

中國人民銀行
THE PEOPLE'S BANK OF CHINA

Development and Challenges of Inclusive Finance in China

Zhang Qin

Deputy Director, International Department

PBC Shanghai Head Office

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Outline

- Key Elements of Inclusive Finance
- Development of Inclusive Finance in China
- Monetary Policies to Support Inclusive Finance
- Experience from China's Practice
- Challenges Ahead

Key Elements of Inclusive Finance

□ Accessibility

- branches
- agents
- remote access

□ Diversified and suitable products

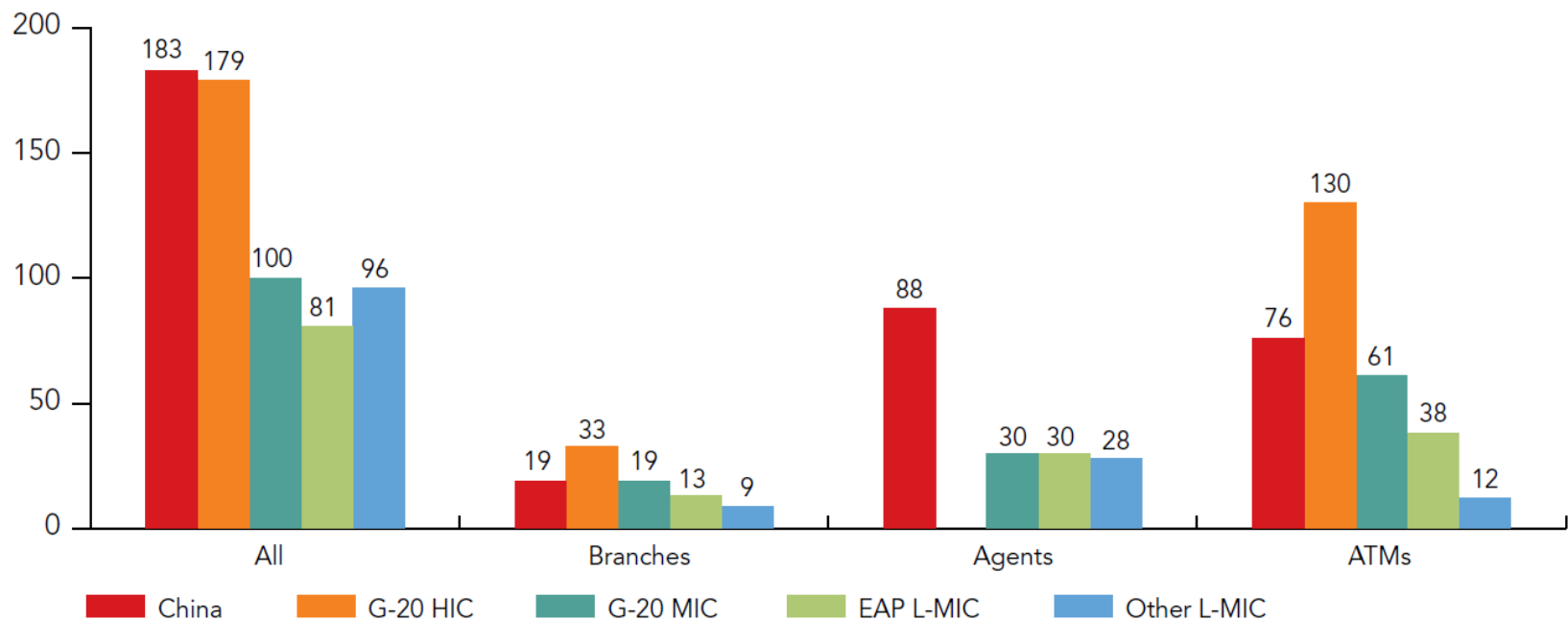
- diversity
- affordability
- convenience

Key Elements of Inclusive Finance

- Commercial viability and sustainability
 - fair competition
 - market niches
 - public infrastructure
- Safety and responsibility
 - consumer protection
 - financial capability
 - financial integrity

