

Micro-lenders face major obstacles

Micro-finance offers an opportunity for the rural disadvantaged to change their destiny, Wu Xiaoling, former deputy governor of the People's Bank of China, told the 2nd Microfinance Investors Conference Thursday in Beijing.

About 54.3 percent, or 721 million people, of the country's population lived in rural areas at the end of 2008, according to the National Bureau of Statistics. The number of rural credit cooperatives (RCC), declined from more than 400,000 in the mid-1980s to less than 5,000 at the end of 2008, according to the China Banking Regulatory Commission (CBRC).

The first micro-credit company was registered in December 2005, and there were 1,284 micro-lenders by the end of 2008.

Micro-credit companies and village banks are confronted with regulatory obstacles.

"State-owned commercial banks are leaving the poor areas, so why should they come back only to create village banks?" said Thorsten Gehler, program director with the China branch of GTZ, a German-based micro-credit institution.

Micro-credit companies are not allowed to attract deposits, according to CBRC regulations. And they have very limited access to financing from banking institutions.

"In China, micro-credit companies have virtually no refinancing from outside, and they are fully financed by the owners," Gehler said.

Source: Global Times