

Appendix D

Local Consultants Papers on Local

Perspective APPENDIX D

LOCAL CONSULTANTS PAPERS ON LOCAL PERSPECTIVE

Note: The following are individual papers filed by local consultants addressing from the local perspective the historical and current conditions within the PRC as they concern SMEs. Also included in their papers are recommendations.

Guidance opinions on establishment and perfection of credit guarantee system for SMEs

Since the year 1998, various kinds of SME credit guarantee institutions have been established throughout the whole country and the broad cooperation of these institutions with the banks have assisted, to certain extent, the difficult situation of SMEs financing. To further improve the workings of SMEs credit guarantee, it is necessary to establish and perfect the SME credit guarantee system, using as a base the SME credit guarantee experiment project. Thus this guidance is proposed.

I. Guidance idea, nature and principles of SMEs credit guarantee

For the purpose of establishing a social credit system and to create a healthy development of SMEs, a credit guarantee system needs to be formed, which is promoted by the government, operates on a sound and regular basis, and develops vigorously, to relieve the financial difficulties of the SMEs that have had a growing trend.

b. Nature

1. SMEs credit guarantee business is a kind of social public and social credit behavior with a nature of credit expands. It must be operated regularly under trade supervision. SMEs credit guarantee institutions are of legal persons, that are operated under ‘Company Law’
2. The activity of SMEs credit guarantee in our country is a gradually developing process. In the process, a two-tier function of government guidance and social operation must be adequately developed under the guidance of government policies.

c. Principles

1. The combination principle of government support and market operation.

2. The combination principle of a highly efficient operation and risk protection.
3. The combination principle of a credit guarantee and social service.

II. SMEs credit guarantee system

a. Organization system

Lead by government guarantee institutions vigorously develop a nongovernmental guarantee for SMEs. Government financed SMEs credit guarantee institutions are generally better to be set up by local municipal cities and serve the SMEs under the municipal jurisdiction. All social circles are encouraged to establish various forms of SMEs credit guarantee institutions. Re-guarantee institutions are generally set up by provincial level governments and provide re-guarantee service for SMEs and guarantee institutions under their jurisdictions.

b. Information system

Information needs to be shared among SMEs credit guarantee institutions. SMEs administrative institutions in each region shall meet with local branches of the People's Bank and set up databases of SMEs credit guarantee and service information. The guarantee institutions and the banks that become members can, by members' rights, obtain information from the database but as an obligation must provide information.

c. Guidance system

Overseen by related state ministries and committees, the National Economic and Trade Committee (ETC) should develop and issue the SMEs credit guarantee guidance, to assist in the implementation of trade development, the guarantee operation, and in the establishment of social organizations that promote social credit and SMEs finance, management, through guarantee institutions, associated commercial banks and other social service organizations.

III. SMEs credit guarantee operation

a. Selection of cooperative banks

Any bank, which is authorized to provide RMB lending and related operations, can be approved for an SME credit guarantee. SME credit guarantee institutions, in each region, shall provide more cooperation in business activities and more training in policy practice to the banks that allocate their resources for SME development.

b. Selection of enterprises

Based on the region's industrial development and economic structure, each region can regulate industrial growth, finance and management standards for SME credit guarantee, and select eligible enterprises accordingly.

c. Basic program of guarantee operation

1. The borrower shall file its application for loan.
2. The bank and the guarantee institution shall examine the application and issue their opinions.
3. While the bank and the borrower sign the main contract, the guarantee institution and the borrower sign the guarantee contract, and if necessary a counter-guarantee contract.
4. When the main contract is breached, the guarantee institution will compensate the bank as agreed.
5. The guarantee institution will be responsible for collecting the remaining balance from the borrower.

d. Re-guarantee

1. The guarantee institution applies to the re-guarantee institution for re-guarantee.
2. The re-guarantee institution bases its analysis on the credit of the guarantee institution.
3. Parties Sign the re-guarantee contract.
4. If the guarantee institution defaults on its obligation to pay a guaranty, the re-guarantee institution shall make payment to the lender on a pro rata basis and assumes all beneficiary rights in the loan.
5. The guarantee institution is still obligated to service the defaulted loan.

IV. The forms of SMEs credit guarantee

To carry out the combination principle of high efficiency and risk avoidance, two operation forms of accredited guarantee and special guarantee are adopted, depending

on the guarantee rate requested and the size of the loan that the borrower is requesting.

a. Accredited guarantee

For loans of small amounts and a low guarantee rate, the guarantee institution may specify in the cooperative agreement with the bank, that the bank may examine the application and grant the loan without an authorization from the guaranty company, and then report the issuance of the loan to the re-guarantee institution for confirmation. This process utilize the banks' expertise, avoid low efficiency due to double examination, greatly enlarge the guarantee program, and realize the goal of supporting SMEs.

