

34. People's Republic of China

Key facts on SME financing

In China, more than 98.64% of all firms are small businesses with 300 or fewer employees, contributing to over 60% of total GDP, 50% of tax income, 75% of job creation and 68% of exports. In 2018, new business creation reached record highs with a total 67.0 million new companies being created, up by 10.4% compared to 2017.

The stock of SME loans increased to CNY 46 477.3 billion in 2017, up 14.7% from 2016. The SME loan share increased from 54.60% to 64.96% over 2014-17. The ratio of short-term loans to total loans for SMEs decreased from 56.10% to 41.62 % over the same period. The ratio of SME loans backed by collateral dropped to 50.28% in 2017, down 1.77 percentage points.

In 2018, interest rates for SMEs and large firms were 5.17% and 5.07%, down 0.61 and 0.33 percentage points, respectively, compared to 2017. The interest rate spread between SMEs and large enterprises has narrowed to 0.1, which means lower financing costs for SMEs. In addition, SMEs were on average charged extra loan fees amounting to about 1.3% of the total bank loan volume¹. In 2018, the 1-year interest rate in the shadow banking sector ranged from 13%-15%, with a spread of about 9% from formal bank loans.

In 2018, the rejection rate of loan applications for SMEs was 3.69%, down 0.38 percentage points compared to 2017. On average, only 58.36% of loan amounts requested were finally granted. The utilisation rate of SME bank loans was 86.26%.

In 2018, SMEs obtained CNY 167.5 billion from the Shenzhen SME Board, and CNY 98.6 billion from Shenzhen Venture Board, and CNY 60.4 billion from National Equities Exchange and Quotations (NEEQ). Venture capital, leasing and factoring, online lending and crowdfunding continue to remain important sources of SME financing.

In 2018, payment delays for B2B slightly decrease to 38 days, 6 days down compared to the previous year. The ratio of SME non-performing loans to total SME loans was 2.58%, 0.53 percentage points higher than the ratio of non-performing loans for all businesses. The bankruptcy rate for SMEs was 2.85% in 2018 according to survey data, down 22.97% from the previous year.

National Financing Guarantee Fund was established with a registered capital of CNY 66.1 billion in 2018. This fund focuses on assisting small business, and its business covers re-guarantees for SME credit loans or direct PE investments. The National SME development fund had completed 208 investment projects totalling CNY 6.05 billion. National Guide Fund for Venture Investment in Emerging Industries account for an aggregate investment of over CNY 22.5 billion in 2018. Finally, Special Funds for SME Development continued to support SMEs by intensively investing in supporting innovative cities, promoting innovation and entrepreneurship and supporting financing guarantee.

The Chinese Government implemented a national strategy to support financing SMEs and entrepreneurship. During 2009-18, China put forward a series of policy adjustments, such as a differentiated deposit-reserve ratio policy and a sole credit allocation plan for SMEs, to encourage financial

institutions to expand SME credit. Broader policy adjustments and reforms were carried out, targeted at easing SME access to diversified financing sources.

