



China International Center for  
Economic and Technical Exchanges



中国小额信贷联盟  
China Association of Microfinance

# Promote the Financial Inclusion in the “Double Dual Financial Sectors” of China

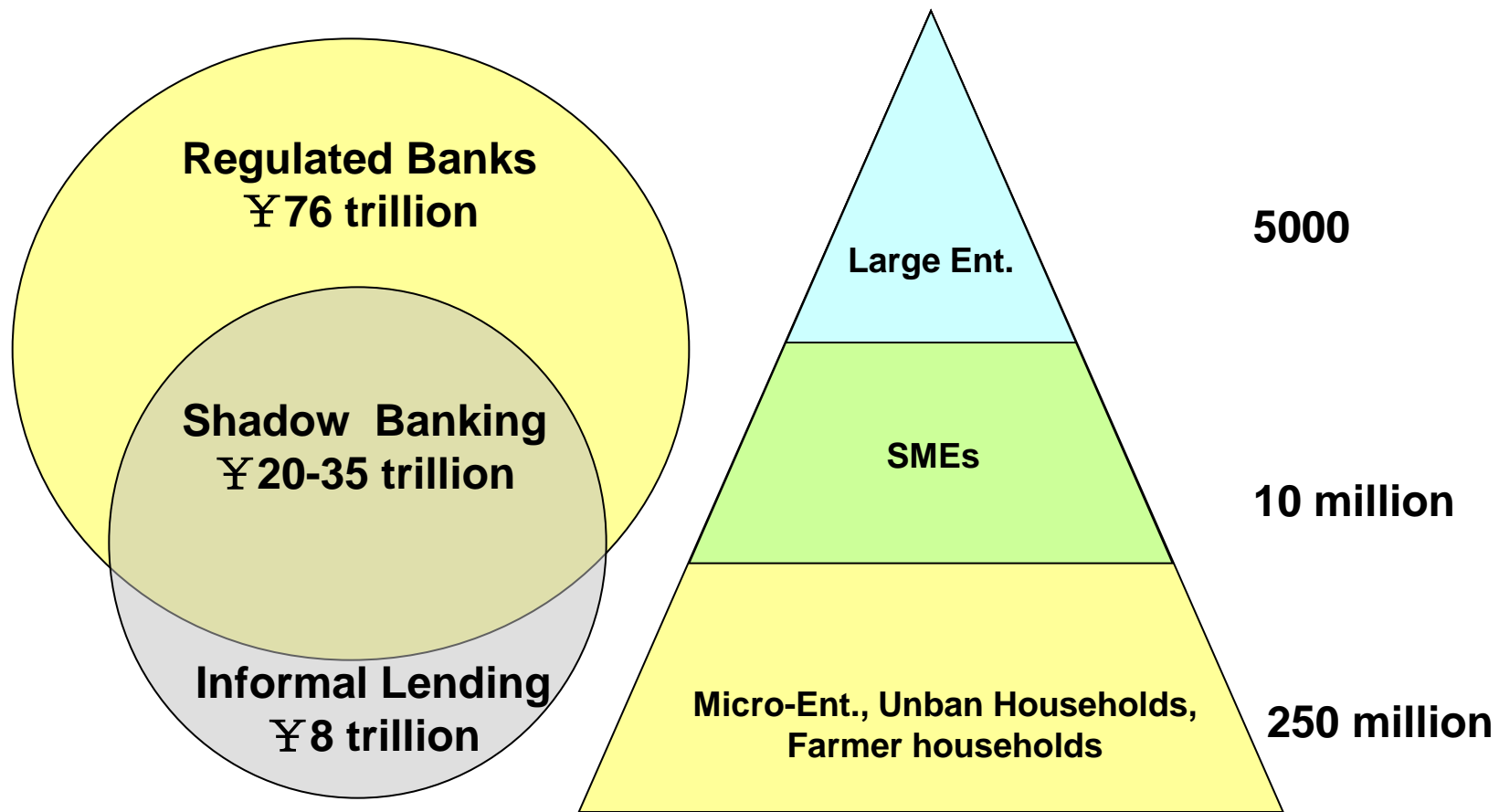
Chengyu Bai

China Association of Microfinance

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# The Financial Exclusion in the Double Dual Financial Sectors in China

