



# **Strategy for Financing Development: Policies, Issues, and Prospects**

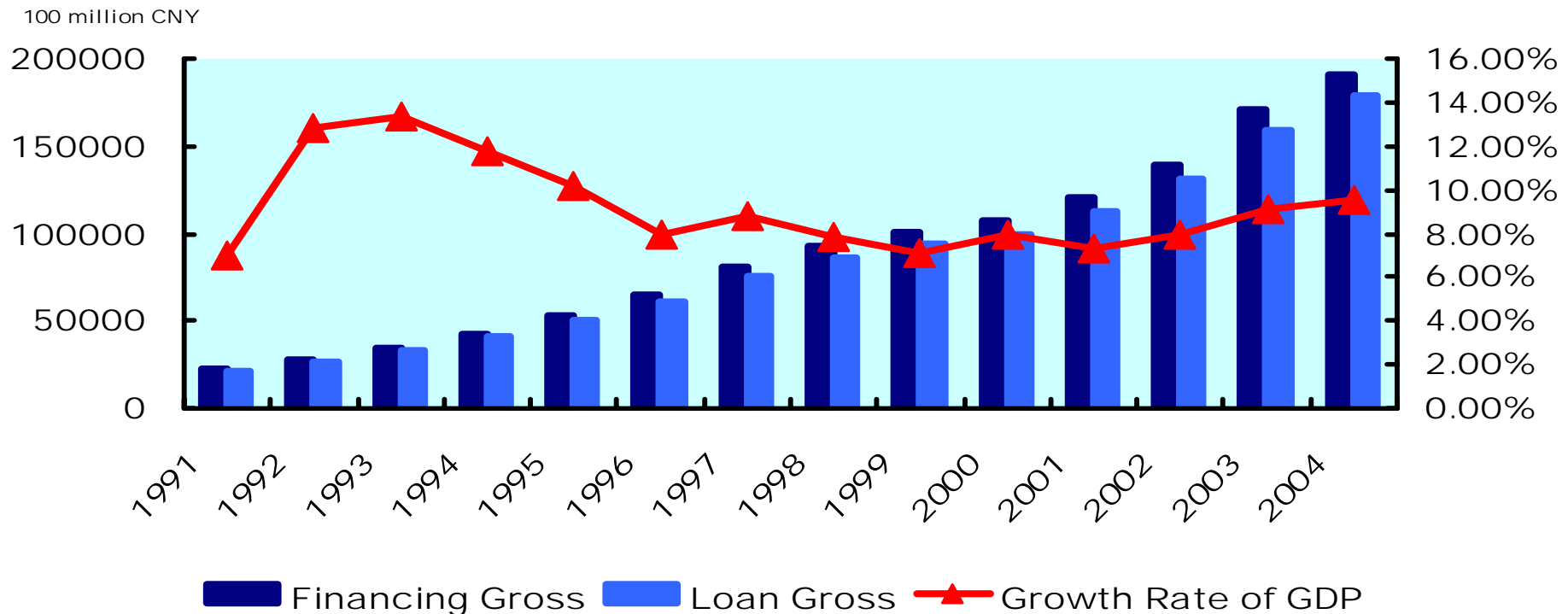
Dr. Ba Shusong

Dec. 2006

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



## Enterprise Bonds Financing & Stock Financing