Table 34.1. Scoreboard for the People's Republic of China

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt													
Outstanding business loans, SMEs	RMB billion	..	..	13 616	17 139	21 168	25 356	28 585	33 302	35 300	40 517	46 477	..
Outstanding business loans, total	RMB billion	..	..	24 940	30 292	35 017	39 283	44 019	52 162	53 895	62 578	71 545	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	54.60	56.58	60.45	64.55	64.94	63.84	65.50	64.75	64.96	..
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	56.10	49.24	47.56	54.69	40.97	41.62
Direct government loans, SMEs	RMB billion	..	..	..	..	1 550	1 813	2 082	2 470	2 820	..	..	..
Non-performing loans, total	% of all business loans	..	..	..	..	1.26	1.21	1.25	1.49	2.04	2.07	2.05	..
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	1.75	1.65	1.66	1.97	2.59	2.60	2.58	..
Interest rate, SMEs	%	..	..	..	..	..	..	8.39	7.51	5.23	4.77	5.78	5.17
Interest rate, large firms	%	..	..	..	..	..	..	7.72	7.47	5.26	4.89	5.40	5.07
Interest rate spread	% points	..	..	..	..	..	..	0.67	0.04	-0.03	-0.12	0.38	0.10
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	51.59	52.98	54.52	54.76	55.67	52.05	50.28	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	69.88	63.06	53.09	58.36
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	6.19	11.97	11.72	6.13	4.07	3.69
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	93.51	94.75	94.48	94.03	89.91	86.26
Non-bank finance													
Venture and growth capital (stock)	RMB billion	111	146	161	241	320	331	264	293	336	377	411	..
Venture and growth capital (stock, growth rate)	%, Year-on-year growth rate	..	30.80	10.26	49.93	32.88	3.59	-20.34	11.15	14.59	12.02	9.16	..
Venture and growth capital (incremental)	RMB billion	..	..	..	..	..	25.11	27.90	37.44	46.56	50.55	84.53	..
Venture and growth capital (incremental, growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	11.11	34.19	24.36	8.57	67.22	..
Leasing and hire purchases	RMB billion	24	155	370	700	930	1 550	2 100	3 200	4 440	5 330	6 060	6 650
Factoring and invoice discounting	EUR billion	..	55.0	67.3	154.6	274.9	343.8	378.1	406.1	352.9	301.6	405.5	411.5
Other indicators													

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Payment delays, B2B	Number of days	..	..	..	..	..	..	95.91	72.31	64.44	65.21	44.00	38.00
Bankruptcies, SMEs	Percentage of all SMEs	..	..	..	..	..	..	8	7	5	5	4	3
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	-4.36	-24.59	-13.37	-21.78	-22.97

Source: See Table 35.6.

SMEs in the national economy

In China, more than 98.64% of all firms are small businesses with 300 or fewer employees, contributing to over 60% of total GDP, 50% of tax income, 75% of job creation and 68% of exports. In 2018, new business creation reached record highs with a total 67.0 million new companies being created, up 10.4% compared to 2017.

Table 34.2. Distribution of firms in China, 2013

By firm size

Firm size (employees)	Number of firms	% of employer firms
1-7	5 629 753	52.0
8-19	2 672 035	24.7
20-49	1 441 548	13.3
50-99	556 331	5.1
100-299	378 706	3.5
300-499	69 948	0.7
500-999	45 443	0.4
1 000-4 999	28 458	0.3
5 000-9 999	2 273	0.0
10 000+	1 116	0.0
Total	10 825 611	100

Source: China Economic Census Yearbook 2013, edited by The National Bureau of Statistics (NBS), Beijing: China Statistics Press, 2015.

During 2014-18, the Chinese government has continuously deepened the reform of the commercial registration system to create a better business environment. According to Doing Business (The World Bank, 2019), China was ranked as 46th in the top 50 list for business environment, increased by 32 places compared with previous year. Business creation is largely encouraged by favourable policy. The number of newly established companies increased from 3.7 million in 2014 to 6.7 million in 2018. New business creation reached a new record high with an average 18 300 new companies created daily in 2018. The number of registered companies per 1000 persons similarly increased to 24.9 in 2018, 3.0 companies higher than in 2017. Vast growth in this area is likely due to the government's continued reforms of the commercial registration system.

The number of companies that closed their business and cancelled their registration increased from 0.51 million in 2014 to 0.79 million in 2015, 0.98 million in 2016, 1.24 million in 2017 and 1.81 million in 2018. Comparing with strong business creation, the case of business closure and registration cancellation is relatively small. The ratio of cancellation cases to newly company registration is about 1 to 3.69 in 2018. In past years, newly registered companies have gradually become the main force in the market and played an important role in promoting employment and economic development.

SME lending

The stock of SME loans increased to CNY 46 477.3 billion in 2017. SME and total business loans increased by 241.3 % and 186.8%, respectively over 2009-17. As loan growth for SMEs usually outpaced total business loan growth, the SME loan share increased from 54.60% to 64.96% over the same period. In the past years, the Chinese government has encouraged the banking sector to increase the supply of capital to SMEs. In 2017, loan growth for SMEs and total businesses increased 14.7% and 14.3%, respectively.