To avoid excessive losses through the use of this process by the banks, the guarantee institution can specify in the cooperative agreement that if the bank's overdue debt reaches a certain rate of the loan balance, the guarantee institution has the right to cease the bank's accredited guaranty authority.

b. Special guarantee

For those loans of high amounts and a high guarantee rate, or those SMEs in high technology, having high risk potential, the bank grants the loan after the guarantee institution and the bank have made independent examination of the loan application and the guarantee institution approves the credit, the guaranty company signs the guarantee contract with the bank.

The purpose of adopting this method is to have a better control over the risks being taken.

V. Fund raising, application and supplementary of SMEs credit guarantee

a. Fund raising

1. Fund sources for SMEs credit guarantee institutions at the City level (including autonomous prefectures and leagues, the same hereinafter)
 - (i) Fund listed in the financial budget of the city.
 - (ii) The right of use in the land that is assigned by the municipal government and other profitable or non-profitable state assets.
 - (iii) Fund socially raised.
 - (iv). Oversea contribution
 - (v). Other sources
2. Fund sources for SMEs credit re-guarantee institutions at the Provincial level, (including autonomous regions and cities under direct jurisdiction, the same hereinafter).

- i) Fund that is listed in the financial budget of the central government and assigned to each province regularly or irregularly.
- ii) Fund that is listed in the financial budget of the province.
- iii) The right of use in the land that is assigned by the provincial government and other profitable or non-profitable state assets.
- iv) Fund socially raised.
- v) Domestic and oversea contribution.
- vi) Other sources

b. Fund application

SMEs credit guarantee fund is mainly used by guarantee institutions as caution money for SMEs financing guarantee and for compensation in case that the guaranteed breaches the contract.

c. Fund supplementary

When a guarantee institution compensates a bank, according to re-guarantee regulations in each region, a re-guarantee institution will compensate it. Government in each region shall list into budget the fund that supplements guarantee and re-guarantee institutions. A perfect fund supplementary system must be set up.

VI. Risk control of and supervision on SMEs credit guarantee institutions

a. Risk control

1. Decision of guarantee multiple. Guarantee multiple refers to the magnification of the rate between guarantee fund and guaranteed loan, usually within 10 times. Actual multiple will be controlled according to the operation development in each region. The establishing of any form of guarantee institution must be reported to and approved by provincial, municipal economic and trade committee, and related departments.
2. SMEs credit guarantee loan database will be set up. SMEs governmental administration department in each region will meet with the local branch of the People's Bank and set up SMEs credit guarantee loan database.

3. Set up control system of examination beforehand, alarm in process and supplement afterwards. Examination beforehand refers to the realization of beforehand control with the help of SMEs credit guarantee loan database, through credit evaluation and item examination by the guarantee institution, the People's Bank local branch and the cooperative bank. Alarm in process refers to the cooperation between the guarantee institution and its cooperative bank in SMEs credit guarantee operation by exchange of information and risk notification to realize alarming in the process. Supplement afterwards refers to the compensation and risk handling.

b. Supervision

1. ETC, together with Ministry of Finance, Ministry of Science and Technology, the People's Bank, Industrial and Commercial Administration General Bureau, will set up a joint conference for SMEs credit guarantee works. The office of the conference is in ETC. SMEs department of ETC will set up an office to administrate and guide SMEs credit guarantee and related works.
2. Each province, city and autonomous region will set up SMEs credit guarantee association or other kind of trade self-restrictive organization. Each organization makes its own regulations. Every SMEs item guarantee association is a trade self-restrictive organization under the trade guidance of ETC.

SMEs Financing in China: Discussion on Re-guaranty Policy Framework
(September-October, 2001, Beijing)

1. Bringing forward of the policy creed of establishing credit guaranty and re-guaranty system of Chinese SMEs
2. International experience of re-guaranty service
3. Report on the research on credit guaranty and re-guaranty of SMEs in Inner Mongolia and Shanghai
4. Financial problem of provincial re-guaranty system
5. Operation principle of provincial re-guaranty institution
6. Operation principle of central re-guaranty institution

1. Bringing forward of the policy creed of establishing credit guaranty and re-guaranty system of Chinese SMEs

Several milestone documents:

In June 1999, *Guide Opinion on Establishing Pilot Credit Guaranty System of SMEs* (No. 540) [1999] of SMEs of SET, thereafter called *Guide Opinion* for short of SETC formally put forward the policy guide opinion on establishing and developing national system of credit guaranty of SMEs in China. The *Guide Opinion* put forward the establishing of credit guaranty institutions of three levels of city, province and center in the whole country. The first is the direct guaranty institution with city as base, engaging in the service business of credit guaranty facing SMEs; the second is the re-guaranty institution with provincial region as principal part, providing the service business of re-guaranty facing the direct guaranty institutions in the governed region; the third is the national re-guaranty institution (central re-guaranty institution), providing the service business of re-guaranty facing provincial re-guaranty institutions.