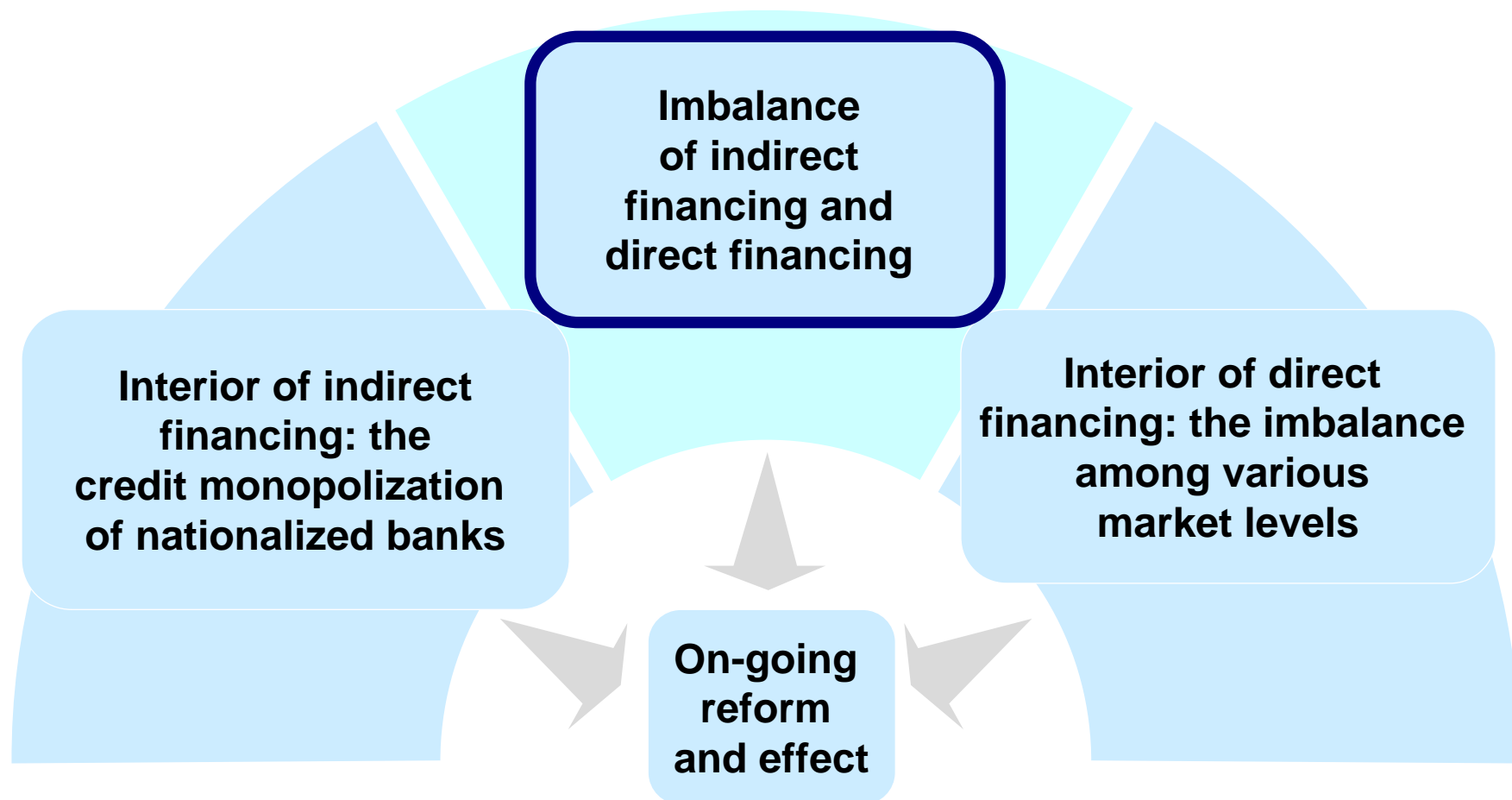
## Part 1: Direct Financing Versus Indirect Financing

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

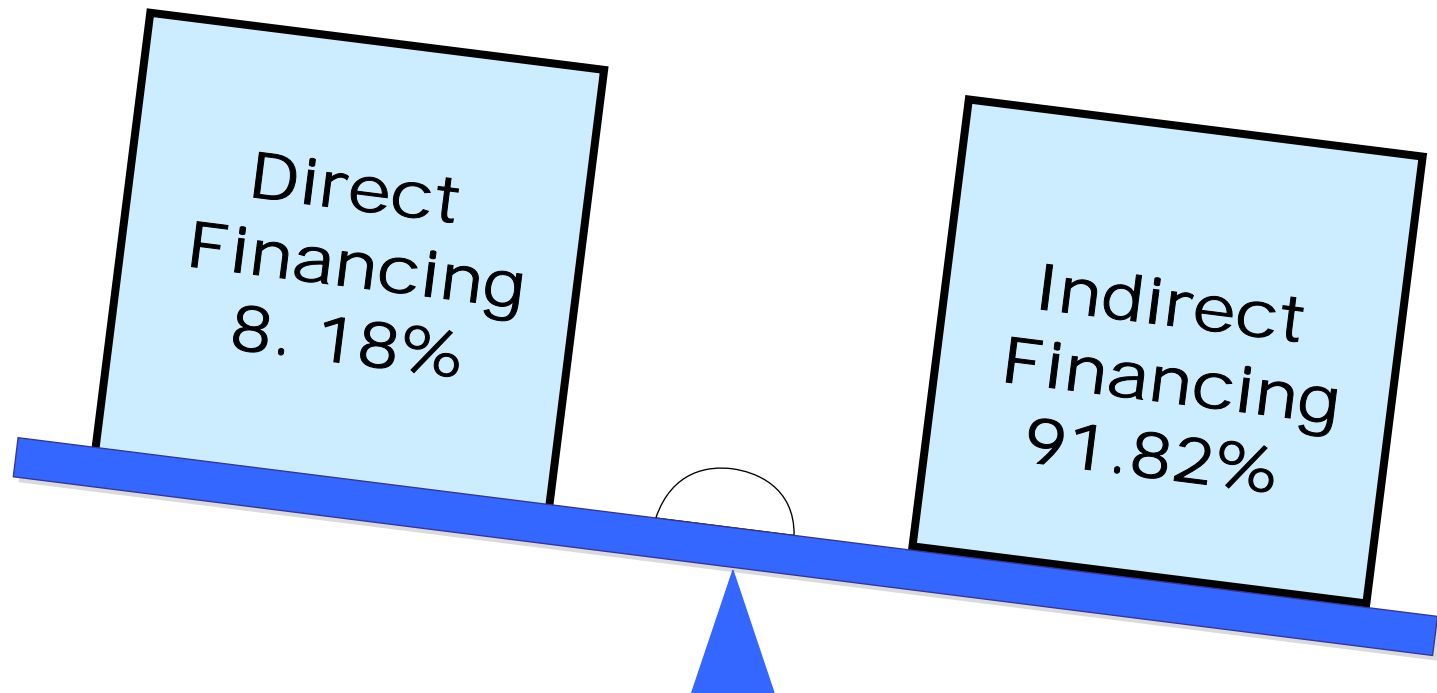
# Part 1: Direct Financing Versus Indirect Financing