Chinese SMEs are more likely to participate in alternative financing channels than large firms to bridge their financing gap and as such are less dependent on bank loans than large companies. However, bank loans are nonetheless an important source of financing for SMEs. In 2018, 58.36% of SMEs applied for bank loans, up 5.27 percentage points compared with the previous year. Generally, short-term financing is losing its traditional importance for SMEs. The ratio of SME short-term loans remains a declining trend during 2013-2017, from 56.10% to 40.97%. This ratio slightly increases to 41.62, up 0.65 percentage points.

In recent years, the Chinese government encouraged larger, state-owned banks to establish specialised branches or departments to serve small businesses and required banks to add more subsidiary branches in towns and small cities in order to extend services to a larger proportion of small businesses. Small banks, private banks, village banks, small credit companies and other new financing organisations have developed and received support by the government. The share of SME loan in total business loan increased by 10.36 percentage during the period of 2009-2017. And the share remains at the level of 65%.

Credit conditions

In 2018, the People's Bank of China kept the benchmark loan interest rate unchanged, at a record low level of 4.35%. The People's Bank of China created targeted medium-term lending facility (TMLF) to support SMEs financing at favourable 3.15% interest rate. The central bank increased loan-supply targeting to SMEs by additional CNY 400 billion refinancing and rediscounting business.

In 2018, interest rates for SMEs and large firms were 5.17% and 5.07%, down 0.61 and 0.33 percentage points, respectively, compared to 2017. The interest rate spread between SMEs and large enterprises has narrowed to 0.1, implies the declining costs for SME financing. The extra fees in the process of loan application are an important component of the financing cost for SME loan.

In recent years, the China Banking Regulatory Commission launched the elimination of unreasonable charges and attempted to clean up and standardise extra service fees. In 2017, China's banking financial institutions exempted total CNY 44 billion all kinds of extra fees. In 2018, the Chinese regulatory authority furtherly eliminated unreasonable charges of commitment fees and fund management fees, and strictly control the charges of financial advisory fees and consultancy fees to SMEs. In 2018, SMEs were on average charged 1.3% of the total value of bank loans in the form of extra loan fees, slightly down 0.01 percentage points with respect to the previous year.

Collateral requirements remained a constraint for SMEs' to access bank loans. The ratio of bank loans for SMEs backed by collateral steadily increased from 50.6% to 55.7% in 2009-15. Afterward, the ratio gone to the reverse. the ratio decrease to 52.25% in 2016 and furtherly dropped to 50.28% in 2017. This ratio is still high for SMEs compared to large companies. In 2017, there were only 28.79% of bank loans for larger companies requiring collateral.

In general, credit conditions of SMEs have been gradually improved in 2018. This idea is supported by survey data on lending rates, the interest spread, loan fees and other indicators. In 2018, the rejection rate for SME loan applications was 3.69%, down 0.38 percentage points from 2017. The utilisation rate of SME bank loans significantly drops down from the range of 93.5%-94.8% in the period of 2013-16 to the range of 89.91%-86.26% in 2017-18.

Alternative sources of SME financing

Equity financing

Equity financing is an important tool to solve the financing problem of SME. China attempted to establish a more active and functional multi-level capital market system, consisting of traditional main boards in Shanghai and Shenzhen, the SME Board (since 2004) and Venture Board (since 2009) of the Shenzhen Stock Exchange, National Equities Exchange and Quotations (NEEQ, since 2013) and the regional equity trading market system. In 2018, SMEs obtained CNY 167.5 billion from the Shenzhen SME Board, and CNY 98.6 billion from Shenzhen Venture Board, down by 51.24% and 34.07%, respectively, compared to the previous year. In total, 19 small companies were listed in the SME Board and 29 in the Venture Board in 2018, down 76.54% and 79.43% respectively compared to the previous year.

In 2018, the total number of listed companies on the NEEQ was 10691, down 8.1% compared to the previous year. Coincidentally, the value of financing reductions fell 54.98 percent to CNY 60.4 billion reached its lowest point since 2015. In 2018, only 23 small companies listed in NEEQ successful transfer to Shanghai and Shenzhen exchanges and 59 small companies were acquired by listed companies.

