2014 年亚太经合组织普惠金融论坛

中国议题讨论总结（英文）

Chapter 1: China

This chapter summarizes the presentations and discussions in Session One: *China*

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Speakers:
1. Mr. Sheng Chen, Deputy Director, Banking Innovation Supervisory Department, China Banking Regulatory Commission
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Panelists:
1. Dr. Deliang Zhang, Deputy Director, Research Division, International Poverty Reduction Center in China (IPRCC)
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With an estimated 36 per cent of adults currently unbanked China represents one of the largest unbanked populations in the world. China's rural poor are particularly excluded with more than 60 per cent of poor adults estimated to be unbanked. This has led to a significant reliance on informal financial services in rural townships and villages.

Technology and innovation is creating enormous opportunities in China for financial inclusion with further opportunities fuelled by China's entrepreneurial boom. The challenge faced now by China is how to effectively harness these factors to move forward in a more inclusive and productive way.

In recent years China's central government has raised the priority of financial inclusion and has introduced a number of new policies in support of its goals such as piloting agent banking methods and technologies, credit information systems, creating new institutions and other important reforms. These actions have led to the emergence of several new institutions, an expansion of financial services, increased outreach and an acceleration of product innovation.

Despite the many examples of positive changes being made to China's financial sector to support greater financial inclusion, the challenge of reaching and providing appropriate services to the financially excluded remains significant. This gap is due largely to systemic market barriers such as policy and regulatory issues and also market barriers such as human resources. The urban/industrial vs rural divide is another major factor, creating unique challenges and the emergence of “Shadow banking” now poses additional systemic risks which will increase as these methods become more widely used.

Promoting Financial Inclusion in China

In recent years China’s central government has given greater priority to financial inclusion with the aim of establishing an inclusive financial system with comprehensive and accessible services. The China Banking and Regulatory Commission (CBRC), under the guidance of the central government, is tasked with providing supervisory authority of the banking sector. In order to support the broader financial inclusion goals being promoted by the central government, the CBRC has placed specific importance on strengthening and improving the provision of financial services to agriculture, farmers and rural communities. More specifically, the CBRC has encouraged and facilitated the development of rural financial products and services and has also urged banking institutions to increase provision of agriculture-related loans. Over the next five years the CBRC aims to continue its support to advance the development of a modern rural financial regime in China.

To achieve this the CBRC is now focusing on three specific issues opportunities relating to financial inclusion:

- Rural finance
- Small and medium enterprise (SME) finance
- Universal banking coverage

To support greater rural finance the CBRC has facilitated the establishment of two new types of financial institutions: bank-initiated Village and Township Banks (VTBs) and member-owned Rural Mutual Credit Cooperatives (RMCCs). These institutions are primarily encouraged to develop loan products for rural enterprises and households. The CBRC has also overseen the transformation of China’s Postal Savings and Remittance Bureau (PSRB) into the Postal Savings Bank of China (PSBC). The PSBC is specifically mandated to develop commercially viable loan products to rural enterprises, migrant workers and farmers. The CBRC has also undertaken several initiatives aimed to increase financial inclusion such as promoting greater diversification of service networks and approaches, raising the transparency of credit businesses, increasing fairness and availability of loans through greater disclosure and supporting the development of products that better satisfy the needs of clients.

In order to provide greater support for SME finance, China’s central government issued official guidelines to encourage large, medium and small banks to set up small business units in 2005. Since then, a number of subsequent guidelines, policies, rules and opinions have been issued to further encourage banks to support SMEs. The government has also introduced greater incentives in recent years to further encourage Chinese banks to offer loans to small enterprises.

To achieve full banking service coverage the CBRC is pushing for the banking sector to provide a minimal amount of financial services to villages and rural communities by increasing the number of bank branches and also exploring innovative alternatives to physical facilities. The CBRC has also lowered the requirements for setting up rural financial institutions and is supporting the establishment of branchless access points such as mobile banking units, automated teller machines

(ATMs) or setting up point-of-sales (POS) devices within retailers or other non-banking institutions operating in rural areas.

The opportunity for greater financial inclusion in China is very evident, however, significant challenges still remain. While the CBRC can facilitate and encourage banks to offer financial products and services to rural farmers and communities, it is unable to force them to do so. Most of China's banks are commercial, and as such, their credit activity is market driven. But there are signs of success and many of China's state governments have successfully facilitated these banks to offer products to the poor. The CBRC also recognises the important role that non-bank financial institutions will play in solving China's financial inclusion problems and is actively providing them with guidance and support. By encouraging the development of financial innovations within the sector the CBRC also hopes to capitalise on the significant opportunity that new technology has to offer for financial inclusion.

An important policy initiative in China was the establishment of a unified financial credit system. As people move throughout the economy, particularly from rural to urban areas, their credit rating needs to follow them in order to support their new life in a new location. To enable this, the PBOC set up the Credit Reference Centre with the responsibility of operating China's credit information system. All formal lenders in China report to this database which covers all financial institutions. One of the major challenges the Centre faces is verifying data about financial inclusion. However, regardless of this the message being made from the data that there are still many people that are financially excluded remains very strong. Currently about 800 million people are listed in the database but only about 300 million actually have credit information included in the database. By directly integrating the database with the securities agency's own database the Credit Reference Centre hopes to increase their ability to verify data and increase their overall effectiveness.