# The 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%.

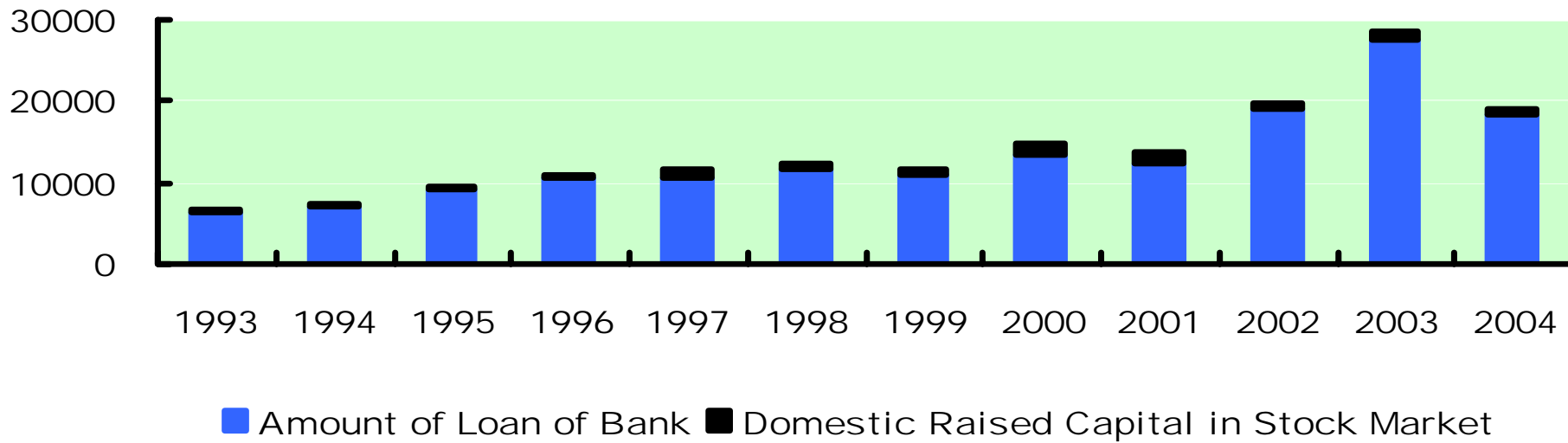


# The imbalance of indirect financing and direct financing