The regional equity trading market has played an important role in supporting the direct financing of SMEs. By the end of 2018, there were 34 regional equity trading markets in China with over 24 808 listed companies, and a total financing value of CNY 906.3 billion.

Table 34.3. Basic Statistics on the Development of NEEQ, 2014-2018

	2014	2015	2016	2017	2018
The number of listed companies	1 572	5 129	10 163	1 1630	1 0691
Total market value (CNY, billion)	459.1	2 458.4	4 055.8	4 940.5	3 448.7
Financing value (CNY, billion)	13.4	121.6	139.1	133.6	60.4
Exchanging value (CNY, billion)	13.0	191.1	191.2	227.2	88.8
Turnover ratio (%)	19.67	53.88	20.74	13.47	5.31
P/E ratio	35.27	47.23	28.71	30.18	20.86
Organizational investors (10 thousand)	0.47	2.27	3.85	5.12	5.63
Individual investors (10 thousand)	4.39	19.86	29.57	35.74	37.75

Source: official website of National Equities Exchange and Quotations (NEEQ), <http://www.neeq.com.cn>.

Venture capital, which plays an important role in fostering national innovation systems, has become an important financing source for SMEs and entrepreneurship. The stock of venture capital investment reached CNY 411.02 billion in 2017, up 9.16% compared to 2016. In which, CNY 84.53 billion was incremental VC investment in this year. There is no doubt that rapid development of the equity financing has become an important means of solving financing difficulties of SMEs.

Table 34.4. Venture and growth Capital in China, 2013-17

	2013	2014	2015	2016	2017
The number of VC organizations	1 408	1 551	1 775	2 045	2296
Total VC managed capital (CNY, billion)	357.4	523.2	665.3	827.7	887.25
The stock of VC investments (CNY, billion)	263.9	293.3	336.1	376.5	411.02
In which, incremental VC investments in this year (CNY, billion)	27.9	37.4	46.6	50.6	84.53
Incremental VC investments/GDP(%)	0.0469	0.0581	0.0676	0.0680	0.1030

Leasing and factoring

The Chinese finance leasing industry is divided into finance leasing companies and commercial leasing companies. The former is defined as financial institution and is originally supervised by the Chinese Banking Regulatory Commission, while the latter is treated as general commercial organisations and is regulated by the Chinese Ministry of Commerce. In 2018, the newly established Chinese Banking and Insurance Regulatory Commission took over the responsibility of supervising both finance leasing and commercial leasing companies. In 2018, there were 11 777 companies providing commercial leasing to businesses, up 21.7% from 2017. The number of domestic commercial leasing companies increased from 280 in 2017 to 397 in 2018 (an increase of 41.8%), while the number of foreign owned commercial leasing companies increased from 9 327 respectively in 2017 to 11 311 in 2018 (an increase of 21.3%). Due to governmental organization restructuring, the number of finance leasing company remains unchanged, total 69 companies are licensed. The total contract volume of the finance leasing industry was CNY 6 650 billion in 2018, up 9.38% year-on-year. In which, domestic and foreign-owned commercial leasing companies respectively obtained 2 080 billion and 2 070 billion in contract volumes in 2018, up 10.64% and 7.81%, respectively. Finance leasing companies contributed CNY 2 500 billion in 2018, up 9.65% from 2017.

In 2018, the newly established Chinese Banking and Insurance Regulatory Commission took over the responsibility of supervising commercial factoring companies and supervision pattern has been clarified. There were 11 541 commercial factoring companies and branches, 39.7% up the number of factoring companies in 2017 and total factoring volume exceeded EUR 411.6 billion, up 1.49% compared to 2017. The stability and rapid growth of factoring and leasing shows huge potential for viable finance solutions for more SMEs in China.

Shadow banking

In China, the shadow banking system remains widely used by many SMEs. According to Moody's, however, growth in shadow banking appears to be slowing down. The total value of all assets involved in the Chinese shadow banking system was about CNY 61 300 billion in 2018, down 6.67% compared to 2017. In addition, the ratio of shadow banking assets to GDP has shrunk by nearly 20 percentage point to 68% in 2018 from its peak of 86.7% in 2016. The Wenzhou private finance index, published since 2012, is a well-known barometer for the regional and national private financing markets. In 2018, the interest rate for 1-year private loan ranged between 13%-17%, with at least a 9% spread from interest rates on formal bank loans.

