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# 中国普惠金融可持续性研究

A Study on the Sustainability of Inclusive Finance in China

郝晋辉 著
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# Preface

Since it was first purposed by the United Nations in 2005, inclusive finance has enjoyed rapid growth in the world. In recent years, the sustainability of inclusive finance has become an important issue. At the same time, in the era of big data, the situation of institutional constraints and asymmetric information faced by the entire financial system has been eased, and the foundation of financial repression has been loosened. The global pattern of inclusive finance is facing the impacts of internet economy and internet finance. In this context, the development of inclusive finance faces more opportunities and challenges for its sustainability.

This paper aims at investigating the development and sustainability of inclusive finance in China and outlining the features and importance of inclusive finance in the context of the urban-rural dual structure and the urbanization process in China. This paper argues that the sustainable development of inclusive finance in China shows Chinese characteristics; it is related to the process of urbanization in China and is subject to the urban-rural dual structure. The sustainable development of inclusive finance in China has the following features: development stages to be improved, unbalanced development between the East and the West, and segmentation in financial markets. Based on these characteristics of the times, this paper conducted an FSS analysis on China's inclusive financial institutions, drawing the conclusion that the financial sustainability of China's Internet financial platforms is relatively good. The study of this paper also found that the government's influence and control over inclusive finance in China are unique in the world, leading to the fast development of China's inclusive finance. Still, China's inclusive finance is troubled by the problems of poor supervision.

Countries in Southeast Asia show different levels of development of inclusive finance. Among them, the Philippine's NGO "Center for Agriculture and Rural Development (CARD)" has enabled women in poverty-stricken areas to achieve economic independence and contributed to building a more stable social and economic base. Indonesia has adopted the mode of providing inclusive financial services by state-owned banks. They have accumulated certain experience and lessons in the development of inclusive finance which are worth learning from.

The innovations of this paper are as follows. First, the paper analyzed the financial data of China's current inclusive financial companies under the theoretical framework of the global financial inclusion system and reached reasonable conclusions. Second, the development of inclusive finance in China has its own particularities, such as the urban-rural dual structure, the advancement of financial technology, etc. This paper has combined these characteristics to ensure that the analysis of sustainability is of practical importance. Third, this paper compared the inclusive financial sustainability of China with that of two Southeast Asian countries with similar externalities in search of general characteristics and specific issues so as to arrive at effective conclusions and policy recommendations for the sustainable development of inclusive finance in China. Besides, the paper also provided a preliminary analysis of the preconditions and foundations of inclusive finance development in these countries, and compared their similarities and differences in regard to their applications for China.

It should be admitted that this paper's research has certain deficiencies. The Chinese government has served as a strong driver in the development of financial inclusion which is short but rapid. With the speed of economic development and government regulation, the development of inclusive finance in China is facing the uncertainty of the external environment. This paper did not analyze the sustainability of China's inclusive finance in the context of the Chinese system, but set the presupposition that the existing inclusive financial policies would maintain certain policy continuity. Therefore, the research may fail to analyze the sustainability of inclusive finance in regard to policy variables and long-term effectiveness as the proposed policy recommendations are unable to adapt to the changing policy environment.

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# Chapter 1 Introduction

## 1.1 Topic Selection Background

### 1.1.1 Development of Inclusive Finance in the World

The emergence of inclusive finance was originated from 1970s when Prof. Yunus in Bangladesh started microcredit and founded Grameen Bank providing financing service to poor people in rural areas. Since then, microcredit, widely circulated around the world, has given large numbers of financially excluded people access to previously unavailable financial services (Leyshon, 1993; Thrift, 1995)①. At first, the development of inclusive finance was not extensive, and the research on it was at how to carry out and develop inclusive finance, mostly focusing on its availability, loanability and its service quality. Those studies played a positive role in the development of inclusive finance.

The concept of inclusive finance advocates a comprehensive approach of providing universal financial services to all groups and sectors of the society, especially to the poor and low-income groups, so that everyone has the opportunity to participate in economic development and to achieve common prosperity. Therefore, as soon as it appeared, inclusive finance showed a rapid global growth like a prairie fire caused

① Jiao Jinpu. Building China's Inclusive Finance System[M]. China Financial Publishing House, 18.

by a single spark[1]. In 2006, the United Nations set up the goal of inclusive finance as that each developing country should have a complete system of financial institutions under a sound policy, legal and regulatory framework that will jointly provide suitable financial products and services to all levels of people.