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

100 million CNY

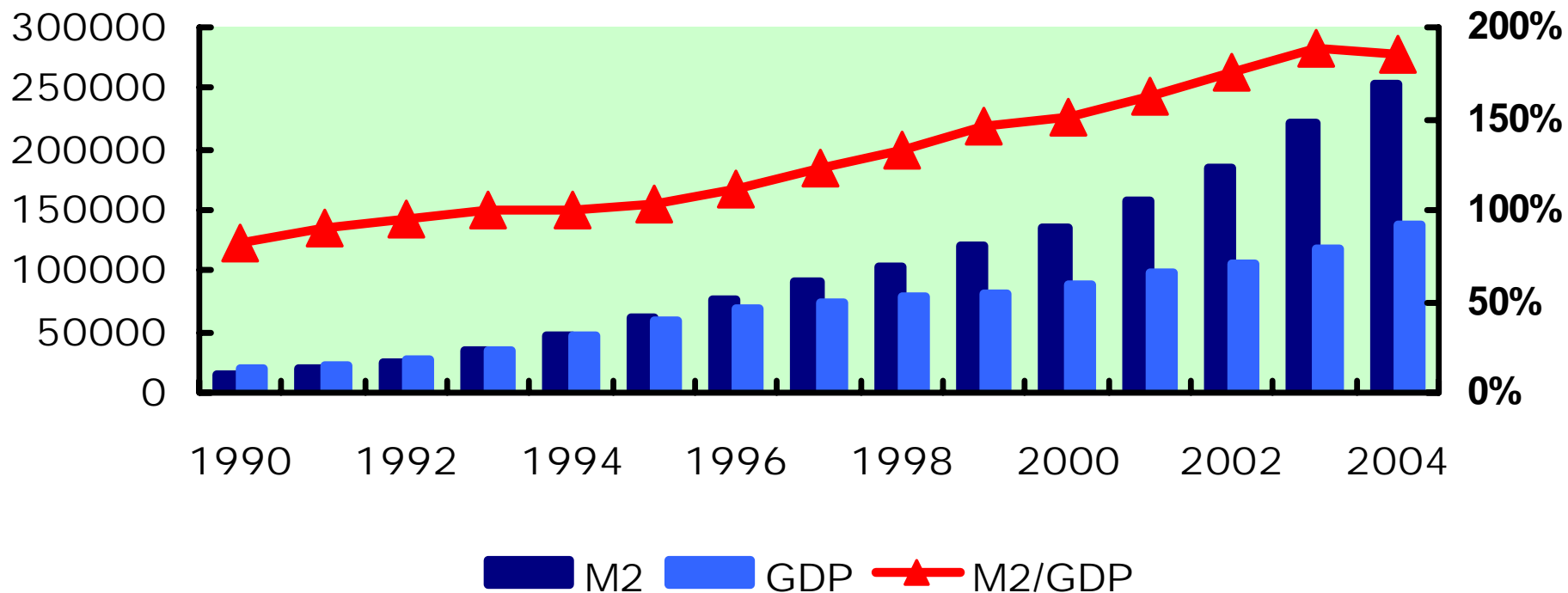


# The imbalance of indirect financing and