In August 2000, the Office of State Council issued to the lower levels No.59 document [2000], called *Encouragement Policy* for short, thought to be the first policy document of encouraging and promoting the development of SMEs coming on since the reform and opening-up of Chinese government, transmitting the notice of several policy opinions about encouraging and promoting the development of SMEs of SETC. "Several Policy Opinions" put forward that the governments of all levels should arrange a certain fund input according to financial conditions, to emphasize on credit guaranty and financial contribution to start-up of SMEs, for the credit guaranty and re-guaranty institutions of non-profit SMEs brought into national pilot scope, they can be confirmed by local government to exempt them from business tax to their guaranty business income within three years. This document also points out that several provinces, autonomous regions and municipalities directly under the Central Government with the conditions should be selected to make pilot guaranty and re-guaranty to explore the organizing of credit re-

guaranty institutions of SMEs of the state to provide re-guaranty service for SMEs credit guaranty institutions.

In March 2001, SETC issued the *Notice on The Problems Related to The Establishment of Credit Guaranty System of SMEs of The Country* (document no. 198 of SMEs of SET [2001]), to put forward the basic conditions the guaranty institutions listed in the credit guaranty system of SMEs of the country should possess, therein one of the points is “ see also the compulsory re-guaranty of the credit guaranty institutions of SMEs of higher level.”

II. International experience of re-guaranty service

Japan: passed *SMEs Credit Guaranty Insurance Law* in 1950 (amended in 1977), establishing the “Public House of the Insurance of SMEs Credit Insurance” totally subsidized by the government. This Public House provides the classified “common insurance”, “no-guaranty insurance”, “special small sum insurance”, “insurance against social effects of pollution”, “energy countermeasure insurance”, “new technique practicality insurance” as well as “modernization insurance”. The common operation procedures are:

- 1) Firstly all associations extend loan guaranty to qualified SMEs, financial institutions provide loan to these SMEs;
- 2) Sector association signs guaranty insurance contract with the Public House on the basis of guaranty contract to pay premium according to the proportion;
- 3) Financial institution reports in time to the sector association directly providing guaranty to ask for compensation when the SME accepting guaranty and loan breaches the repayment of the loan;
- 4) The guaranty - provider on one hand performs the compensation obligation to the financial institution according to the contract, on the other hand reports to the Public House to ask for the payment of the premium;
- 5) After finishing the compensation procedures, the sector association becomes the creditor of the SME as the object of the guaranty contract to exert the recourse **and** pays reclaim money to the Public House according to the proportion after finishing the recourse.

The *SMEs Credit Insurance Law* in Japan stipulates that, the total sum of loan insurance (re-guaranty) provided for the SMEs accepting the guaranty of the sector association by the Public House of SMEs credit insurance in Japan doesn't exceed Yen 10 millions to 70 millions (classified by the above-mentioned association types or credit insurance types) every half year, each association joins the guaranty insurance of the Public House according to 70% or 80% of the total sum of insurance undertaken (classified according to the above-mentioned association types), the standard of the premium is not more than the annual rate of 2% of the sum of insurance.

In Japanese example, noticeable is that the Public House of SMEs Credit Insurance is the special institution totally subsidized by the government, its function is to provide support

to all sector associations providing directly credit guaranty to the affiliated SMEs through credit insurance and only has working relation with sector association in the practical operation process, not to face directly the financial institution providing loan and the SMEs accepting loan and guaranty.

