

# Financial lifeline boost for SMEs

Initiative will allow enterprises to overcome cash shortages and enhance their development

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A plan rolled out by the central authorities to create a level playing field and boost financing channels for small and medium-sized enterprises will inject fresh impetus for the growth of SMEs, officials and experts said.

The guideline on promoting the healthy development of SMEs, jointly released by the general offices of the Communist Party of China Central Committee and the State Council on April 7, highlighted the importance of creating a more enabling environment and solving the difficulties faced by the SMEs in financing procedures.

Wang Jiangping, vice-minister of industry and information technology, said the guideline has provided more targeted, concrete and effective measures to tackle the growing downward pressure faced by SMEs.

The SME sector in China, which accounts for more than 90 percent of the total number of businesses, has contributed to over 50 percent of the country's tax revenues, over 60 percent of GDP, over 70 percent of innovations in technology and over 80 percent of urban employment, according to the State Council.

"The guideline will play a significant role to boost the morale for the development of SMEs and promote their healthy and sustainable development," Wang told a news briefing on Friday.

The guideline called for more attention to the problems impeding further growth of SMEs, such as rising costs, financing difficulties and inadequate innovation capability.

To solve these problems, the country will improve the business environment for SMEs by further broadening market access, simplifying administrative procedures and strengthening market supervision and regulation, according to the guideline.

A variety of financial policy tools, including targeted required reserve ratio cuts and the use of small and medium-sized enterprise loans as collateral for medium-term lending facilities granted by the central bank, will be employed to make it easier and cheaper for businesses to access credit through subsidies and bank loans.

More favorable policies in financial and tax policies, including exemptions for interest received from value added tax, tax breaks for small firms and startups, a lower social security contribution ratio and an increase in government procurement, will also be made available to SMEs, the guideline said.

In order to create a level playing field for SMEs, Wang said the authority will introduce a negative



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list mechanism for market access to remove unreasonable barriers and restrictions to help SMEs.

Deng Haiqing, an economist with

wallstreetcn.com, a business and financial information platform, said the guideline will enable more financing resources to flow to SOEs.

"Currently, too much financing resources are being concentrated on State-owned enterprises. The new policy will blaze new space for the financing of private enterprises and SMEs," he said.

However, Deng said it is also important for financial institutions to prevent the accumulation of new credit risks as small and micro-businesses are faced with higher risks of operation failures and lower capacities in risk prevention.

According to the guideline, SMEs will also receive support to

use the capital market for financing, with the initial public offerings for such businesses set to be expedited. SMEs will also be incentivized to become listed in the National Equities Exchange and Quotations, better known as the New Third Board.

The guideline also called for accelerated efforts to give play to the national financing guarantee fund, as well as fee reductions during the financing process of SMEs.

Zeng Gang, a researcher on the banking sector with the Chinese Academy of Social Sciences, said the lack of willingness for SMEs to take loans from the banks is another pressing problem.

"Many SMEs dare not lend from banks because of their low profits," he said in an interview with Financial News, adding that it is important to adopt measures to enlarge the profit margins for businesses and boost their confidence to expand investment.

Wang, the vice-minister, said the authority will also encourage more social capital to invest in the equities of SMEs through the national fund for the development of SMEs, which has totaled 19.5 billion yuan (\$2.9 billion) so far.

"We will work to ensure the fund can extend more support to the development of SMEs in their seed and startup stages," he said.

## POLICY RESPONSE

# Medical fund, driver licenses among key topics

## Medical fund fraud to face stricter range of penalties



Those who commit fraud in using medical security funds will be punished and even put on a list which prohibits them from getting bank loans and booking train or flight tickets, according to a draft regulation from the National Healthcare Security Administration.

The administration released the draft on April 11 to solicit opinions and suggestions nationwide, and clarified supervision and liabilities for medical security fund management.

Third-party institutions will be invited to join surveys, auditing and assist investigation, the regulation said. Different methods to ensure honesty will be introduced, including credit management, information reports, flight checks, intelligent monitoring and rewards for public tipoffs.

The regulation said people who cheat to get reimbursement from medical security funds will be dismissed from current contracts and issued fines and doctors who assist these illegal behaviors will be disqualified.

Violators will be exposed to the public and included in a national list of people who committed fraud and will be sanctioned if they applied for loans from banks or booked train or flight tickets.

## Driver licenses can be applied for nationwide

People can apply for driving licenses for small cars in any place around China with only their identification cards, starting from June 1, said the Ministry of Public Security.