direct financing

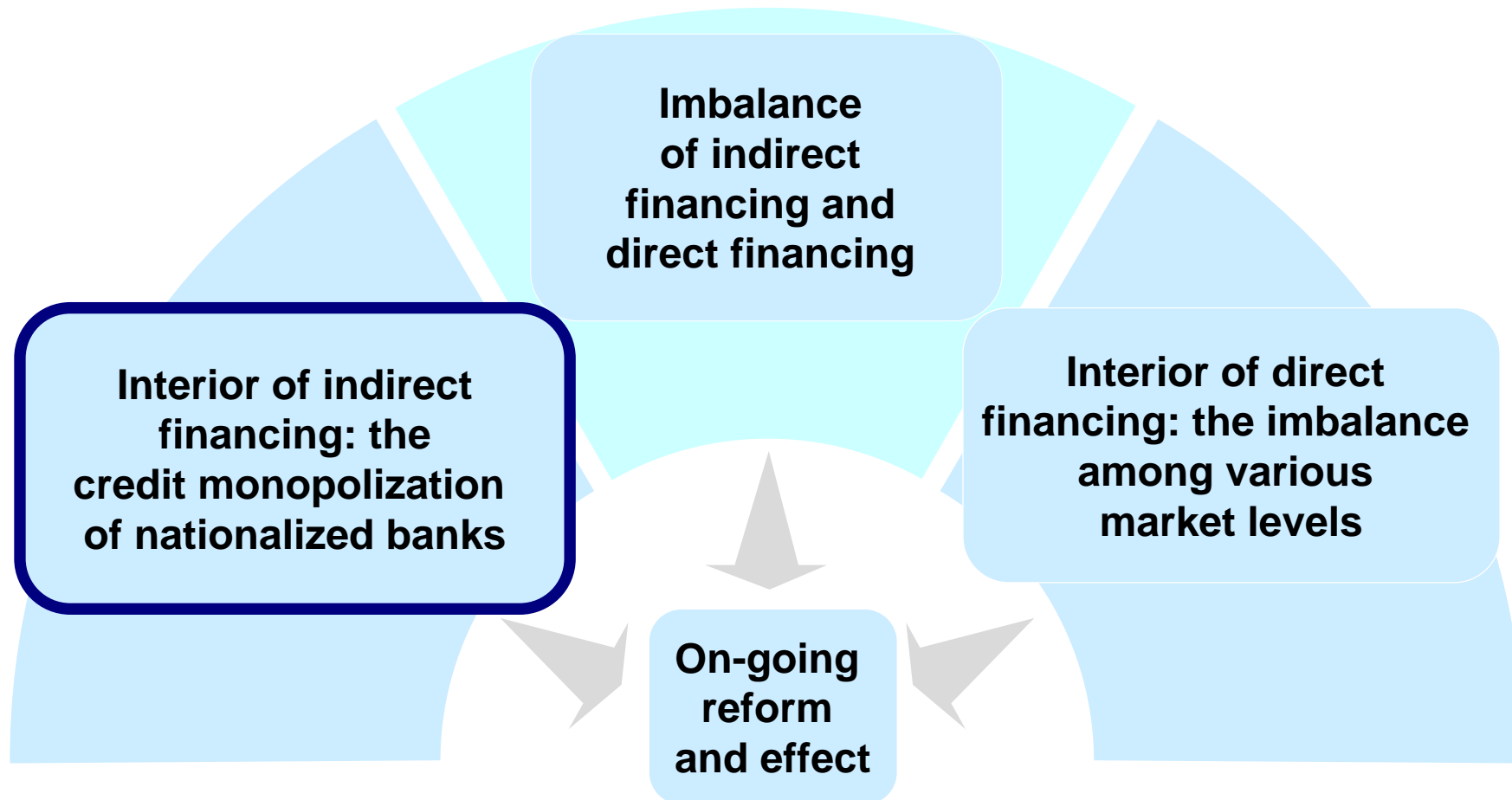


## Ratio of M2/GDP

100 million CNY



# Part 1: Direct Financing Versus Indirect Financing