III. Report on the research on credit guaranty and re-guaranty of SMEs in Inner Mongolia and Shanghai

Table1 □ Basic Condition of the business of three SMEs guaranty institutions in Inner Mongolia Autonomous Region RMB10,0000

	Huhehaote SMEs Credit Guaranty Center	Inner Mongolia Autonomous Region Trust & Investment Company	Baoto Baijia Credit Guaranty Co. Ltd.
Sum of guaranty fund A	1,200	1,600	3,000
Sum of guaranty B	1,345	4,878	8,700
Projects concerned/Number of enterprises C	9	6	40
Sum of guaranty/sum of guaranty fund B/A	1.1	3.0	2.9
Projects concerned/Average sum of the guaranty of the enterprise B/C	149	813	218
<i>remark</i>			
Sources of guaranty fund	Finance of the City Government supports RMB7millions, the Autonomous Region Government supports RMB5millions	All are entrusted fund of the Autonomous Region	City Government supports RMB 5 millions, Autonomous Region Government RMB1.2 millions, the others are debts
Ratio of guaranty sum and loan sum	Mostly is1:1	1:1	1:1
Guaranty charging	Not more than 2%	Not more than 2%	Monthly 2%o
About compensation	Hasn't appeared in 2001	Hasn't been at term for all projects	Hasn't appeared in 2001
About recourse	-	-	-

Data sources and explanation Interview on the spot. Data ends at the end of June 2001.

Table 2 Basic condition of the business of the SMEs guaranty institutions of 8 districts in Shanghai RMB 10,000

	Luwan	Changning	Zhabei	Hongkou	Nanhui	Songjiang	Chongming	Fengxian	Total	Average
Sum of guaranty fund A	250	2000	106	2000	1175	1000	98	1625	8254	1032
Sum of guaranty B	270	6310	270	4575	6525	1210	1684	8449	29293	3662
Projects concerned /Number of enterprises C	5	53	5	47	79	36	7	66	298	37
Sum of guaranty /Sum of guaranty fund B/A	1.08	3.16	2.55	2.29	5.55	1.21	17.18	5.20		3.55
Projects concerned/Average insurance sum of the enterprises B/C	54	119	54	97	83	34	241	128		99
<i>Remark</i>										
Guaranty fund sources Proportion of the financial fund %	100	100	47	100	43	20	82	92		73
Ratio of the guaranty sum to the loan sum	The original data sources illustrate that the term is “risk sharing ration” for between 60% (Chongming) to 100% (Zhabei) for the guaranty institutions of all the districts (but the concrete data of the “loan sum obtained by the guaranty enterprises” hasn’t been given)									
Guaranty charging	The original data sources haven’t been illustrated in detail									
Compensation Recourse	No	1	No	4	No	No	No	1	6	No detail

Data sources and illustration: Interview on the spot in Shanghai Small Enterprises Comprehensive Office. All data ends in the balance of the end of June of 2001.

Problems:

- 1. Imbalance of the capital scope of the direct guaranty institutions, insufficiency of the absolute quantity;**
- 2. Full guaranty, effecting the amplified multiplier;**
- 3. Relative lack of the quantity of the “small enterprises” in SMEs, relative lowness of the popularization degree of guaranty, relative concentration of risk.**

IV. Financial problem of provincial re-guaranty system

Table1: Illustration of Compound Re-guaranty System

Illustration real lines——express the relations of business come-and-go and fund flow, but don't touch upon the bank extending the loan or administrative affiliation.