China's Double Dual Financial Sectors

The relationship between China's regulated (formal) financial sector and the unregulated (informal) sector is quite unique. Within the sector as a whole, access to financial resources is greatly limited to large enterprises due to a range of systematic barriers such as policy, regulation and current infrastructure constraints. Large state-owned banks only provide services to large enterprise and while farmers and SMEs have access to financial services, it is very difficult for them to access regulated financial services due to how the market regulation is currently structured. SMEs and micro, small and medium enterprises (MSMEs) are further excluded from these resources by additional market barriers such as access to technology, information and adequate human resources.

China's financial sector is further complicated due to dual financial sectors which can be categorized between urban and rural areas. These sectors are mostly divided by systematic barriers such as separate systems for household registrations, land property rights, social welfare and education. It is estimated that up to 60 per cent of savings from rural areas is currently being "pumped" into urban areas to support larger industries, whereas only about 10 per cent of total loan capital is being provided to the rural areas. Different land right property systems between rural and urban sectors is also impacting financial inclusion. In rural areas, land belongs to the village collectively, whereas in urban areas it is owned by the state. The urban land use right can be transferred by the government to private investors for up to 70 years. This use right and the building and house assets based on land property can be transferred freely on the market. But in the past, the farmers were forbidden to use the collectively owned land in rural areas as collateral to access loans. Furthermore, commercial financial institutions are deterred from providing services to rural areas because it is considered high risk and costly.

To bridge this gap, a "shadow banking" system has emerged by which various non-bank financial institutions such as microcredit companies (MCCs), peer-to-peer lending companies (P2P), money lenders, wealth managers, and trust companies act as intermediaries between the formal and informal sectors to provide the necessary financial access for SMEs and farmers to develop. Since banks require collateral in order to deliver loans, they are technically not able delver loans to SMEs as they are able to provide the necessary collateral. To solve this, banks work through the non-banking financial institutions (i.e. trust funds, MCCs, P2P, etc.) to provide loans to SMEs. This shadow banking system has grown rapidly over recent years and is currently providing access to financial resources to the majority of China's SMEs.

China's shadow banking system has resulted in several positive impacts for financial inclusion. Aside from being the primary source of finance for China's significant SME/MSME market, it has also resulted in greater product innovation specific for rural areas and farmers. The system has also created a "catfish effect" amongst service providers forcing them to improve their services as competition increases. On the downside, the system is growing rapidly and regulators are increasingly losing control resulting in greater systemic risks.

To solve this problem regulators are now looking for ways to transform unregulated financial instructions into formal/regulated institutions. This will lead to an inclusive financial system that will allow for benefits to "trickle down" from the large enterprises to the SMEs and MSMEs including individual households. To achieve this China's central government has developed a national strategy for building inclusive financial systems. This strategy specifically outlines the need to further open up the financial industry and allow qualified private capital to initiate financial institutions such as small and medium sized banks, increase the proportion of direct financing, accelerate interest rate liberalization, establishing a sound social credit rating system and reforming the land right system for farmers to enable them to provide loan guarantees based on right of land management.

Innovations to Promote an Inclusive Financial System in China

Both China's central bank (the People's Bank of China) and the CBRC are actively supporting the development and implementation of innovative products and services that will lead to a more inclusive financial system. As a result of this support, several new innovations have entered the market recently. One particularly popular service is internet financing. In the last few years China has experienced significant growth in internet platforms for finance including third party electronic payment platforms, P2P lending, crowd funding, online credit services and search engines dedicated to financial products.

Despite the growing popularity of internet-based solutions for expanding financial services, internet penetration in China is still relatively small; particularly when compared to mobile phone penetrations. While China has been investing heavily in rural infrastructure, the emphasis for accessing financial services has mostly been on agent banking through the PSBC. Due to the high penetration rates, mobile banking through phones represents a significant opportunity, however, before this can be realised China needs to address a number of regulatory issues to manage risks before it becomes widely popular.

Group lending provided by village self-help credit funds has also seen recent reforms in China with new innovative approaches being used to increase impact and efficiency. Under the traditional model microfinance institutions (MFIs) would form various groups that would be serviced by loan officers of the MFI. These groups would in turn provide the necessary loans to individual farmers. Under the new approach, a village banks are established which provide products and services directly to farmers through village funds as an alternative to MFIs. This is proving to be a more effective approach in rural communities as villagers lack the financial capability to deal effectively with banks or MFIs.

Key Points

1. Mobile banking through phones represents a significant opportunity to increase financial inclusion in China due to the high penetration rate of mobile phones in rural areas and modern telecommunication infrastructure, and scope to deliver a broad range of financial services, securely. However, China needs to first address a number of regulatory issues to manage risks before promoting and supporting these services. There is an opportunity for China to learn from other economies with mobile banking experience to increase access and use.

2. While agent banking through the Postal Savings Bank of China (PSBC) and been supported by the central government, a high degree of uncertainty remains around the use of agents at a regulatory level. Greater understand at this level will enable more effective development of agent networks and the services they can offer, including both cash—in and cash-out services.

3. Greater regulatory reforms in China offer the potential to strengthen the enabling environment for institutions to provide access and appropriate financial products and services. Currently, China's largest MFI has less than 1 million users, which is considered small for an economy of its size. Enabling the microfinance environment will allow institutions to grow and extend their reach into the excluded population.

4. Achievements have been recognised in the innovative use of accounts receivables and different types of land rights as collateral, with the regulatory framework targeting continued innovation in delivery of financial services to villages and rural areas.

5. While there has been progress made with online providers, the opportunity remains to encourage unregulated institutions and informal financial services providers into the regulated system for greater transparency, market stability and client confidence.