- The Dual Financial Sectors between regulated (formal) finance and unregulated (informal) finance



The Credit Market

# The Financial Exclusion in the Double Dual Financial Sectors in China

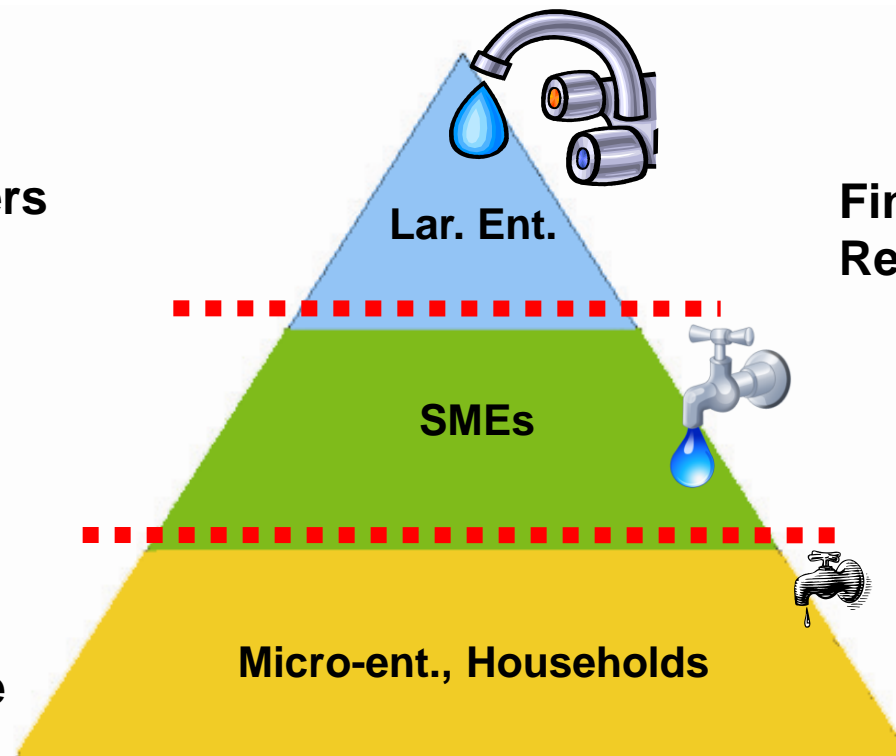
- The Dual Financial Sectors between regulated (formal) finance and unregulated (informal) finance