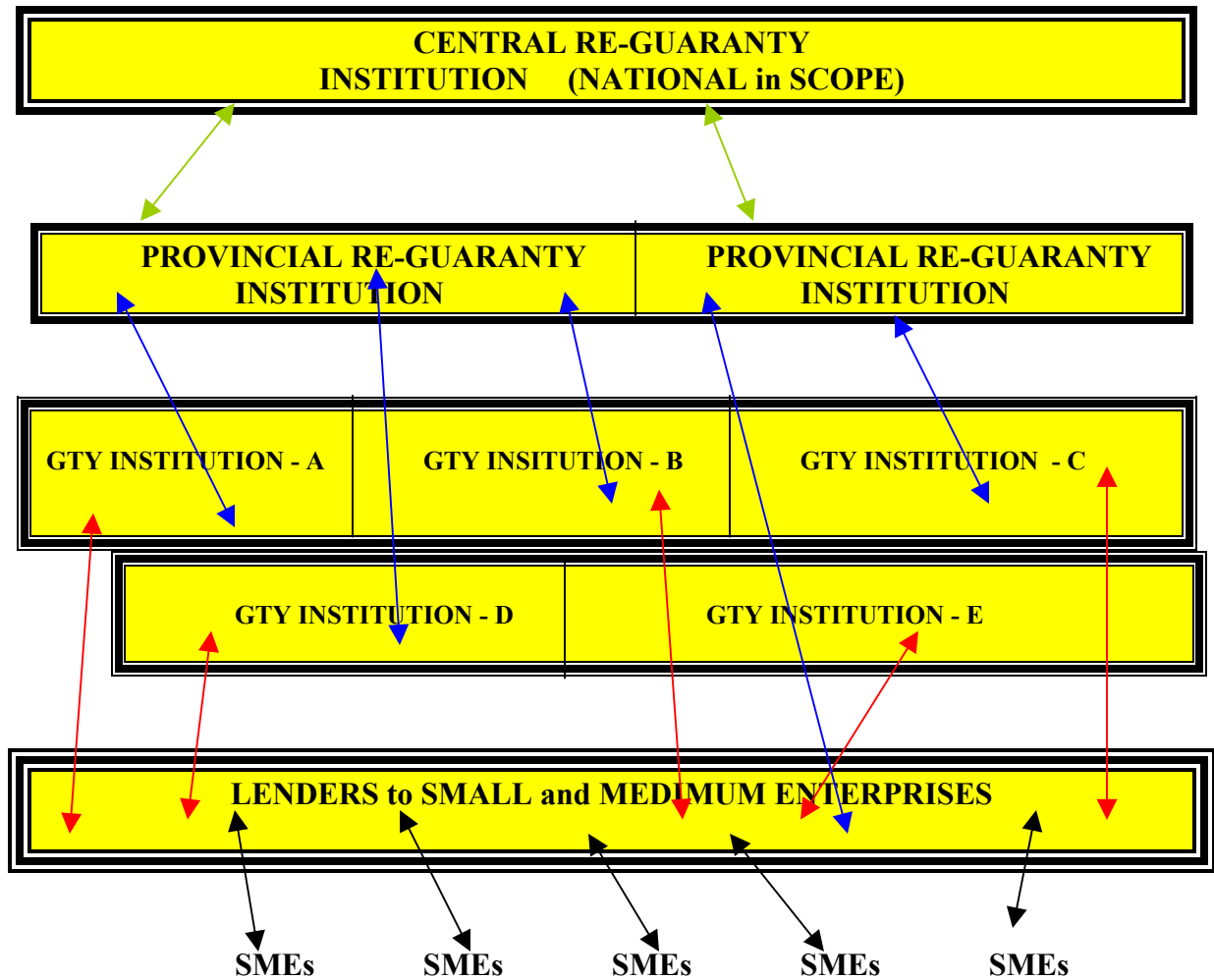
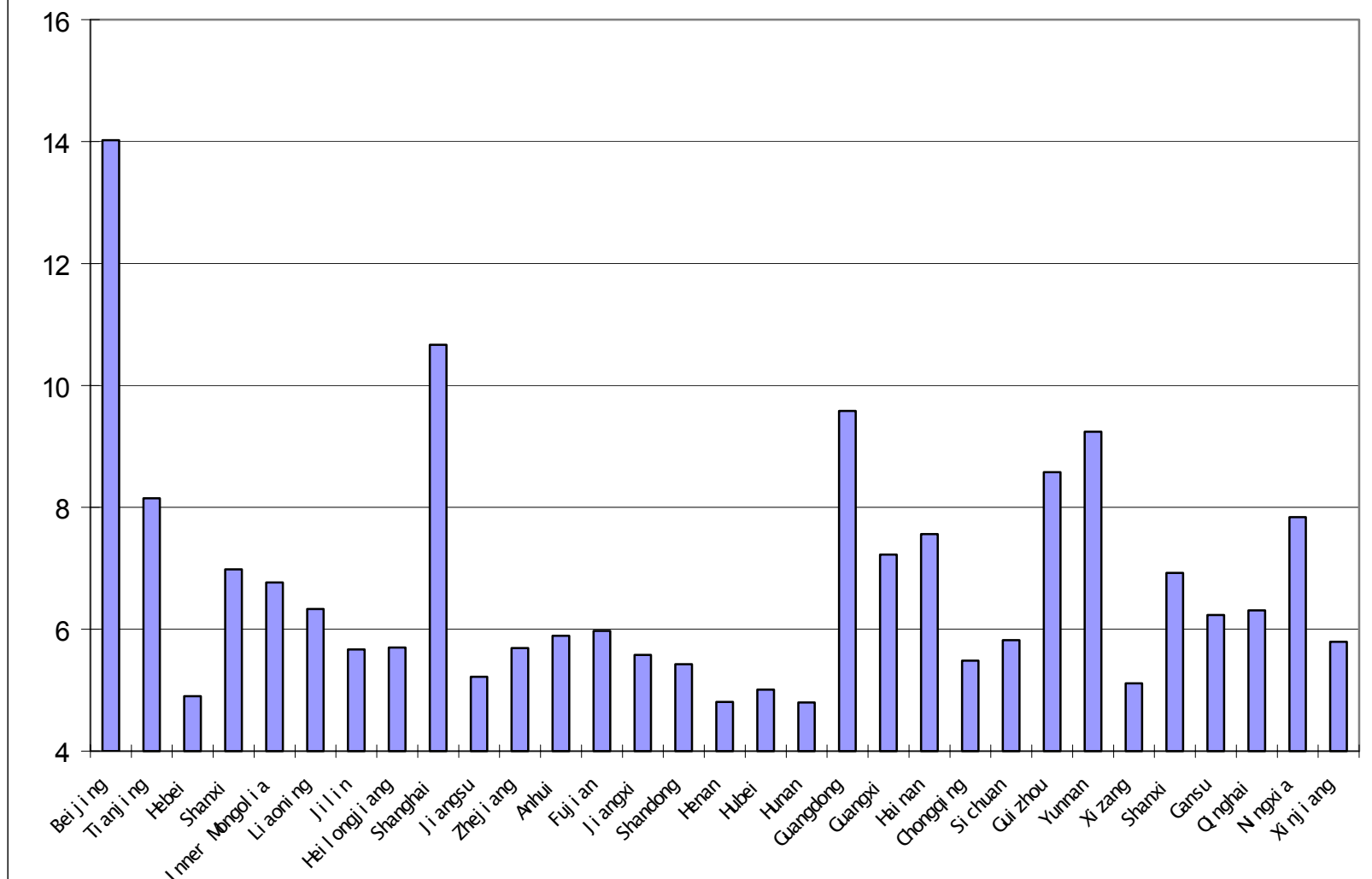
