

Foreword

Despite rapid economic development, issues with the agriculture sector, rural areas, and farming households remain challenges for the Government of the People's Republic of China (PRC). There are still serious shortages in credit and other types of financial services in the rural areas, especially in the central and western regions of the country. Establishing a commercially sustainable rural finance framework in the PRC will benefit around 1 billion residents. This remains an arduous task for the government.

This report comes at a time when rural finance reform is high on the government's agenda as a top priority in financial sector reform in 2005 and at a time when the microfinance industry itself is rapidly changing its scope and outlook. It is based on a survey supported by a small-scale technical assistance project (TA4095-PRC: Policy Reform Support) under the Asian Development Bank financing and is a good example of one of its knowledge products. The project provided a platform to combine the expertise and experience of policymakers, practitioners, academicians, and international donor agencies. The authors expect that many of their recommendations will be seriously considered by relevant government agencies and that some recommendations will be implemented when conditions are ripe.

The authors have wide-ranging experience in policymaking, policy implementation, and academic research. Mr. Xie Ping (former Director General of the People's Bank of China) and Mr. Xu Zhong (Financial Stability Department of the People's Bank of China) have many years of policy-making experience in rural finance in the PRC. Both are key members of the Secretariat for the Leading Group of Rural Finance and Rural Credit Cooperative Reform led by the People's Bank of China and joined by many line ministries. Mr. Cheng Enjiang (Senior Research Fellow at Victoria University, Australia) has many years of research and extensive publications on this topic and has done substantial consulting work for international organizations. Mr. Shen Minggao (Associate Professor at Peking University) has also conducted a significant amount of survey and research in rural financial markets of the PRC.



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Abbreviations and Acronyms

ABC	—	Agricultural Bank of China
ADB	—	Asian Development Bank
ADBC	—	Agricultural Development Bank of China
NPL	—	nonperforming loan
PADO	—	Poverty Alleviation and Development Office
PBC	—	People's Bank of China
PRC	—	People's Republic of China
RCC	—	rural credit cooperative
RCCU	—	rural credit cooperative union
SME	—	small- and medium-sized enterprise
SOCB	—	state-owned commercial bank
TVE	—	township and village enterprises

CURRENCY EQUIVALENTS (as of 21 March 2005)

Currency Unit	-	yuan (CNY)
CNY1.00	=	\$0.1208
\$1.00	=	CNY8.2766