## Systematic barriers

- policy
- regulation
- infrastructure

## Market barriers

- technology
- information
- human resource



# The Financial Exclusion in the Double Dual Financial Sectors in China

- The Dual Financial Sectors between Urban and Rural Areas

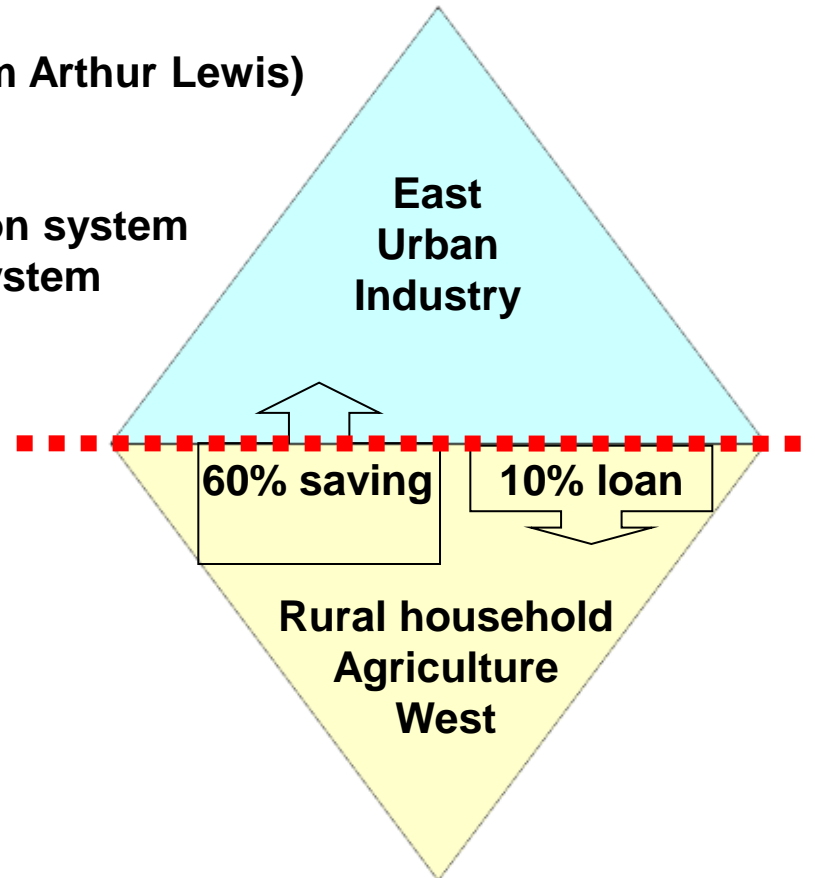
- The Dual Sector Model (William Arthur Lewis)

- The Systematic Barriers

- separate household registration system
- different land property right system
- different social welfare system
- different education system