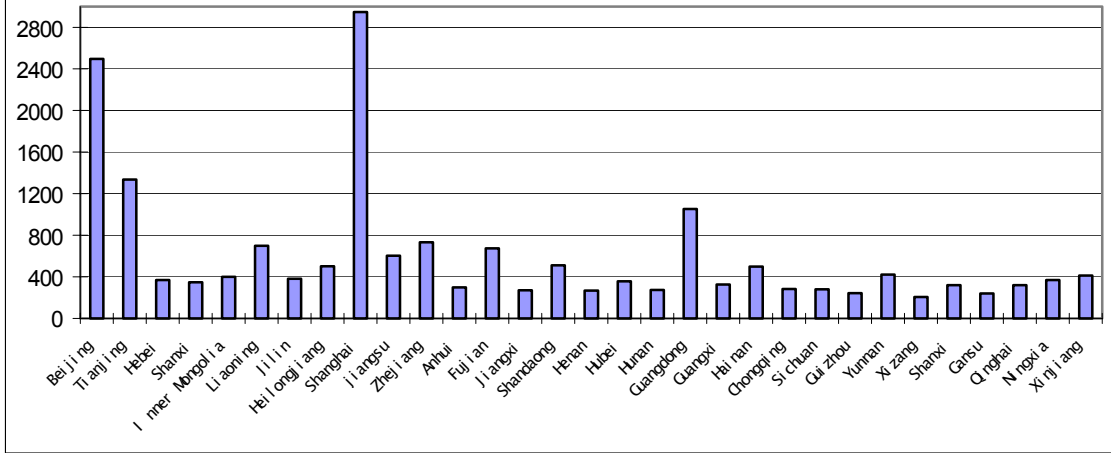