Since the Asian Financial Crisis in 1997, the traditional foreign investment-dependent economy of Southeast Asia has suffered a heavy setback, and the currency rates in these countries have depreciated remarkably. Every country in the world has seen various different levels of the impact. With political unrest and huge gap between the rich and the poor, there has been increasing concern over assistance to the poor. The traditional public welfare service for the poor, however, shows low sustainability considering the over-burdened government finance, giving way to inclusive finance which has been seriously attended around the world at this stage.

After the outbreak of American sub-prime mortgage crisis and the Occupy Wall Street movement[2], countries around the world have felt the need to rethink their existing financial models, among which inclusive finance is favored due to its emphasis on the inclusiveness of finance. Then inclusive finance has gained extensive attention as a rising star in the financial system after the European Debt Crisis, and has been regarded as an important financial means to ease and avoid crisis, as it is an essential component of a country's mainstream financial system and can provide high-quality financial services to meet the financial

① Brigit Helms. Access for All[M]. CGAP, 9.

② Occupy Wall Street (OWS) was a protest movement that began on September 17, 2011, in Zuccotti Park, located in New York City's Wall Street financial district, receiving global attention and spawning a surge in the movement against economic inequality worldwide.

demand of the masses, particularly those in poorer and less accessible regions, reducing the cost for both customers and service providers.

### 1.1.2 Development of Inclusive Finance in China

From 2004 to 2010, the Chinese government issued out the Central Document No.1 in consecutive 6 years, mentioning the Chinese financial system, especially how to support and develop inclusive finance in China. Since then under the impetus of external forces, inclusive finance has developed fast in China and led to a wide coverage of various inclusive finance forms such as microcredit in banking financial institutions, government-funded poverty alleviation agencies, NGOs and microcredit companies, pawn shops and guarantee companies, petty insurance, etc. However, it was not until the 3rd plenary session of the 18th Central Committee of the Communist Party of China in 2013 that China really paid more attention on this concept when "Develop Inclusive Finance, Encourage Financial Innovation, Enrich Financial Market Hierarchy and Products" (Part Ⅲ, Article 12) was officially addressed[①].

In 2013, the economy growth in the U.S. slowed down, the Euro zone economy continued to shrink, prices constantly rose in Brazil, Russia and India, the appreciation of bitcoin was nearly a hundred times, and the world economy entered an unstable climate. China proposed many measures such as "expanding domestic demand" to promote steady economic growth. After President Xi Jinping took office, he put forward the slogan "Empty talk is harmful to the nation, while doing practical work will make it thrive."[②] These measures can be traced to

① http://www.czwsda.org.cn/lmnr/qck.asp? id=317.

② http://news.cntv.cn/china/20121201/101570.shtml the same origin, that is, China's inclusive finance serves for the actual economic development in China, which is the purpose of the top design. In fact, China proposed "developing inclusive finance" in order to better support its real economy, let finance follow the mass lines to allow all citizens to have the opportunities to enjoy more financial services[1]. In this way, through different means the Chinese inclusive finance achieve the same goal as the international inclusive finance set its purpose.

2014 is the year of transformation for Chinese internet finance, also is a fast growth year for inclusive finance in China. The State moderately relaxed market access and encouraged the financial sector to carry out organizational innovation, product innovation and model innovation so as to continuously improve the role of inclusive financial institutions. In particular, financial support for small and micro-enterprises was strengthened and the financing structure for small and micro-enterprises was improved. Because small and micro-enterprises are the main body of entrepreneurship and innovation, providing inclusive financial services to them matches the goal of inclusive finance. On March. 5, 2015, at the 3rd session of the 12th NPC, Premier Li Keqiang pointed out in his work report that in 2015, the government would step up the construction of a multi-level capital market system and vigorously develop inclusive finance. Li Keqiang said, in that year, the government would implement stock issuance registration system reform, develop regional equity markets to serve the SMEs, promote the securitization of credit assets, expand the issuance scale of corporate bonds, develop financial derivative market, introduce catastrophe insurance and individual tax-deferred endowment insurance, innovate financial supervision, prevent and

① Zhang Zhengpin. Study on the Sustainability of MFIs in China, 3.

resolve financial risks so as to let all market players share the benefits of financial services[①].

When discussing the development of inclusive finance in China, it is necessary to put it in the context of China's Urbanization and Urban-rural Dual Structure. China is now in the process of long-term urbanization, and China's economic structure has obvious characteristics of urban-rural dual structure. The process of urbanization in China is really fast. In this dynamic process, the different economic characteristics of the east and the west also affect the different characteristics of China's inclusive finance, thas the supply and demand of inclusive financial institutions in urban and rural areas are different. At the same time, China as a country with a socialist market economy[②] is in the process of a long-term economic growth. Thus, this paper aims to analyze and discuss the sustainability of inclusive finance in China under the background of urbanization and high-speed economic development.