- Information asymmetry

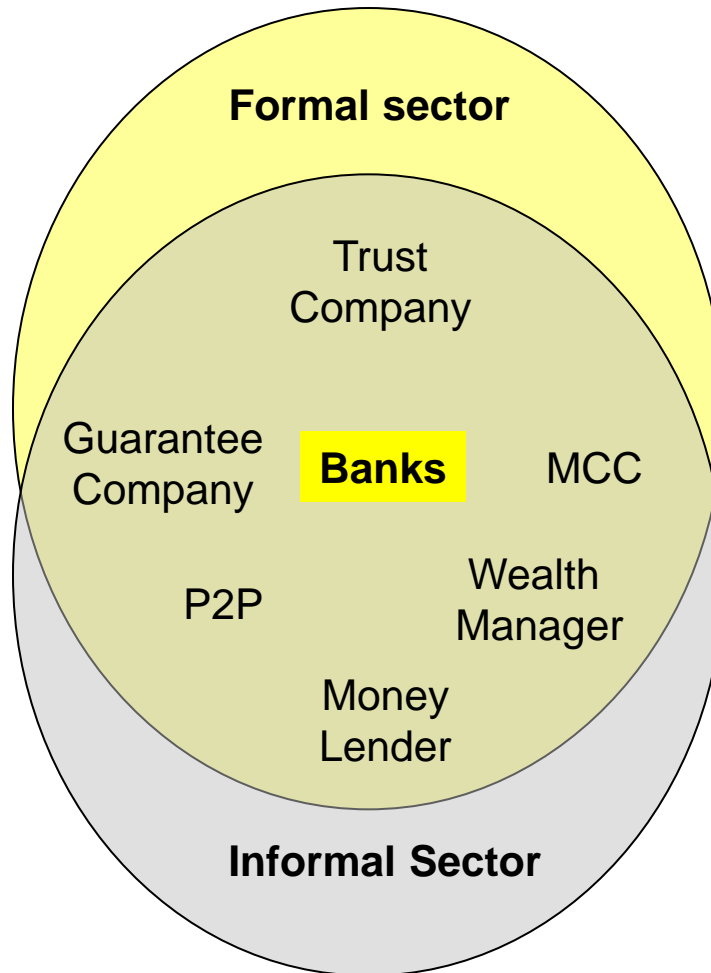
- Higher risk
- Higher cost



# Shadow Banking System in the Double Dual Financial Sectors

## Positive impacts

- Serve the MSME
- Market Interest
- Product innovation
- Catfish effect

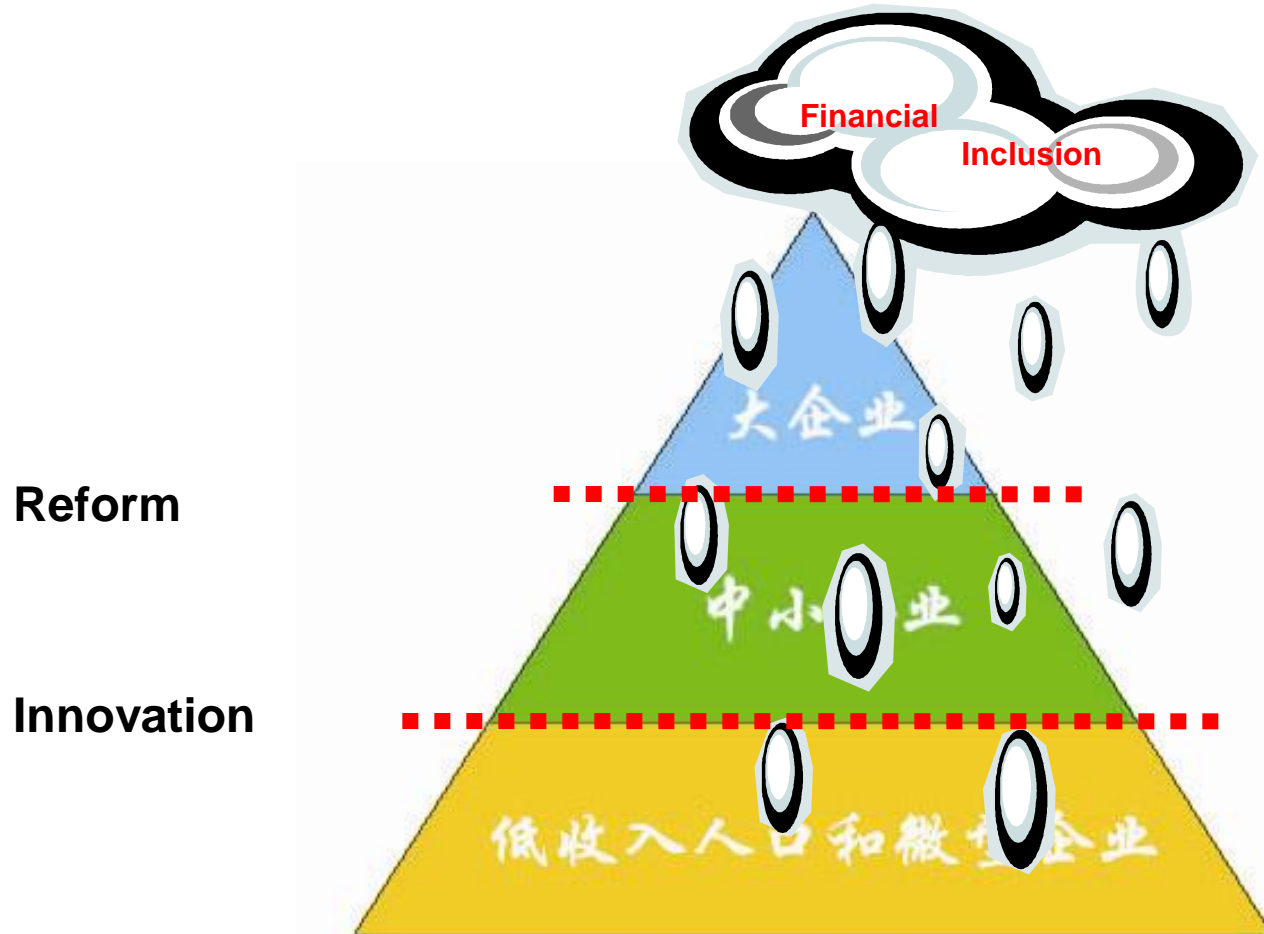


Caused by  
Financial  
Repression

## Negative Impact

- Out of control
- Systematic risk

# Build up the Inclusive Financial System



# National Strategy for Building up the Inclusive Financial System in China

The National Strategy of Building up Inclusive Financial System Delivered in  
*The Decision on Major Issues Concerning Comprehensively Deepening Reforms*  
By the Third Plenary Session of the 18th CPC Central Committee

The overall goal of Comprehensive Deepening Reform is to make **all the labor, knowledge, technology, management, capital** gushing vitality, give full play to **all sources** of social wealth, make development more fair benefit **all the people**.

## To develop inclusive finance as the component on improving financial markets

- Further open up the financial industry. 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