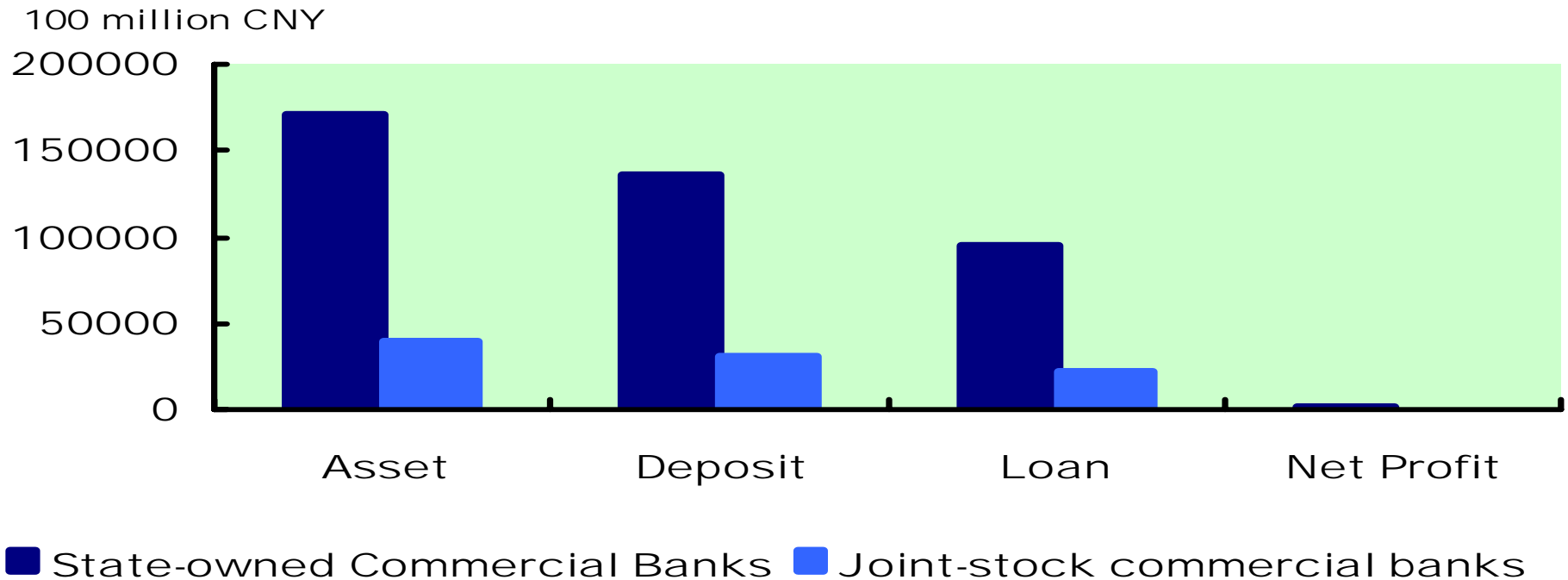




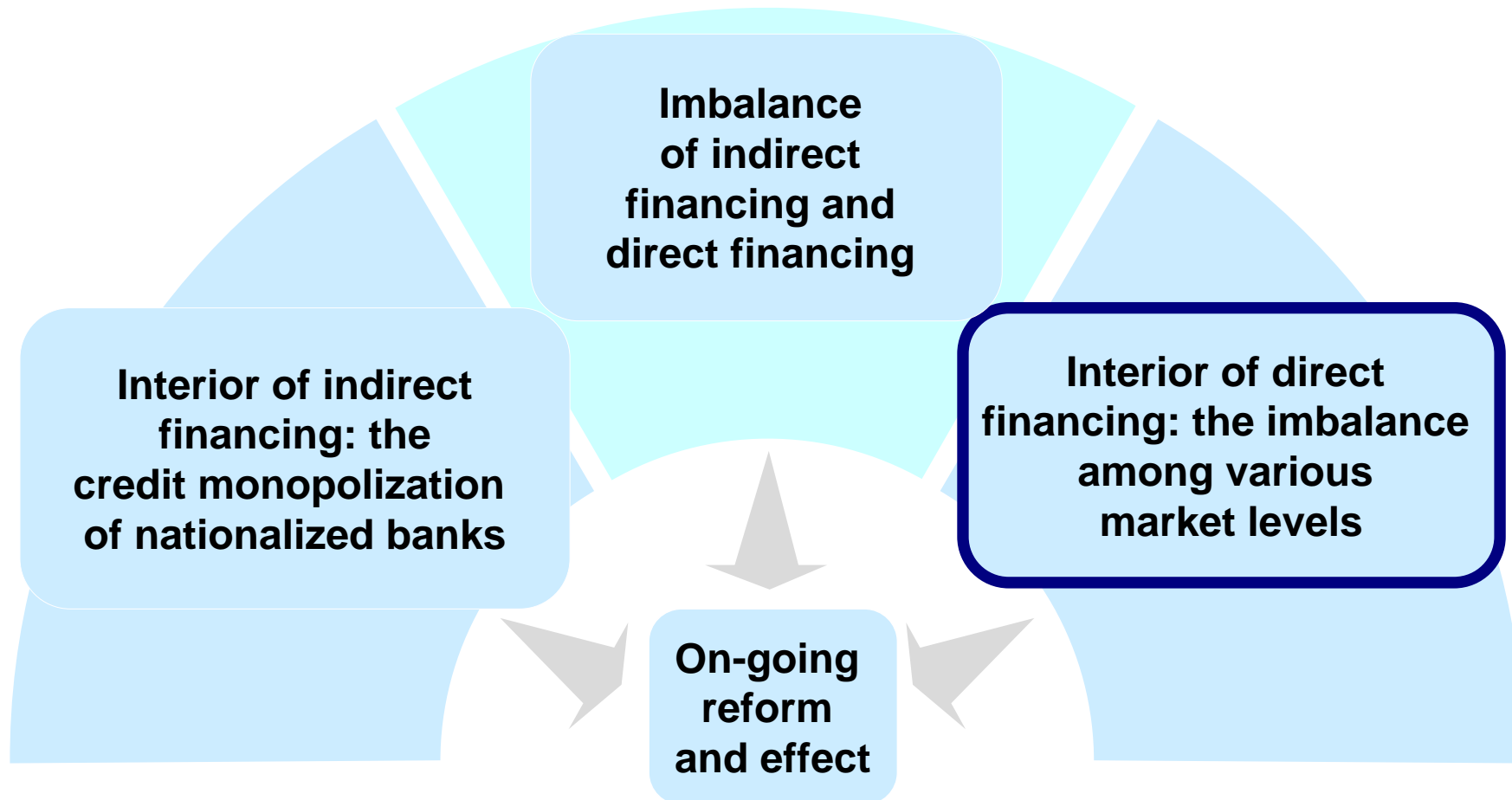
# Interior of indirect financing: the credit monopolization of nationalized banks