Table2 Proportion of financial revenue to GDP % each province,city and autonomous region year 2000



Data source: China Statistics Abstract Year 2001 page 22 and 68.

Table3 Financial revenue per person (RMB Yuan) Each province, city and autonomous region Year 2000



Data source China Statistics Abstract Year 2001 page 38 and 68.

V. Operation Principle of Provincial Re-guaranty Institution Policy suggestions

- Operate within a defined service area
- Establish the criteria for local guaranty companies
- Establish upper limit for project size
- Organized as a non profit entity
- Establish ratio of risk sharing
- Establish standards for compulsory participation
- Limit operations to re-guaranty activities, avoiding benefit conflict
- Establish division of responsibilities between guaranty and re-guaranty functions
- Establish as centralized function without branch operations
- Promote spirit of informational transparency
- Establish a personnel system that clearly defines responsibilities and accountability

VI. Operation Principle of Central Re-guaranty Institution

- Division of two functions: guaranty operations and capital support
- Establish relation to specific needs of each provincial guaranty institution
- Institutional orientation as opposed to SME orientation
- Establish level of risk sharing and benefit sharing
- Establish fee schedule
- Establish guaranty payment and loan liquidation standards
- Business scope: not providing re-guaranty service directly to the direct guaranty institutions, nor engaging in direct guaranty service business
- Establish operation for assets securitization
- Fund account management
- Promote spirit of informational transparency and Establish a personnel system that centers on accountability and appropriate rewards

Establishing and Developing the Policy Framework of SMEs Credit Guaranty Association

Wu Xiaohua

Basic background of Establishing and Developing SMEs Credit Guaranty Association

- Status Quo
- Policy Ground
- Overseas Experiences

Status Quo

- In 1999 the economic and trade commission, the planning commission and the financial office of Inner Mongolia Autonomous Region have required together in the document that SMEs guaranty association be organized, this is the first SMEs credit guaranty association in our country. At present, the SMEs credit guaranty association in Inner Mongolia has had the special institution and personnel handling affairs, and has made special *Constitution* and *Member Management Measures*.
- Many other provinces, cities and regions are setting about establishing SMEs credit guaranty association, some have entrusted the corresponding function of SMEs credit guaranty association to the SMEs leagues that have been set up in advance.
- It is estimated by the personnel of SETC that national SMEs credit guaranty association will be established in 2003.

Policy Ground of Establishing SMEs Guaranty Association

- In August, 2000, the Office of the State Council released the *Opinion of SETC on Some Policies of Encouraging and Promoting the Development of SMEs* (State Council Office [2000] 59, putting forward “establishing and consummating the admittance system, financial contribution system, credit evaluation and risk control system, sector coordination and self - discipline system of guaranty institution”.
- In the beginning of 2001, SETC put forward in the *Notice on the Problems in respect of Establishing National SMEs Credit Guaranty System* that, SMEs credit guaranty institution should “join the compulsive re-guaranty of the SMEs credit guaranty institution of the higher level and join the SMEs credit guaranty sector association, promise to realize lawfully the partaking of credit information sources.”
- Besides, there are three regulations and policies for the general association to be found;

1. “Regulations on social organization’s registration” issued by the State Council;
2. “Opinions on speeding up and developing the association in the fields of industry and commerce” (State Council)
3. “Opinions on entrusted industries association management”(State Council)

Guide thoughts and basic principle of establishing SMEs credit guaranty association

I. Guide thoughts

- Aiming at ameliorating the financing environment and condition of SMEs and promoting the healthy and quick development of SMEs;
- Earnestly carrying out *Social Group Registration Administration Statute* promulgated by the State Council and *Some Opinions on Speeding up the Fostering and Developing of the Associations in the Business Field (trying out)* printed and distributed by SETC;
- Persisting in market-oriented reform orientation, working in the course of the reform of governmental institution;
- Establishing step by step the self - discipline organization of national SMEs credit guaranty sector with that basic function reaches the designated position, the organizational system is sound, the social relations are unobstructed and the operation management is normative.

II Basic Principles

- Principle of persisting in market-oriented reform orientation.
- Principle of persisting in setting out from the practice.
- Principle of persisting in the intermediary character and service tenet of the sector association.
- Principle of persisting in simplification, high efficiency and democratic management.
- Principle of persisting in enrolling of one’s own accord and quitting freely.

Major function and organizational system of SMEs credit guaranty association

I. Major Functions

- According to the need of actual development and the development for the future, general functions of SMEs credit guaranty association can be defined as:
“communication, service, coordination and self-discipline”

Concrete functions

1. Establishing the sector admittance standard. Including Establishing the uniform requirement for capital scale and personnel aptitude
2. Establishing the sector criterion. Organizing SMEs to develop credit self-discipline, standardizing credit behavior and debt repayment behavior, vindicating normal economic order. Including stipulating the standard of charging the premium, guaranty variety design and practice scope.
3. Establishing the evaluation standards for sector credit
4. Providing management consulting to the development scheme of guaranty institution
5. Consulting to enterprise financing
6. Organizing the training and cognizance to sector practice qualification
7. Participating in the making of and responsible for amending the uniform financial accounting principle of the sector
8. External promotion and communication for the sector. Including publishing the association publications, setting up website, holding annual conference and so on.
9. Organizing the international exchange and cooperation of the sector
10. Authorizing and commissioning work of the relevant departments of the government

Issues regarding the function contents of SMEs credit guaranty association for the two aspects:

1. Whether the association has the function of direct guaranty to SME credits
2. Whether the association has the re-guaranty function to SMEs credit guaranty institution.

