乡村银行信用机制在构建 中国金融信用体系的可行性分析

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The Localization Of The Grameen Credit System In China

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Abstract

The idea of establishing ‘the bank for the poor’ advocated by Yunus has aroused worldwide attention these years. The micro-credit system, one component in rural finance credit system targeted at the poor and small-scaled enterprises provides precious enlightenments to China as for boosting the agricultural economy and supporting start-up small enterprises. However, its promotion is not as smooth as expected. Micro-credit model is facing dilemma in the process of localization for a series of reasons not only on the political and institutional level but also on the organizational and social level. This article is aimed at elaborating on the credit system of the Grameen Bank founded by Yunus and the application of the ‘bank for the poor’ in China. Additionally, pros and cons are analyzed concerning the localization of the credit system and suggestions are presented for its further development. Finally, it is given what banks, enterprises and other market participants should do to fulfill duties of the development of the rural finance credit system.

Keywords: Grameen bank the micro-credit system the localization

CONTENT

The Grameen bank

Muhammad Yunus is the founder of the Grameen bank, who won the Nobel Peace Prize on October 13th, 2006 for his contribution to the economic and social development by improve the lives of the poor, especially poor women and children.

In 1974, when he was a professor teaching economics at Chittagong University, he felt the elegant theories was impractical when people suffered the death of hunger. Then he decided to talk to the people in the villages next the university campus in order to understand their living conditions and find some things he could do to assist the poor people. From those conversations, he noticed that many people had problems in finding tiny amounts of money to keep on with their livelihood activities. When they turned to the money-lenders for assistant, they were forced to accept the unreasonable interest rates or slave-labor. As Yunus described in his speech, poor women in Bangladesh often engaged in some small-scale productive activities such as paddy husking, raising poultry, rice crushing, weaving and basket-making. However they didn’t have any access to credit from the formal banks to get their working capital. Because the money they wanted to borrow was too little to cover the bank’s cost. Besides they were considered to be poor, lack of collateral and not creditworthy. They had to turn to the local moneylenders and it limited their income from those activities. Then Yunus gathered statistics of how many people were in that situation. The result that 42 people needed only $27 to repay the moneylenders and keep their livelihood activities shocked Yunus. After the local bank refused the Yunus’s proposal to provide services for the poor, he started to give loans to poor people to support their livelihood activities. So the Grameen Bank, the first bank meeting the needs of the poor was expanded from a project undertaken by Yunus and given the official recognition in 1983.

The micro-credit program of the Grameen Bank is used for reference by nations of world, which is providing small loans to the poor to support their livelihood activities. By 2003, the Grameen Bank had been expanded in 43,000 villages across Bangladesh and issued loans to 2.8 million borrowers, 96 percent of whom were women. They had almost disbursed more than $4 billion to the poor in a cumulative way, of which $3.6 billion had been paid back. The recovery rate was 99.06 percent, which surprised all people including Yunus who at first suspected the program of the bank would succeed and thought there would be high rate of uncollectible accounts (Yunus 2004). Recently there is no doubt that the Grameen Bank is a successful international model of the micro-credit to both make profits and improve rural finance, and Yunus is an example to banks for exercising their duties of promoting the social finance. For some commercial banks or other banks servicing for farmers in China, it is necessary to analyze the credit system of the Grameen Bank.

The credit systerm of the Grameen Bank

Yunus created a new credit system that applied in issuing a loan to the poor which largely takes effect on the high repayment rate.

The Grameen credit delivery system is consisted of a set of rules on the basis of the belief that there is no difference in the ability and credit of a poor people and other person. It is initiated as a challenge to the principle that the more you have the more you can get, which means that it is easier for the rich to get loans than the poor. Here are the rules:

(1) It requests clients to apply for loans as a group and share responsibility for repayment. It means that borrowers have to join a group constituted by members from the same background and with the similar goals such as relatives or neighborhoods in order to obtain loans. If anyone in the group doesn’t repay the loan, the others in this group have to pay the bank money unconditionally. Every member in the group will be disqualified for raising a loan from the Grameen Bank permanently. The system is based on the group credit, instead of any collateral or

legally enforceable contracts.

(2)The bank invests the repayment capability and credit of every borrower once a month to insure the profits and the recovery rate of loans. Loans are issued to the group members in a continuous sequence, with new loans becoming accessible as previous loans are repaid. This will not only promote the investigation of the group and also control the quantum of loan and increase its liquidity.

(3)To make it easier for the poor to manage small repayments, the loans are to be paid back in installments and the borrowers could receive more than one loan simultaneously. It really enhances the willingness of the borrowers to repay.