Table 34.5. Wenzhou index of private lending interest rate in the Chinese shadow banking system, 2018

As a percentage

Term of lending	1 month	3 months	6 months	1 year	Over 1 year
January	18.98	17.15	14.48	13.81	15.03
February	19.11	16.13	14.61	14.10	15.93
March	20.73	16.58	14.80	14.35	14.38
April	19.63	16.99	14.60	13.56	15.77
May	17.86	17.30	14.94	13.21	17.18
June	16.95	17.21	15.18	13.24	13.04
July	17.95	16.35	14.77	13.40	12.56
August	18.81	17.18	15.35	13.85	14.52
September	19.89	17.12	15.13	13.96	14.06
October	19.54	17.36	15.04	14.28	14.60
November	20.86	17.08	14.64	13.59	15.81
December	21.75	16.05	15.52	14.18	15.35

Source: Monitoring website of Wenzhou Private Finance Index, <http://www.wzpf.gov.cn>.

Online lending and crowdfunding

In 2018, the online lending industry continues to be highly regulated. There were 1 020 online lending operation platforms, 1 219 fewer than in 2017. The number of new online platforms has dropped dramatically to 60, and the number of platforms that failed to operate normally peaked at 1 279 in 2018, up from 556 in 2017. In 2018, total online lending turnover was CNY 1 794.8 billion, down 36.01% from 2017. The outstanding volume of online lending dropped 24.27% from 2017 to CNY 788.9 billion in 2018.

From 2017, the crowdfunding industry has faced more serious risk supervisions, the number of crowdfunding platforms and new platforms has decreased dramatically. By 2018, the number of crowdfunding platforms decreased to 147, only 14 new crowdfunding platforms were established. In the first half of 2018, the whole crowdfunding industry financed CNY 13.7 billion from 40 274 successful projects. In 2018, the Securities Regulatory Commission promulgated 'Regulations on the Management of Equity-based Crowdfunding Pilot' to carry out the equity-based crowdfunding pilot.

Up to 2018, there were 6 internet banks – We Bank, MY bank, XW bank, SHUNING bank, Z-bank, ZHONGGUANCUN bank. In 2018, these six internet banks experienced rapid growth and made remarkable achievements in the service of SMEs. For example, in 2018 the annual revenue of MY bank exceeded CNY 6.27 billion, 45% of year-on-year growth. SMEs customers reached a total of more than 12.27 million, averagely keeping outstanding on-line lending volume of CNY 26 thousand.

Other indicators

Evidence on payment delays, bankruptcies, and non-performing loans similarly suggest that financing conditions of SMEs continue to improve. In 2018, payment delays for the B2B sector kept stable, decreasing by 6 days to an average of 38 days respectively, compared to the previous year. The slightly decrease in B2B payment delays implies improved cash flow and short-term financing capabilities of SMEs.

In 2017, total non-performing loans equalled CNY 1 463.8 billion, increasing 13.1% year-on-year. Non-performing loans for SMEs were CNY 1 198.8 billion, increasing 13.9% year-on-year. The ratio of SME non-performing loans to total SME loans was 2.58%, down 0.02 percentage points from 2017. The ratio of non-performing loans among all business loans was 2.05%, 0.53 percentage points lower than the SME

non-performing loans ratio. Finally, according to survey data, the bankruptcy rate for SMEs was 2.85% in 2018, down 22.97% from 2017.

Government policy response

In recent years, China continuously strengthened the SMEs policy support. In 2015, China announced the establishment of a National SME Development Fund which focuses on VC/PE investments to seed-stage and early-stage SMEs. One year later, four regional subsidiary funds of National SME Development Fund were established. By 2018, the national SME development fund had completed 208 investment projects totalling CNY 6.05 billion.

Another fund, called the National Guide Fund for Venture Investment in Emerging Industries with a scale of CNY 40 billion was officially put into operation in 2015, which aims to invest in venture phases of potential companies in hi-tech fields. By 2018, three subsidiary funds of National Guide Fund for Venture Investment in Emerging Industries (Zhongjin Qiyuan, Guotou Chuanghe and Yingfu Taike) have been established, account for an aggregate investment of over CNY 22.5 billion in 2018.