Development of Inclusive Finance in China

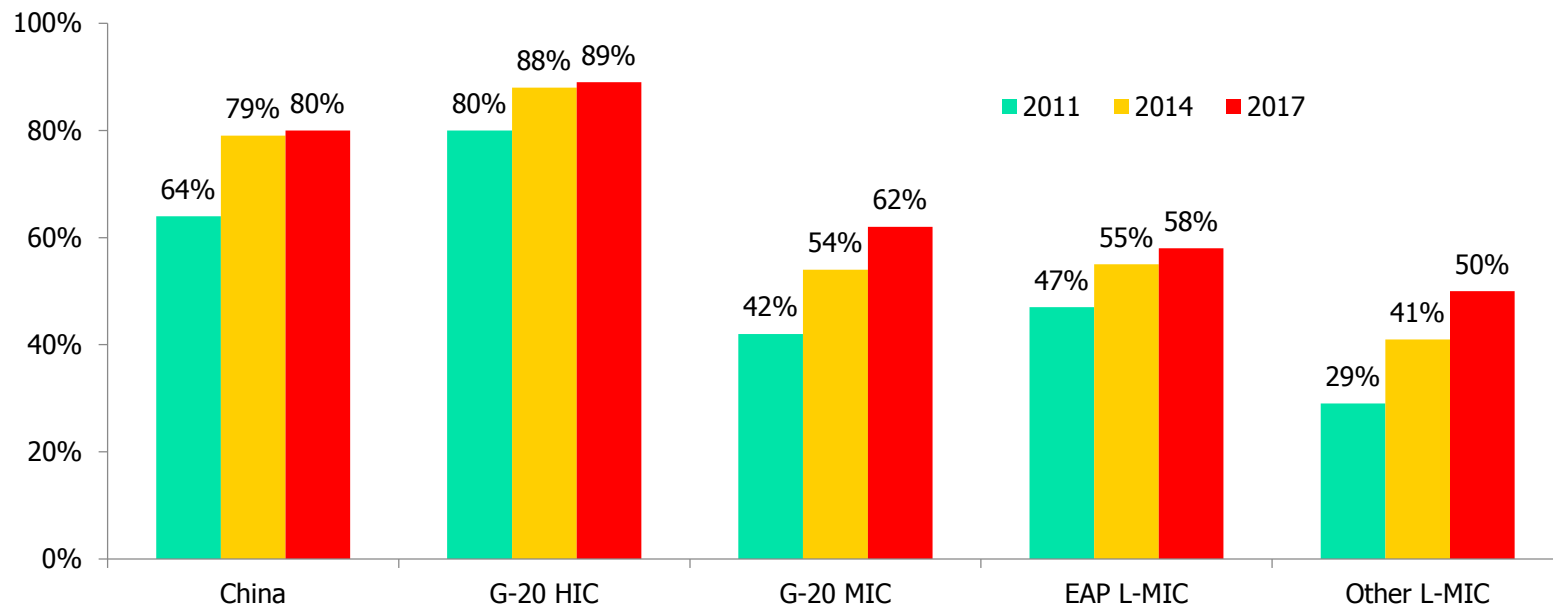
Median number of access points per 100,000 adults



Source: IMF FAS 2016; WBG GPSS 2016; national authorities.

