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Preface: the general review of the future economic growth, the financing support and the supplying channels

Enterprise Bonds Financing & Stock Financing

- Financing Gross
- Loan Gross
- Growth Rate of GDP


Growth Rate of GDP: 0.00%, 2.00%, 4.00%, 6.00%, 8.00%, 10.00%, 12.00%, 14.00%, 16.00%

100 million CNY
Part 1: Direct Financing Versus Indirect Financing

Part 2: Domestic Financing versus International Financing

Part 3: Traditional Financing versus Innovative Financing

Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing
Part 1: Direct Financing Versus Indirect Financing

Interior of indirect financing: the credit monopolization of nationalized banks

On-going reform and effect

Interior of direct financing: the imbalance among various market levels

Imbalance of indirect financing and direct financing
Until the end of 2005, the proportion of indirect financing in the total financing amount of society is as high as 91.82%, while the proportion of direct financing is only 8.18%.
The imbalance of indirect financing and direct financing

Domestic Raised Capital in Stock Market & Amount of Loan of Bank

100 million CNY

- Amount of Loan of Bank
- Domestic Raised Capital in Stock Market
The imbalance of indirect financing and direct financing

Ratio of M2/GDP

100 million CNY


0% 50% 100% 150% 200%

M2 GDP M2/GDP
Part 1: Direct Financing Versus Indirect Financing

Imbalance of indirect financing and direct financing

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Interior of direct financing: the imbalance among various market levels

On-going reform and effect
Interior of indirect financing: the credit monopolization of nationalized banks

Market Structure of China's Banking Industry

- **Asset**: 150 million CNY
- **Deposit**: 100 million CNY
- **Loan**: 50 million CNY
- **Net Profit**: 5 million CNY

- **State-owned Commercial Banks**
- **Joint-stock commercial banks**
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- Interior of direct financing: the imbalance among various market levels
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The interior of direct financing: the imbalance among various market levels

Enterprise Bond Financing & Stock Financing

- **Amount of stock**
- **Amount of Enterprise Bond**
The interior of direct financing: the imbalance among various market levels


- Trading Value of Stock (100 million CNY)
- Trading Volume of Stock (million shares)
- Trading Value of T-bonds Cash (100 million CNY)
The interior of direct financing: the imbalance among various market levels

Structure of Bond Market

T-Bonds Balance  Financial Bonds Balance  Enterprise Bonds Balance
The interior of direct financing: the imbalance among various market levels

Development of China's Stock Market

- Total Market Capitalization (100 million CNY)
- Ratio of Market Capitalization to GDP (%)


Graph shows the total market capitalization and the ratio of market capitalization to GDP from 1992 to 2004.
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Part 2: Domestic Financing versus International Financing

Oversea financing causes the marginalization trend of financing in domestic capital market.

Can the capital market survive at marginalization?
Oversea financing causes the marginalization trend of financing in domestic capital market.

Percent of Foreign Raised Capital Through Stock Market

100 million CNY

Domestic & Foreign Raised Capital

Domestic Raised Capital
Oversea financing causes the marginalization trend of financing in domestic capital market


- Raised Capital of A share
- Raised Capital of B share
- Raised Capital of H share
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In recent years, as the economic development of our country and the improvement of management level, China has already possessed the condition of issuing municipal bond.

Urbanization calls for the innovation of financing channels

Nongovernmental financing needs to be developed and standardized

Financing innovation in the bond market is attractive
Part 3: Traditional Financing versus Innovative Financing

Urbanization calls for the innovation of financing channels

Nongovernmental financing needs to be developed and standardized

Financing innovation in the bond market is attractive

Positively developing and standardizing the efficient nongovernmental financing channel is also an emphasis for moving forward the financing system innovation at present.
Nongovernmental financing needs to be developed and standardized

China's Underground Credit Absolute Size and Relative Size

- Underground Credit Size (100 million CNY)
- Underground Credit/Loan of Financial Institution (%)
- Underground Credit/GDP (%)
Part 3: Traditional Financing versus Innovative Financing

Urbanization calls for the innovation of financing channels

Nongovernmental financing needs to be developed and standardized

Financing innovation in the bond market is attractive

As the enlargement of financing body in bond market, the variety of bonds and the level of credit are plentiful, and the issuing and exchanging mode is gradually plentiful as well.
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Economic Index of SME in Economic Development

Proportion of Loan to SME

Proportion of Gross Industrial Output Value created by SME
Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing

- Difficult to expect commercial banks to play a greater sole role in SME financing now
- Promote diversification of the SME market debt financing
- Establish the multi-level SMEs equity markets
- the key points of SME financing innovation
Difficult to expect commercial banks to play a greater sole role in SME financing now

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Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing

Difficult to expect commercial banks to play a greater sole role in SME financing now

Promote diversification of the SME market debt financing

the key points of SME financing innovation

Establish the multi-level SMEs equity markets
Promote diversification of the SME market debt financing

Resources of Financing For Various Kinds of Enterprises

- **Loan**
- **Bond**
- **Equity Investment**
- **Financing Lease**
- **Other**

Number of Employees:
- Below 50
- 51-200
- 201-500
- Above 501
Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing

- Difficult to expect commercial banks to play a greater sole role in SME financing now
- Promote diversification of the SME market debt financing
- Key points of SME financing innovation
- Establish the multi-level SMEs equity markets
Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing

Difficult to expect commercial banks to play a greater sole role in SME financing now

Promote diversification of the SME market debt financing

Key points of SME financing innovation should be relieving the financial control, developing the active and multi-level financial market and diversifying financing channels

Establish the multi-level SMEs equity markets
Thanks