National Financing Guarantee Fund was established with a registered capital of CNY 66.1 billion in 2018. This fund is designed to supporting national financing guarantee system, which is essential part for facilitating SME financing. Its business covers re-guarantees for SME credit loans or direct PE investments in local guarantee organizations. By the end of 2018, the re-guarantee cooperation business of the National Financing Guarantee Fund has reached CNY 32.6 billion, covering 25 245 Chinese SMEs. National Financing Guarantee Fund is supposed to support 150 000 companies and increase loans by CNY 140 billion annually in following years.

In recent years, the Chinese Government has adjusted funding policies of the central government's budget for SMEs. Special Funds for SME Development, for instance, changed its funding policy to initiate a national programme of innovative cities for SMEs. During 2015-17, Special Funds for SME Development has approved projects totalling CNY 21.5 billion in 30 cities.

In 2018, Special Funds for SME Development continued to support SMEs by intensively investing in supporting innovative cities, promoting innovation and entrepreneurship and supporting financing guarantee. Of its total, CNY 1.44 billion is used to support innovative cities, CNY 2.48 billion for promoting innovation and entrepreneurship and CNY 3 billion for rewarding and subsidizing provinces with significant progress in financing or providing loan guarantee for SMEs.

During 2009-18, China put forward a series of policy adjustments, such as a differentiated deposit-reserve ratio policy and a sole credit allocation plan for SMEs, to encourage financial institutions to expand SME credit. In 2018, The Chinese government reduced the deposit reserve ratio four times, releasing more credit resources to SMEs. The People's Bank of China created targeted medium-term lending facility (TMLF) to support SMEs financing at favourable 3.15% interest rate. The central bank increased loan-supply targeting to SMEs by additional CNY 400 billion refinancing and rediscounting business.

In 2015, the China Banking Regulatory Commission put forward three 'not-lower-than' operating principles regarding bank lending to SMEs:

- the growth rate of SME loans should not be lower than that of total business loans;
- the number of SMEs receiving loans should not be lower than the number of SMEs receiving loans in the previous year;
- the percentage of SME loan applications accepted should not be lower than the percentage of SME loan applications accepted in the previous year.

In 2018, the China Banking Regulatory Commission furtherly put forward a more stringent operating principles of 'Two Increases and Two Controls':