(4)The ‘sixteen decisions’, which the members themselves developed, allows the purpose of loans to carry out as the borrowers commit to implement. The purposes include such things as sending and ensuring their children stay in school; committing to building a good house for oneself; keeping families small; taking joint actions to help the community; not accepting or not giving dowry at weddings; drinking clean water; growing plants and vegetables and keeping their children and environment clean(Yunus 2004). The Sixteen Decisions thus become the platform around which the loans lead to the transformations of borrowers' lives.

The development of the micro-credit system in China

Micro-credit system undergoes three stages since the Reform and Opening. First is from the beginning of the Reform and Opening to the year of 1999, called the exploring stage. Businesses mainly focused on rural cooperatives to spread loans to the natives often with a third party’s endorsement. The second stage is from the year of 1999 to the year of 2003, named experimental stage. The People’s Bank of China began to conduct the operation of rural cooperatives to give loans. The third stage is from 2003 to present called innovation and developing stage. Since the foundation of China Banking Regulatory Commission in 2003, economy in rural regions has been on a change, which in turn requires more improvement and innovation of financial products there. (Zang Jingfan, 2008)

For China, the biggest agricultural country in the world, with a tremendous demand of microcredit products, the pattern of Grameen Bank is adoptable while also needs some adjusts. According to the research conducted by Professor Ping Xinqiao about finance of rural regions in China (2008-2009), there are two major resources: loans from relatives which are usually interest-free, and loans from rural credit cooperatives which require minimum collaterals. More than half of the loans are attained through the first routine: relatives. This kind of phenomenon demonstrates that financial markets in rural regions are still under-developed. In the immature credit market, farmers and craftsman borrow money from different resources depending on the different functions. The statistics reveal that, many families, considering in a conventional way, thought that they are not eligible to get a loan from a public organization. And other reasons are also included, such as the interest rate is too high, the procedure is too complex or no enough collateral could be guaranteed.

In 1994, academicians including Du Xiaoshan in Chinese Academy of Social Sciences initiated the first bank for people in the rural areas of Yi County, Hebei Province. And since then, many other provinces like Henan Province, Shaanxi Province and Yunnan Province followed (Xie Qinghe, 2001). After the case of Yi County, Du Xiaoshan also set microcredit cooperatives in Yucheng County, Nanzhao County, Danfeng County, Laishui County and Jintang County. Banks mentioned above are not only a copy of Grameen Bank, but include many revises according to Chinese markets. At the first five years, the State Council did not agree to this kind of experiments and strategies. Gradually, when effects were demonstrated and people were benefited, these loan organizations finally got the support of the State Council.

Same strategies were adopted in those three places to make sure both the bad debt rate low and the needy people get the loans. Banks there all use direct loans that were to give the loans directly to the farmers. Even if the amount was small, contracts are needed. In this aspect, the difference was to make a contract, which also makes the bad debt rate low.

Researches revealed that after the attain of the loan, people tended to invest more in their projects and work because they were expecting more revenue, further more interest, which does good to the development of the rural areas.

While one disadvantage was that comparing to the international standard, training for employees in those organization was little, 2.0% in Yunnan Province, 3.0% in Shaanxi Province, and 2.0% in Henan Province (Xie Qinghe, 2001). More technologies and expertise needed to be introduced into these areas to propel microcredit market in the rural areas.

As for the size of loans, it was often small, mainly due to government’s policy. Since this kind of financial service was still on trial and only restricted to very small amount of loans, so actually, for farmers, there is little choice.

In conclusion, Chinese Grameen Bank has propelled economy in rural counties. The main characters are also distinctively different from what has undergone in Grameen Bank in Bengal. Because of Chinese unique conditions, these kinds of bank in China are closer related with the government and they cannot absorb savings. As for the definition of the target group in China, the standard is not set and could vary in different places, so the procedures of giving loans is more loose and flexible, easier to fulfill. In addition, when organizing loans, service offered by Chinese bank is more detailed, including technologies, information and sales.

The development of Grameen Bank in China is actually diverting from the pattern of Bengal because of the different situation of China and Bengal. In Cangnan County Zhejiang Province, the cooperatives are more likely a normal bank facing different clients (Zhu Yonghong, Liao Shuluan, 2008). What they need to do is to design microcredit for farmers, to make more detailed contracts focusing more on the comments of neighborhood of the people who apply for loans rather than examine the money they made in a year.

Taken all factors into consideration, Chinese microcredit market is on the way, in another word, at the very beginning of the development, and because of the complexity of Chinese economy environment and the large agriculture population, the progress goes not so smoothly, but obviously, it has tremendous potential.