## Market Structure of China's Banking Industry



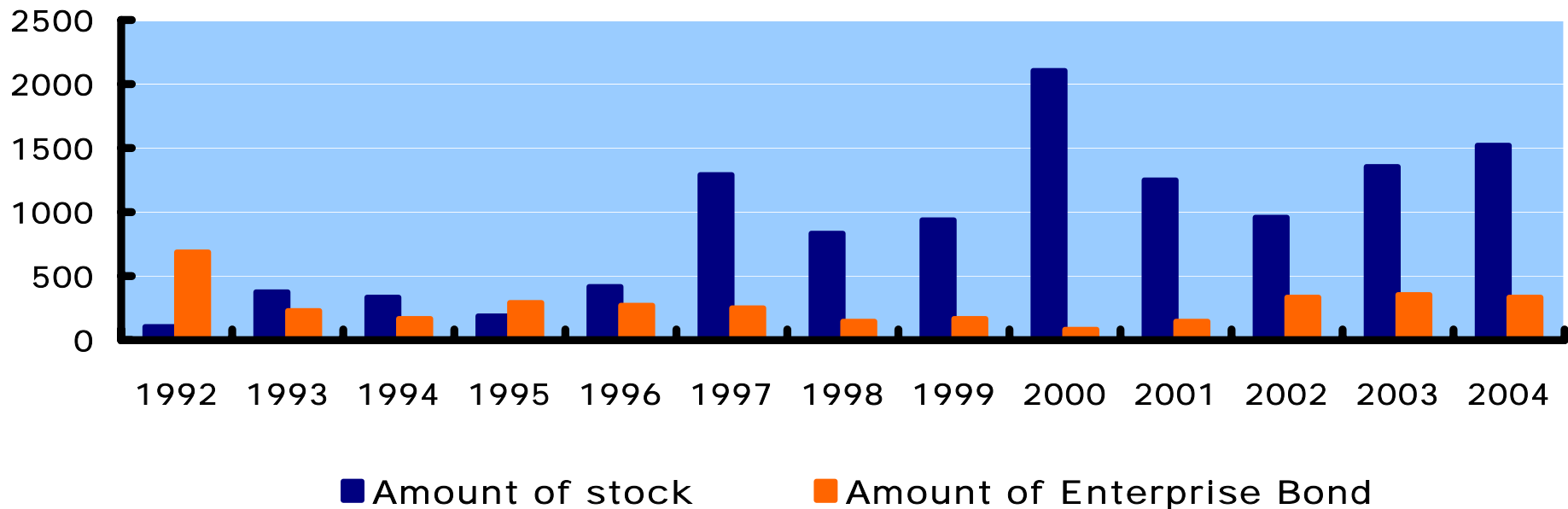
# Part 1: Direct Financing Versus Indirect Financing