- Establish a sound social credit rating system
- Empower farmers the rights of their contracted land possession, usage and income as well as transfer, mortgage and guarantee rights based on right of land management

# New Policies and Regulation for Building up the Inclusive Financial System in China

## **People's Bank of China**

- Add ¥20 billion of refinancing loan for rural households and agriculture based on ¥170 billion
- Encourage internet financing
- Promote inclusive credit rating system

## **China Banking Regulatory Committee**

- Policy and regulation on private investment banks
- Reduce bank's equity and control in Village and Township Banks (VTB)
- Study on regulation of Microcredit Company (MCC) and P2P
- Further policy to encourage banks' service to MSMEs, bottom limit on scale



# Innovations Promote Building up the Inclusive Financial System in China

## Internet Financing

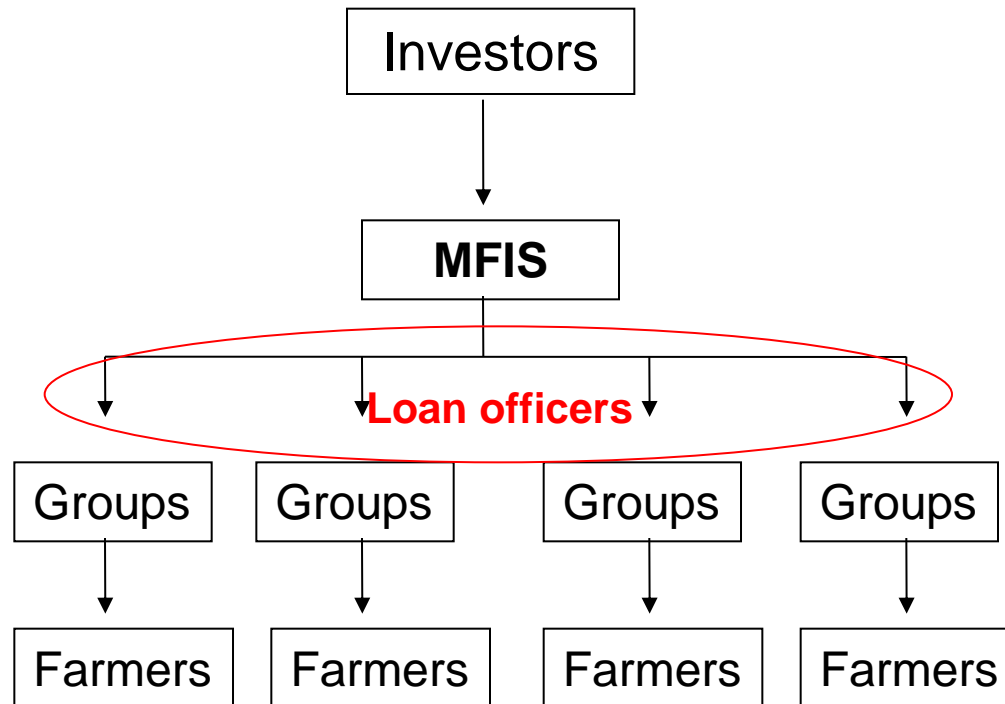
- Third Party Electronic Payment Platform
- P2P lending platform
- Crowd funding platform
- Online Credit service based on Big Data analysis
- Search engine for financial products