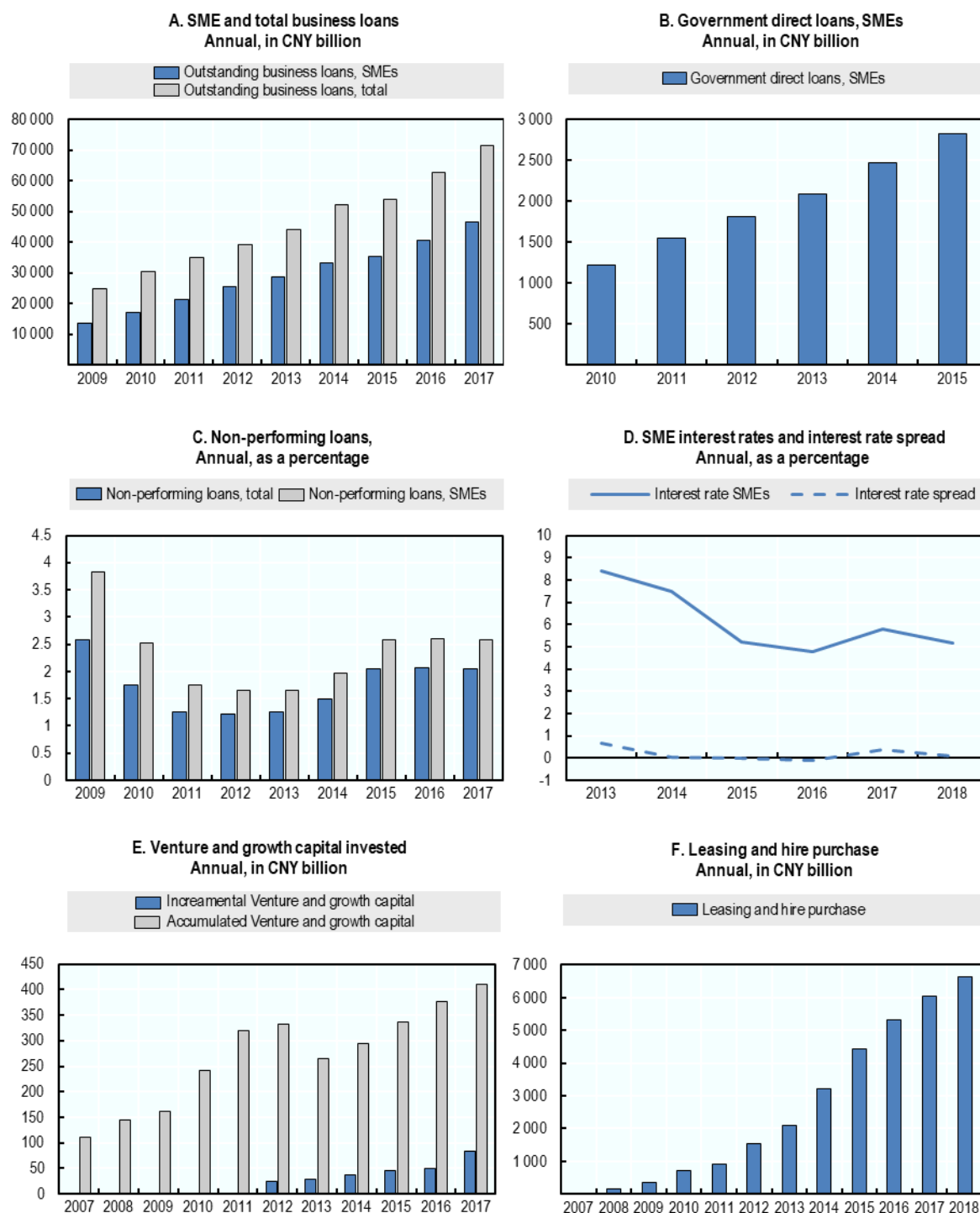
- ‘Two Increases’: The year-on-year growth in SME loans with not more than CNY 10 million credit should not be lower than that of total business loans; the number of SMEs with outstanding loan should not be lower than that of the previous year.
- ‘Two Controls’: reasonably control the quality of SME loans assets and reasonably control the comprehensive cost of SME loans, including interest rate and bank service charges related.

During 2014-18, the Chinese Government implemented a national strategy to encourage people to start their own businesses and become more innovative, made many efforts to improve business environments by loosening regulation, offering quality and efficient public services, and strengthening official supervision of illegal market behaviours. In 2018, the Chinese government clean up administrative permissions, carry out continuous reforming of commercial system. These reforms and others in the ensuing years strongly encouraged business creation and prompted the record highs of 18 300 daily newly established companies.

In January 2018, the new revision of the SME Promotion Act was enforced. The revision stipulated that small and micro businesses are eligible to enjoy the privileges of income tax and value-added tax deferrals, reductions and exemptions under certain conditions. These revisions have served to supplement previous policies aimed at relieving SMEs tax burden. In 2018, the Chinese government reduced the value-added tax rate and expanded the scope of tax preferences for SMEs. The Chinese government raise the ceiling of annual taxable income for SMEs from CNY 0.5 million to CNY 1 million. And the government curtailed the SME tax burden by applying a 20% tax rate to SMEs whose taxable income does not exceed CNY 1 million, on only 50% of their total taxable income.

In addition, the Chinese government actively encourages banks and other financial institutions to use new technologies to innovate SME financial service. Finally, from 2018, financial institutions are allowed to exempt the interest income earned from SMEs loans that up to CNY 10 million from their value-added tax.

Figure 34.1. Trends in SME and entrepreneurship finance in China



Source: See Table 35.6.

