

Institutions to be set up for smaller enterprises

BEIJING -- Smaller enterprises, which have long had trouble getting finance, are expected to get better access to loans as new institutions will be set up specifically for that purpose.

The China Banking Regulatory Commission (CBRC) said the new financial institutions are intended to offer better financial support for smaller enterprises to avoid widespread bankruptcies and massive layoffs, because such companies are less proficient at handling risks, especially amid the financial turmoil that is now affecting China.

These institutions will be established by commercial banks as a quasi-corporate body or subsidiary that will run independently, the CBRC said.

The commission said smaller enterprises are identified as those with an authorized credit of 5 million yuan (\$720,000), assets of less than 10 million yuan or annual sales of less than 30 million yuan. However, these standards only applied to document filing, and banks could set other definitions.

Large policy banks and national commercial banks were targeted in the guidelines issued by the CBRC, as such large banks are reluctant to lend to smaller enterprises, which they consider more risky.

The commission said the independent institutions could have a system for the provision of bad loans, separate from the parent banks, and work out a mechanism to speed up writedowns of bad loans, leaving these large banks unimpaired by higher risks.

Amid the global financial crisis, China's small and medium-sized enterprises, largely labor-intensive and vulnerable to fluctuations in domestic and external demand, are affected most.

In the first half of 2008, 67,000 such companies, each with a business volume exceeding 5 million yuan, closed and laid off more than 20 million employees, said the National Development and Reform Commission.

That figure doesn't include service industry firms or small companies with sales of less than 5 million yuan, as there are no authoritative figures available on those categories.

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