### 1.1.3 Development of Inclusive Finance in Indonesia and the Philippines

Indonesia, the Philippines and China have some similarities in economic structure and both have experienced export-oriented economic strategies. In 1997, after the Asian financial crisis, these two Southeast Asian countries made a series of adjustments to the economic structure of the export-dependent economy, and inclusive finance gradually developed in this environment. Whereas in China at this time, the economic

① http://www.chinanews.com/gn/2017/03—05/8165806.shtml

② Zou Lixing, Developmental Finance and Sustainable Development, Hunan University Press development was relatively slow. The development of inclusive finance in Indonesia and the Philippines started earlier than that in China, and thus their experience has vital importance in the study of the sustainability of inclusive finance in China. Therefore, this article intends to clearly judge the current developmental stage of China's inclusive finance and estimate the direction of the sustainable development of China's inclusive finance through a comparative analysis of the sustainability of inclusive finance in Indonesia, the Philippines and China.

### 1.1.4 Prominent Issue of the Sustainability of Inclusive Finance

Since the concept of inclusive finance was proposed and promoted by the United Nations in 2005, the studies on inclusive finance mainly focused on the initial stages of research, such as its availability, loanability and service quality, later the construction of its relevant system became a research focus, that is compatible with the beginning and proliferation of inclusive finance in the world. With the popularization and promotion of inclusive finance in the world, the concept of inclusive finance has gradually been accepted by all countries, it has also experienced rapid development for more than ten years. After a large number of inclusive financial institutions engaged in this business, inclusive finance itself has also presented a series of problems such as institutional loss, mismatch of risks and returns in the market and the impact of political environment, etc. The inclusive finance in China and the world is now all facing this challenge of how to reach sustainable and stable development. In response to this question, the sustainability of inclusive finance has gradually become an important research topic.

Previous studies on inclusive finance sustainability primarily focused on the financial sustainability of the inclusive financial institutions, that is, how an inclusive financial institution can maintain a basic operating status through its business with healthy financial indicators①.

However, inclusive finance is a systematic concept. Inclusive financial institutions are only an important part of the inclusive financial system, which will be unsustainable without other parts. Thus, this paper attempts to study the sustainability of inclusive finance from the perspective of the entire inclusive financial system, recognizing that inclusive finance is part of a larger system and environment and relies on the joint effect of inclusive financial system and external factors as well as the synergy of the partial and the whole inclusive financial system to maintain and ensure its sustainability. External market factors, political factors, government regulation and cultural factors all have an impact on the sustainability of inclusive finance②.

For China, since the United Nations advocated inclusive finance a decade ago, the overall development of inclusive finance in the country has been impressive. However, how to maintain and even develop inclusive finance is a common issue faced by China and the whole world. The sustainability of inclusive finance is the result of the development and maturity of inclusive finance, and the problem of its sustainability does not stand out in the initial and developmental stage.

Inclusive finance has both inclusive and financial features, that is, the dual goals of inclusiveness and finance. In the initial stage, due to inadequate market development, less fierce competition and powerful government supports, the inclusive and financial features, or the dual

① refers to the institutions' accounting profit when revenues exceed spending.

② Zhong Wei. Evaluation and Analysis of the Sustainable Development of China's Finance[M]. Economic Science Press, 36.

goals show certain overlap (Creason, 2004). Therefore, in these stages, the conflict between the dual goals is not intense; rather, they promote each other. However, in the meantime, the conflict between the dual goals of inclusive finance is very prominent, which is reflected in the self — sustaining of the inclusive financial system, that is, after gradual independence from external forces and old paths, inclusive finance will through the utilization of self-commercialization maintain its results and realize financially and organizationally sustainable development (Du Xiaoshan, 2015)①. Thus, this paper intends to measure the degree of the deviation of the dual goals to clarify the major contradictions of the sustainability issue.

The issues of the sustainability of inclusive finance are mainly manifested in two aspects. On the one hand, the requirements of financial features of inclusive finance can not be satisfied if China tries to meet the inclusive goal. On the other hand, inclusive finance will deviate from its inclusive goal and return to the path of traditional finance and be virtually beyond the scope of inclusive finance if China tries to maintain the financial sustainability of financial institutions. Therefore, the essential issue regarding the sustainability of inclusive finance is to ensure that the inclusive and financial goals of inclusive finance are achieved at the same time without deviation.

## 1.2 Research Significance

The study on the sustainability of inclusive finance in China has

① Cheng Enjiang. China's non—governmental microfinance and rural finance[M]. Zhejiang University Press,5.