It was one of 10 simplified procedures released by the public security authorities to streamline administration approvals. Residents can



apply for a driver's license in any part of the country, without showing residential registration to local public security bureaus. Some items of the driver license test can be done separately when they move to other places to study, work or live.

Last year, the Ministry of Public Security introduced greater administrative streamlining. As of last week, 310 million copies of application materials, including residential IDs, were not required. More than 4 million people got their vehicles examined and driver licenses in places different from their places of permanent residence.

## New credit system with more information set up

A new system for personal credit reports has been installed, by the credit information center of the People's Bank of China, the central bank, to offer more detailed information.

In addition to basic personal information used in the old version, the new system records information of users' spouses and employment, looking more like personal resumes. Other information that will be recorded is also more detailed. For example, repayments records are prolonged to five years, including

on-time repayment and overdue payment. Moreover, the system has other information, including telecommunication bills, tap water payments, civil rulings, licenses, administrative punishments, and awards.

## Complaint platform to ease burden on SMEs

A national platform of policy information for small and medium-sized enterprises has been installed recently, with the ability to submit complaints over delayed payments.

The website sme-service.org.cn, run by the department of SMEs at the Ministry of Industry and Information Technology, is to release information that can boost the development of SMEs and accept their complaints over payments or debts in goods and construction and services delayed by governmental departments, public institutions and large enterprises. Enterprises can submit complaints on the national platform over delayed payments by debtors from other provincial regions.

The platform registers information of creditors, debtors and delayed payments, which will be given to local governments or relevant authorities to help SMEs get payments.

## Chinese travelers warned of theft threat in France



The Ministry of Foreign Affairs has warned Chinese travelers to be alert to theft and robbery when they go to France.

The Chinese embassy in Paris reminded Chinese to carefully read through tips released on their website and China's consular service website (cs.mfa.gov.cn) before going there. People should also know regulations and rules on entry and exit in French airports and customs clearance. Travelers must be vigilant and pay attention to personal and property safety, especially their money and passports.

When encountering any robbery or theft, people can call the embassy for assistance (33-153758840) and the hotline for the ministry's global consular protection service center (+86-10-12308 or +86-10-59913991).

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## Policy digest

### Government services boosted by new laws

The State Council has modified a number of administrative laws and regulations to further streamline administration, enhance compliance oversight and improve government services.

The modifications, which were announced on April 10 after a State Council Order was signed by Premier Li Keqiang, are also aimed to promote one-stop administrative services and better develop the Internet Plus government service.

The amendments, including a revision to a temporary regulation on contributions to the social insurance fund, will enable businesses to conduct their registration for social insurance together with business registration.

In another revision, real estate developers can file for records to relevant departments through electronic means after obtaining their business licenses. The amendments also included a revision to a regulation that makes it easier for the owners of internet cafes to register their businesses.

### Natural disaster response improved

China will establish an inter-ministerial joint conference mechanism as part of efforts to beef up prevention against natural disasters, according to a notice released by the State Council General Office on April 9.

The mechanism, led by the Ministry of Emergency Management, the National Development and Reform Commission, and the Ministry of Finance, will provide guidance and supervision for related government departments to better coordinate their duties and efficiently tackle major issues that arise during the implementation of major natural disaster prevention projects.

According to the notice, there will be at least one joint conference a year, and member units can submit motions to initiate a meeting as well. The joint conferences can be attended by some of the members as well as invited participants from other departments. Huang Ming, Party chief of the Ministry of Emergency Management, Lian Weiliang, deputy head of the NDRC, and Yu Weiping, vice-minister of finance, will act as conveners for the joint conference.

### New work report measures in focus

The State Council has urged full implementation of tasks and policies set up in this year's Government Work Report as it released a document on April 9 detailing the division of work among ministries and departments this year. The State Council said in the document that work and policies that have already decided must be carried out as soon as possible, and related funds must be delivered on time.

It is also important to learn about responses from businesses and enterprises in the process of policy implementation so that the policies and measures can be delivered in full and well received by market entities, the document said.

It also called for more concrete measures to be rolled out in key work areas including further reform and opening up, streamlining administration, cutting taxes and fees, bettering the business environment and fostering new growth engines.

It also requires greater coordination between different departments to ensure synergy in their efforts and policies. Government departments should also step up guidance and service to authorities at the primary level and reduce their burdens, the document said, adding that provincial governments must also work together with central government departments to ensure the implementation of the Government Work Report.

The General Office of the State Council will step up its supervision efforts and organize various campaigns to ensure the tasks and work can deliver concrete results, the document said.

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