Table 34.6. Definitions and sources of indicators for China's Scoreboard

Indicator	Definition	Source
Debt		
Outstanding business loans, SMEs	Outstanding (stocks) of business loans granted to domestic SMEs by banks (including foreign banks) and financing agencies under the supervision of the People's Bank of China in the end of the year, in CNY	People's Bank of China
Outstanding business loans, total	Outstanding (stocks) of business loans granted to domestic firms by banks (including foreign banks) and financing agencies under the supervision of the People's Bank of China in the end of the year, in CNY	People's Bank of China
Share of SME outstanding loans	Calculated as percentage of SME outstanding loans in total outstanding business loans	People's Bank of China
Share of short-term SME lending	The average ratio of short-term loans to the total amount of bank loans among surveyed SMEs, SME (%)	Demand-side survey
Non-performing loans, total	Outstanding (stocks) of all non-performing loans as defined by The People's Bank of China	People's Bank of China
Non-performing loans, SMEs	Outstanding (stocks) of SME non-performing loans to as defined by The People's Bank of China	People's Bank of China
Interest rate, SMEs	Average 1-year interest rate for bank loans of SMEs	Supply-side survey plus demand-side survey
Interest rate, large firms	Average 1-year interest rate for bank loans of larger companies	Supply-side survey plus demand-side survey
Interest rate spread	The difference of average 1-year interest rate for SME's loans and larger company's loans (in percentages)	Supply-side survey plus demand-side survey
Collateral, SMEs	Percentage of collateral-based loans of SMEs to the total amount of bank loan of SMEs	People's Bank of China
Percentage of SME loan applications	The share of SMEs that have applied bank loan in latest year	Demand-side survey
Rejection rate	The ratio of rejection to latest loan applications in latest month	Supply-side survey
Utilisation rate	1- the proportion of money that is deposited in bank account for reserve use in its latest bank loans of SMEs	Demand-side survey
Non-bank finance		
Venture and growth capital	Total amount of outstanding venture and growth capital invested in all stages, calculated in accumulative way. The stock of VC in this year =The stock of VC in previous year + the incremental VC in this year -the exit VC in this year	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Venture and growth capital (growth rate)	Total amount of venture and growth capital invested in growth stage, mature stage and restructure stage	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Venture and growth capital (incremental)	Total amount of incremental venture and growth capital invested in all stages in this year	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Venture and growth capital (incremental, growth rate)	the year-on-year growth of total amount of incremental venture and growth capital invested in all stages in this year	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Leasing and hire purchases	Outstanding contract volume of all kinds of financing lease companies	China Financing Leasing Development Annual Report
Factoring and invoice discounting	Total turnover of factoring industry, in million Euro	International Factors Group SCRL
Other indicators		
Payment delays, B2B	The average number of days that a B2B company can collect delayed payment from clients after the contract deadline	Demand-side survey
Bankruptcies, SMEs	Average of SME bankruptcy (including shut-off) ratios in surveyed regions (%)	Demand-side survey
Bankruptcies, SMEs (growth rate)	the year-to-year growth rate of bankruptcies of SME	Demand-side survey

Notes

¹ As a reference, extra fees for larger firms during loan application is about 0.62% of the total bank loan volume in 2018, according to survey data

References

China Institute for Small and Medium Enterprises of Zhejiang University of Technology (2019), "Demand-side survey on Chinese SME financing conditions in 2018".

Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P. R. China (2018), "Venture Capital Development in China 2018", Beijing: Economy & Management Publishing House.

Financial Affairs of Wenzhou Municipal People's Government (2018), "Monitoring of Wenzhou Private Finance Index", <http://www.wzpf.gov.cn>.

The National Bureau of Statistics (2016) "China Economic Census Yearbook 2013", Beijing: China Statistics Press.

The People's Bank of China, China Financial Institute (2019), "Almanac of China's Finance and Banking in 2018", Beijing: China's Finance and banking Almanac Press.

ENE EASY consulting company (2019), "Research Report on Internet Crowdfunding Industry in 2019", <http://www.xicaijing.com>.

World Bank Group (2018), "Doing Business 2019: Training for Reform", <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2019>.



From:
Financing SMEs and Entrepreneurs 2020
An OECD Scoreboard

Access the complete publication at:
<https://doi.org/10.1787/061fe03d-en>

Please cite this chapter as:

OECD (2020), "People's Republic of China", in *Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/31f5c0a1-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.