It appears that as the sector self-discipline organization, the association doesn't have the direct guaranty function, neither does it have the function of re-guaranty, but in practice it has already appeared that the association exerts direct guaranty function,

and quite a number of localities require the association to have the re-guaranty function. These two aspects may require further exploration and standardization in the future practice.

II Organizational System

1. Members composition

- One point of view thinks that membership should include all SMEs and the credit guaranty institutions providing services to SMEs;
- Another point of view thinks that, service object of SMEs should be and can only be the guaranty institution engaging in SMEs credit guaranty business. Here the SMEs credit guaranty institution can be a public undertaking or corporation, furthermore can be mutual;
- There is also another point of view, thinking that membership can only be non-profit SME credit guaranty institutions (public undertaking).

Thus three points of view of wide, medium and narrow views exist.

Corresponding to this is that the composition of the members of SMEs credit guaranty association may form three structures:

- One structure is all the SMES and the credit guaranty institutions serving SMEs.
- Another structure is the credit guaranty institutions serving SMEs.
- Another structure is the non-profit SMEs credit guaranty institution of public undertaking type.

Setup of administrative levels

- Corresponding to the wide point of view is the three-level system; namely, setting up SMEs credit guaranty association respectively in the three levels of central, provincial, and prefectural jurisdictions. The association of each level is an independent juridical association. The association of the lower level is its superior level's natural member, the central and provincial SMEs credit guaranty associations do not absorb SMEs as members, while major members of a city SMEs credit guaranty association are SMEs.
- Corresponding to the medium and narrow points of view is a two-level system, namely setting up SMEs credit guaranty associations only in the central and provincial levels, both of the associations of the two levels are

independent juridical associations. The provincial association is the natural member of the central association, while the basic members of the provincial SMEs credit guaranty are SMEs credit guaranty institutions. SMEs credit guaranty institutions engaging in over-province business can join a provincial SMEs credit guaranty association and the central SMEs credit guaranty association as well.

- Corresponding to the medium and narrow point of views is the one-level system, namely setting up a national SMEs credit guaranty association only at the central level, only with a juridical person at one level. A local commission can be set up in the province, city or district with developed SMEs credit guaranty businesses.

Organizational structure

- Member conference or member representatives conference. Member representative conference is composed of the representatives recommended by the whole members. Member conference or member representative conference is the highest authority institution of SMEs credit guaranty association. Member conference or member representative conference is held every four years. If necessary, the council can advance or postpone the changing of the composition.
- Council. It comes into being through the election by member conference or member representative conference, is the executive institution in the closing session of member conference or member representative conference, leading the work of the association and responsible for the member representative conference. Council is generally held once at the end or the beginning of each year, in which the chairman of the council gives the working report.
- Administrative council. It comes into being through the election by the Council, exerting parts of the authorities of the Council in the closing session of the Council. Administrative council is generally held at the beginning or in the middle of each year. If necessary, it can be held temporarily through the advancing of the secretary-general and the decision of the conference of the chairman of the council.
- Conference of the chairman of the Council. It is composed of the chairman, administrative chairman, vice-chairman, secretary-general and vice-secretary-general, responsible for the daily concrete affairs. The conference of the chairman is generally held twice each year. If necessary, the chairman can temporarily decide to hold this conference. The council can entrust the working conference of secretary-general to take charge of the concrete work

of the association, making concrete management system and holding the relevant activities.

Membership Dues and Members Management of SMEs Credit Guaranty Association

I. Membership Dues

According to the current relative policy provisions of the state and some experiences of sector association, the sources of the membership dues of SMEs credit guaranty association can have the following channels:

1. Transferring the one-off formation expense
2. Collecting a certain membership dues
3. Reimbursable service charging
4. Governmental subsidy
5. Financial contribution and donation of the government and the relevant enterprise and public undertaking and individual
6. Interest revenue
7. Other legal revenue

II. Members Management

Take the example of the setup model of the SMEs credit guaranty association which sets up only central level with the guaranty institution (no matter whether it is for profit, not for profit, or business corporation) as the basic members, it can have the following management stipulations in enrolment condition, enrolment procedures and the rights and obligations of the members:

1. Enrolment condition.
2. Enrolment procedures.
3. Membership rights.
4. Member obligation

Major Difficulties and Problems Faced by the Establishing of SMEs Credit Guaranty Association at Present

- Correctly Solving the Cognition Problem of Establishing and Developing Sector Association.
- Correctly Handling the Relation between Administrative Sector Management and Self-discipline Sector management
- Correctly Dealing with the Problems of Not-for-profit and Onerous Service of the Sector Association