The pros and cons about the process of localization of the Grameen Bank

On April 21st, 2007, during the Boao Forum for Asia held in Hainan, China, Luo Ming, Deputy Secretary, CPC Hainan Provincial Committee, had a meeting with Muhammad Yunus about the promotion of 'Yunus Model' in Hainan. As was pointed out by Luo Ming, the obstacle-free micro-credit model is of great significance in China as for facilitating the poor to shake off poverty. Yunus passionately agreed to assume the Special Adviser of Hainan Government suggested by Luo Ming and claimed that if the 'Yunus Model' was applicable in China he would be more than happy to provide support.

However, we can not but admit that the promotion in China is not as smooth as expected. Micro-credit model is facing dilemma in the process of localization for a series of reasons not only on the political and institutional level but also on the organizational and social level.

1. The economic situation in rural China

The low efficiency of the rural credit market conditions has long been a stubborn headache in China which cannot be simply dealt with through the lift of financial repression. Micro-credit project in China is now facing various financial swamps. There is almost no possibility for micro-credit companies to get deposits and regulators might seek other means to provide adequate funds for micro-credit companies such as issuing short-term financing bonds. These years, few breakthroughs have been made in the revolution of micro-economics in rural China partly because of the weakness of agricultural economy.

2. The political level: Government Intervention

The role government play in the development of micro-credit is of vital importance. Local government's thirst for investment in rural development and for safeguarding of poverty has resulted in one-sided emphasis on the policy use of funds and neglect of efficiency. In the case of Yixian District in Hebei Province, interest rates were set at 8% in the beginning whereas reduced to 3% after the pilot project was taken over by the government. However, problems arose quickly because of the burden on the government to fill in the deficits.

Even if the short-term project my benefit from the political support such as the reduction of interest rates, in the long-term, the Government must be decoupled. The reliance on the government may confuse credit with charity, which results in enormous deficits.

3. Legislation level: interest rates be liberalized

As is noted by the experts who have participated in the micro-credit testing, interest rates should be completely liberalized to guarantee the soundness of the system. However, according to China's relevant laws, 4 times more than the benchmark rate will be regarded as usury.

The key to profitability of microfinance institutions lies in loan pricing and cost management. To make it more explicit, the interest rate pricing should cover the cost of borrowing. As a matter of fact, the costs of micro-credit are relatively high, which mean that in order to achieve sustainability, the interest rate should be far higher than commercial bank lending rates. Actually, a higher interest rate of micro-scale credit is acceptable by the lender, in which case, interest rates should be completely liberalized. As long as there is relatively sufficient competition, the interest rate will naturally be reduced by the market and achieve a reasonable level when the financial markets approach equilibrium.

4. The social level: the men-centered gender culture

In China, the view that men are superior to women has been acknowledged by the whole society, even including women themselves. However, in Bangladesh, women are regarded as more responsible and honorable than men and they are excel at financing and less likely to conduct repudiation. This difference on social values may hinder the mechanical application of ‘Yunus Model’ in China. Therefore, Chinese policy maker should carefully dwell on the target customer of micro-credit.

Suggestions for the development of micro-credit in China

As was pointed out by Yunus, micro-credit is not a solution for all the pressing issues in the society, nor it a prescription for rural people to be thorough lifed out of poverty. Up till now, the application of ‘Yunus Model’ in several counties of China has exerted certain influence to the local finance market to some extent and more importantly, led to the accumulation of precious practical experience. The establishment of an effective micro-credit system is crucial for the development of rural finance and local start-ups.

Firstly, government should carefully examine the role these micro-credit institutions play in business loans and clearly define their legal status. As is reflected by practice, excessive intervention my hinder the healthy operation of micro-credit model, thus the government should provide appropriate guidance and support in terms of capital as well as policy. The government should strike a balance between the purely commercial nature of the commercial banks on credit and the public welfare to derive the integration of market-oriented features and benefits.

Secondly, comparatively perfect peasant household antithetical couplet protect loan should be designed to further facilitate small loans of start-up enterprises. In addition, more cost-effective loan system should be explored to structure strategical readjustment in accordance with the social value systems in China. Related systems should also be established to break the barriers in its application.

Thirdly, we must deepen our understanding of the importance of credit culture construction, bring about the respective roles of ’rule by law’ and ’rule by moral’ system, establish local social credit system, reinforce business credit building and set up individual credit system. Credit building lays a solid foundation in the long-term development ‘Yunus Model’ in China and the system rests on joint efforts of the entire society.

Despite the difficulty concerning the promotion of ‘Yunus Model’ in China, we should never ‘throw away the apple because of the core’. Comprehensive reform of rural financial systems and related construction still has a long way to go. How to establish the healthy credit system is still the core issue of revitalizing the rural economy which is the responsibility of every bank and other market participants. The implementation of ‘bank for the poor’ in China should by no means mechanically apply the ‘Yunus Model’ but should open up a path of Chinese characteristic with efforts of each of us.

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