# Innovations Promote Building up the Inclusive Financial System in China

- ◆ Village Self Help Credit Fund – an innovation in rural areas

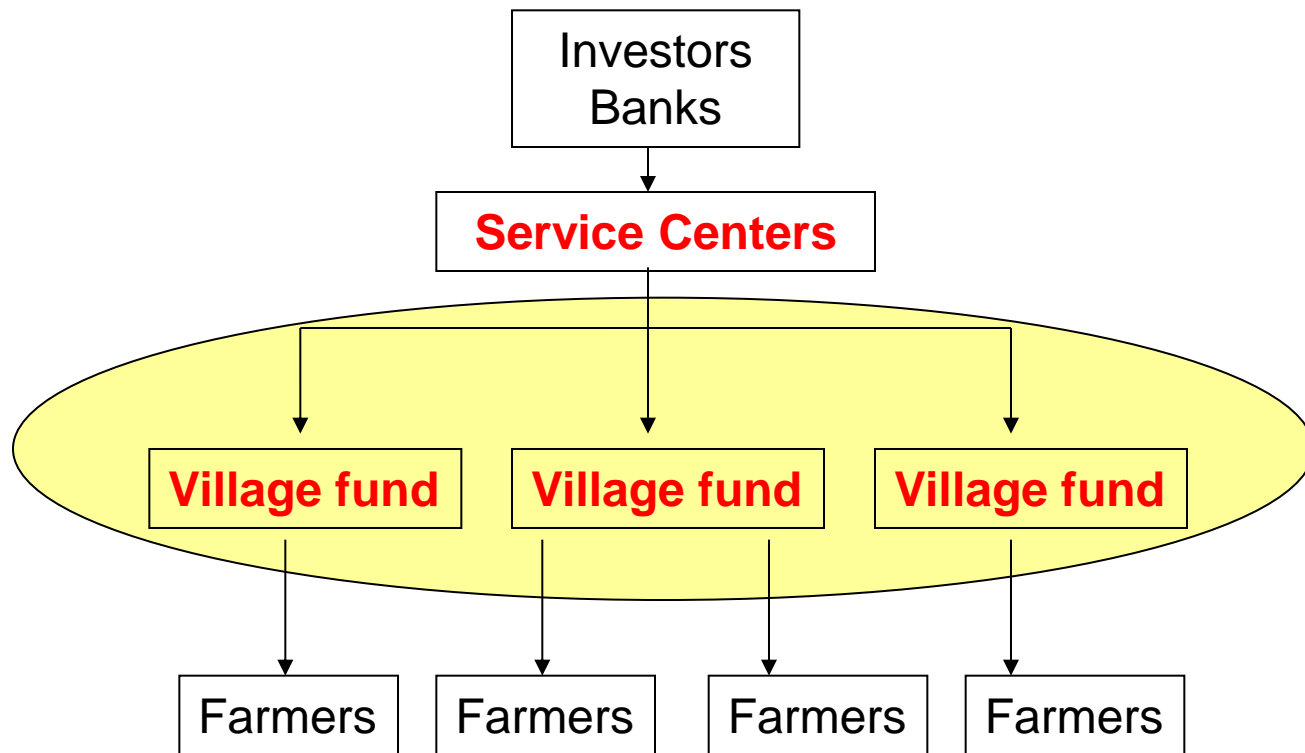
Present approach: Group lending method



# Innovations Promote Building up the Inclusive Financial System in China

- ◆ **Village Self Help Credit Fund – an innovation in rural areas**

## New approach: Village Banking





中国国际经济技术交流中心



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**Thank you  
for your attention !**

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