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More credit lines for small businesses, says CBRC

By Wang Bo (China Daily)
Updated: 2010-02-24 10:19

China's banking regulator said Tuesday it would open up more credit avenues for small enterprises this year, despite the recent government clampdown on excessive lending.

"Commercial lenders should ensure that the amount of new loans they advance to small enterprises this year exceeds that of last year and the pace of such loan growth in 2010 must be faster than the average level of credit growth in the previous year," said Xiao Yuanqi, director general of banking supervision department II, China Banking Regulatory Commission (CBRC).

"This is a mandatory requirement and lenders could face market access restrictions or differentiated supervision if they fail to adhere to it," Xiao said.

The remarks come close on the heels of steps taken since the start of the year by the authorities to curb lending and prevent asset bubble risks. The government has set a lower loan target of 7.5 trillion yuan (\$1.1 trillion) this year, compared with the 9.6 trillion yuan lent in 2009.

The credit tightening has sparked concerns that small enterprises, which are inferior to medium and large companies when competing for credit resources, could be the first to feel the pinch.

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New loans for small enterprises accounted for 24.8 percent of the 5.7 trillion yuan corporate new loans in 2009, according to the central bank.

Small- and medium-sized enterprises (SMEs) have long been underserved in China, as commercial lenders were reluctant to give loans to them due to the high risk and instead preferred to lend to large State-run companies.

Xiao said the regulator would be more tolerant about the bad loan ratio of small enterprise-focused lenders, and if

the risks could be well managed, some technical requirements, such as the loan-to-debt ratio, could be moderately eased for these lenders.

"We are drafting new supervision rules governing banks' small enterprise business and these are likely to come out later this year," Xiao said.

An increasing number of domestic mid-sized lenders, including Minsheng Bank and China Merchants Bank, are planning to shift their focus to SMEs to tap a differentiated market and fend off competition with large State-run lenders, said Xiao.