty and to promote the balance and integration of urban and rural development, the Chinese government has issued the "*Strategic Plan for Rural Revitalisation (2018-2022)*". It suggests that "China needs to improve the rural financial system that meets the needs of agriculture and rural areas, allocate more financial resources to the key areas and weaknesses of rural economic and social development and meet the diverse financial needs of rural revitalisation".

The People's Bank of China also issued *the Opinions on Financial Support for Consolidating and Expanding the Results of Poverty Eradication and Attacking the Countryside to Comprehensively Promote Rural Revitalisation* in July 2021. The document proposed a series of initiatives on financial support for consolidating and expanding the results of poverty eradication and attacking the countryside on the premise of resolutely maintaining the bottom line of no systemic financial risks, including increasing the inclination of financial resources to the national rural revitalization key support counties, carrying out micro-credit loans, innovating and carrying out industry-driven loans, increasing support for loans in livelihood areas.

4.3. How to Promote Financial Inclusion in Rural China

It is crucial to further promote the expansion of financial inclusion in rural China. On the one hand, rural areas are the most important market for financial inclusion in China, and historically rural residents have been the majority of the poor population, with more than 90% of China's poor population living in rural areas in the early 1990s. The incidence of poverty in rural areas was about 11%, while the incidence of poverty in urban areas was less than 0.5%.

On the other hand, financial inclusion is underdeveloped in rural China. According to the latest Global Findex data released by the World Bank in June 2022, China has seen significant growth in a number of financial inclusion indicators: about 89% of respondents have an account, up 9% from 2017; the savings rate is 61%, up 11% from 2017 and the loan rate is 56%, up 11% from 2017. The percentage of respondents who can access emergency funds within 30 days is over 90%. However, according to the China Rural Revitalisation Comprehensive Survey Report 2021, the supply of rural financial services is still largely undiversified and financial products and services cannot adequately meet the needs of rural residents, with 32.90% of rural residents needing to borrow money from private loans to meet their loan needs. In addition, the loan ceiling is too low to adequately meet the needs of various rural enterprises. Finally, China's rural financial infrastructure is still underdeveloped, with 70.52% of rural residents preferring to make cash payments.

5. Discussion

Though rethinking theory and intervention strategies based on rural practice in China, it is obvious that the use of financial products and services by rural residents is lower than that of urban residents. This disparity is attributed to several factors, including lower financial literacy among rural residents and the fact that many financial products and services are designed for wealthy individuals and do not meet the needs of those with lower incomes.

Rural residents in many countries often lack basic financial education and are unfamiliar with the various financial products and services available to them. This lack of knowledge can make it difficult for them to make informed financial decisions and prevent them from taking full advantage of the opportunities offered by financial products and services. In addition, many financial products and services are designed for wealthy individuals and may not be suitable for those with lower incomes. For example, high-end investment products and complex financial instruments may not be accessible or relevant to rural residents with lower incomes. As a result, rural residents may not see the value in using financial products and services and may not be motivated to do so.

Therefore, to increase the impact of financial inclusion for poverty alleviation, it is necessary to combine financial services with social services. Social work has a strong understanding of disadvantaged groups and is well placed to help improve the financial literacy of rural residents. In addition, social workers can help develop and promote inclusive financial products and services tailored to the needs of low-income rural residents. Overall, social work can also play a valuable role in improving the financial literacy of rural residents and promoting the use of inclusive financial products and services in rural area.

Some financial institutions or social enterprises that provide financial inclusion services, such as Grameen Bank, have achieved great effectiveness of poverty alleviation by combining financial services with social services, but these models have not worked well in other countries. Therefore, in order to improve the effectiveness of financial inclusion for poverty alleviation in the global, this study argues that the path and mechanism of social work intervention in financial inclusion and poverty alleviation should become the core and focus of future research in the field of social work in many countries. And the policymakers should focus on improving the effectiveness of poverty alleviation by combining financial and social services.

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