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Private lending can open up credit market

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It is reported that a regulation drafted by the central bank on private lending has been submitted to the State Council, the country's cabinet, for review. The regulation is due to allow individuals and companies to extend loans if they do not have bad credit or criminal records. If approved, it will mean domestic banks' monopoly in the country's credit market will be broken and non-public lending legalized.

Private credit business has long been labeled "underground banking" in China. The move by the central bank, the country's prime financial monitor, to legalize it indicates the long-thriving business in some coastal regions can come out in the open from its previous backstage operation.

The move will be of great significance to the introduction of competition to the country's financial market that has long been dominated by State-run banks.

It also indicates the authorities' strong intention to rope in non-government capital to make up for an insufficiency in the official capital market.

The global financial crisis has forced China also to face a grim economic prospect.

A number of domestic enterprises, especially middle and small-sized ones, are being plagued by severe funding insufficiency because of the bleak external consumption demands.

The lack of steady capital supply will further erode these enterprises' waning ability to endure the coming economic cold and thus will add to a further shrinkage in social investment and demands.

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