Development of Inclusive Finance in China

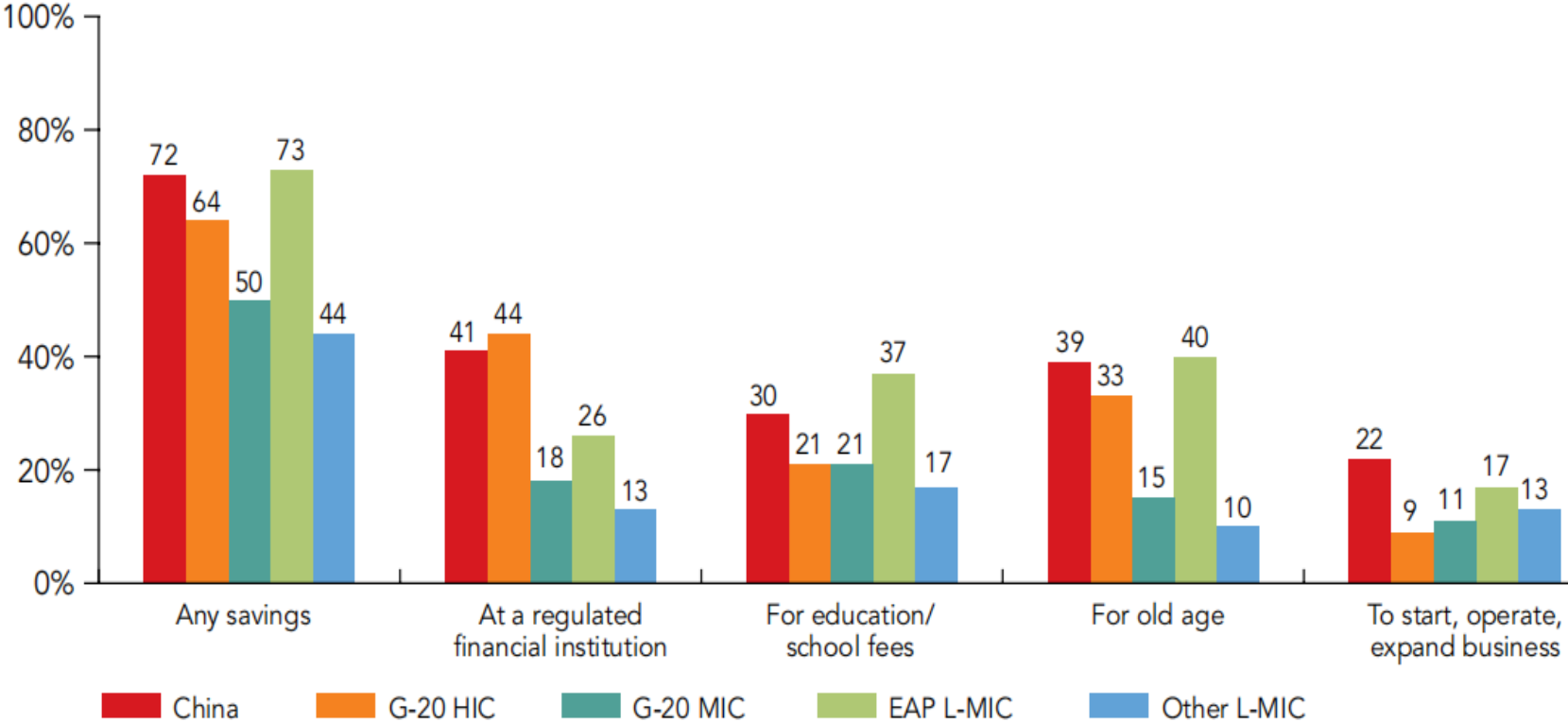
% adults (age 15+) reporting ownership of a store-of-value transaction account



Source: Global Findex 2017

Development of Inclusive Finance in China

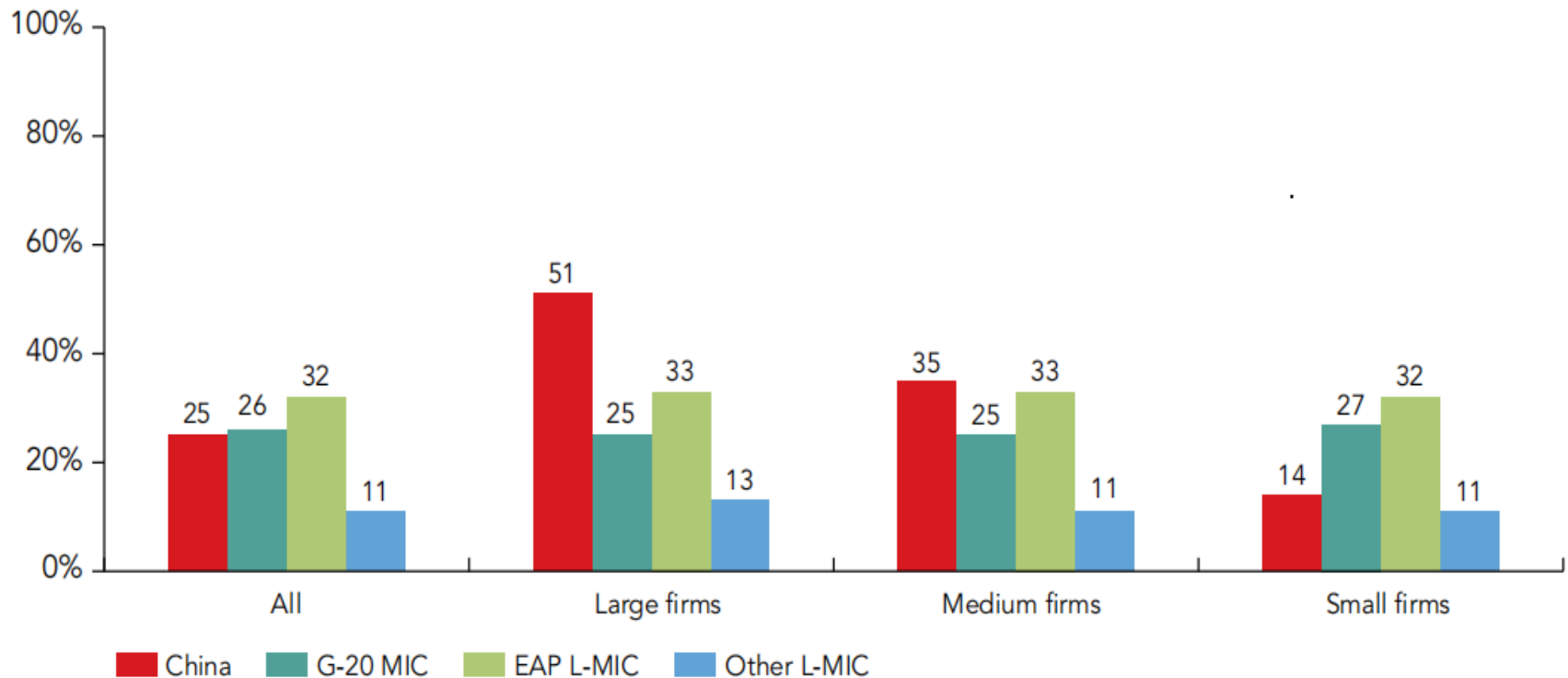
% adults (age 15+) saving in the past 12 months



Source: Global Findex 2014 (Demirguc-Kunt and others 2015).

Development of Inclusive Finance in China

% firms with loan or line of credit



Source: WBG Enterprise Surveys 2012–2016.

Monetary Policies to Support Inclusive Finance

Taking micro and small enterprises (MSEs) as an example----policies

- Targeted RRR cut

 - 4 times in 2018, injecting over 2 trillion yuan

- Intensifying central bank lending and discount for MSEs

 - increasing quota 3 times in 2018, with the increment reaching 400 billion yuan

Monetary Policies to Support Inclusive Finance

Taking micro and small enterprises (MSEs) as an example----policies

□ Innovating monetary policy tools

- Targeted Medium-term Lending Facility (TMLF)
- Central Bank Bills Swap (CBS)

□ Expanding the scope of eligible collaterals for monetary policy tools

- financial bonds for MSEs, green industry, and agriculture at or above AA
- corporate credit bonds at AA+ or AA
- MSE loans, private enterprise loans and green loans not rated by the PBC

Monetary Policies to Support Inclusive Finance

Taking micro and small enterprises (MSEs) as an example----achievements

At end 2018, the outstanding inclusive MSE loans registered 8 trillion yuan, up 18% year on year. The number of MSEs granted credit grew by 35.2% over the year before.

Experience from China's Practice

□ Developing financial infrastructure

- Each family has at least one account

8.5 billion personal accounts opened in the banking sector

- Improving service accessibility in rural areas

about 1 million agents, covering more than 90% villages in China

- Enhancing credit reporting system

information of 930 million individuals and 24 million organizations

- Integrated movable registration system

2.94 million registrations for finance lease, security deposit pledge, warehouse receipts, etc.

Experience from China's Practice

- Reforming financial institutions
 - encouraging big and medium-sized banks to establish inclusive finance department
 - reforming rural credit cooperatives
 - supporting micro finance, such as village and township banks and micro credit companies

Experience from China's Practice

□ Innovating digital finance

■ more diversified

nonbank digital payment, P2P, Internet banking, etc.

■ more technical-driven

big data, cloud computing, blockchain, AI, etc.

■ better collaborated

digital players and traditional service providers

■ better regulated

detailed regulations published, bad firms quit

Experience from China's Practice

- Extending monetary and regulatory policy support
 - differentiated reserve ratio, central bank lending and discount
 - proportionate regulatory polices for MSE loans, such as tolerance of NPR
 - supporting commercial banks to issue financial bonds for MSE loans

Experience from China's Practice

- Piloting regional polices
 - green finance targeting poverty alleviation in Qinghai Province
 - digital and mobile finance in Ningbo
 - rural finance and urbanization in Lankao County
 - financial literacy and infrastructure in Yijun County

Experience from China's Practice

□ Enhancing consumer protection and financial capability

■ dispute resolution

12363 hotline, alternative dispute resolution scheme

■ supervision

information disclosure system, “soft” supervision

■ financial capability

financial literacy month, national consumer protection day,
financial consumer capability survey

Challenges Ahead

- Understanding inclusive finance
- Recalibrating the role of government
- Achieving commercial sustainability
- Managing risks of digital finance
- Supporting rural financial service providers
- Improving financial capability

Thank you!