# The interior of direct financing: the imbalance among various market levels



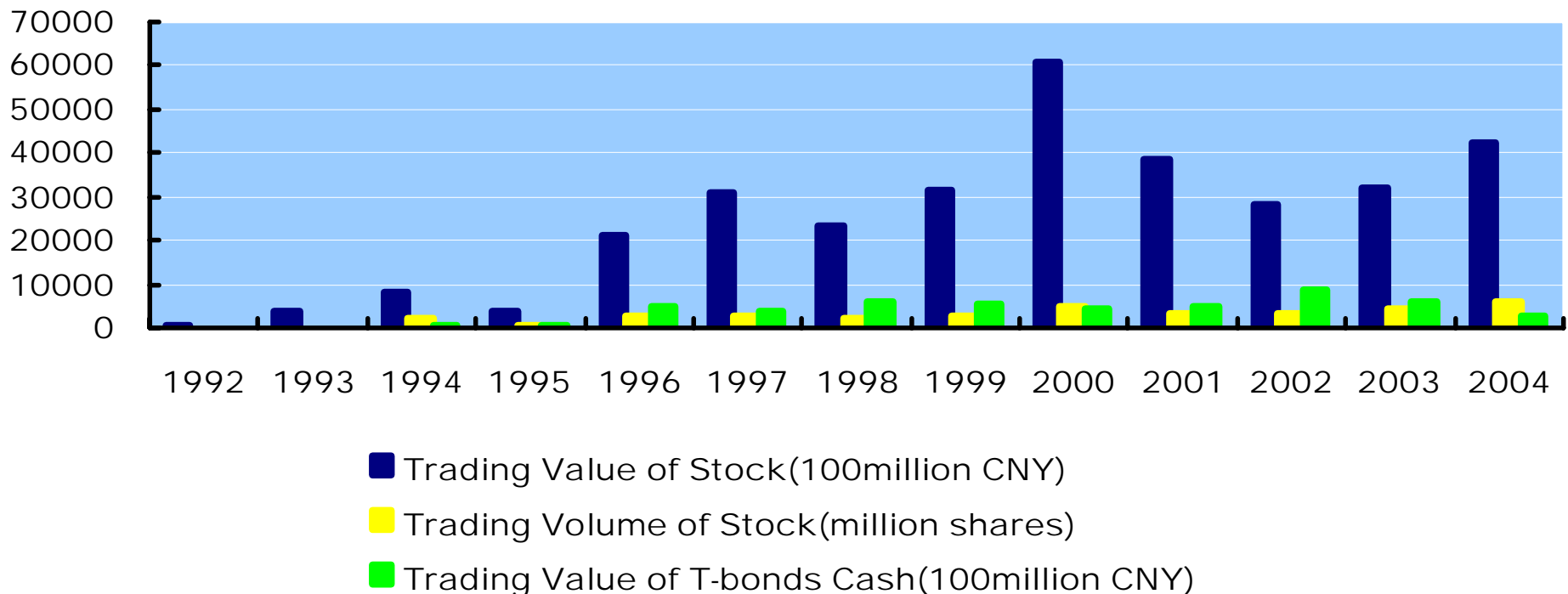
## Enterprise Bond Financing & Stock Financing



# The interior of direct financing: the imbalance among various market levels



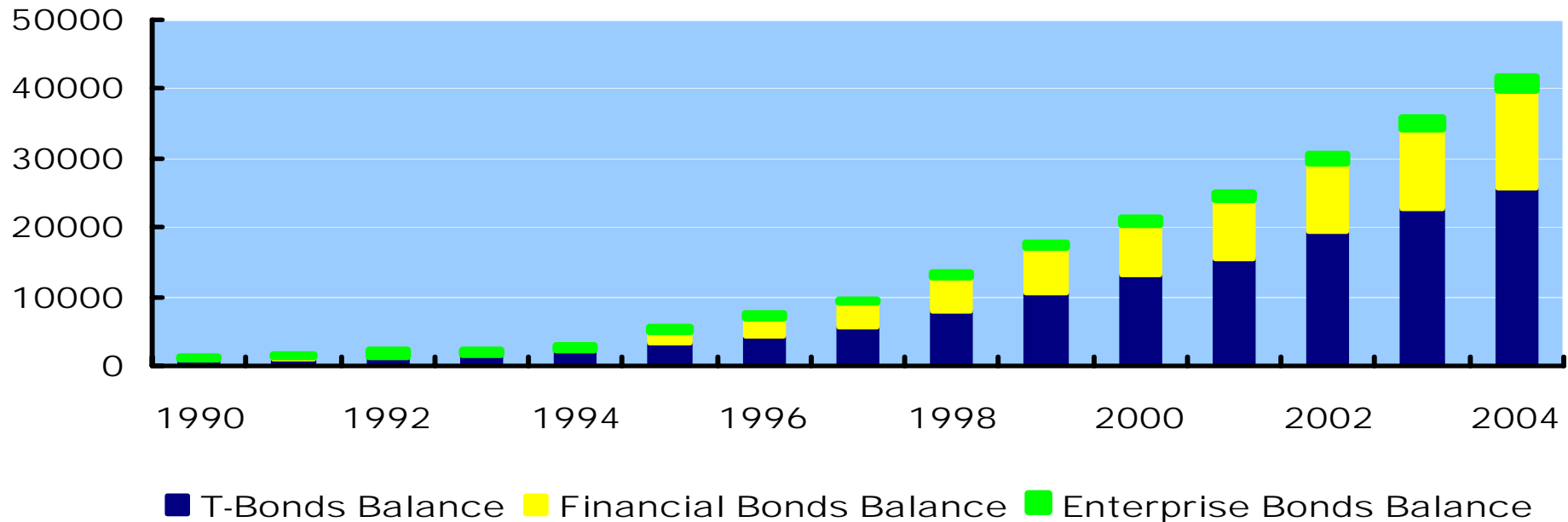
## Summary of Stock Trading Records(1992-2004)



# The interior of direct financing: the imbalance among various market levels



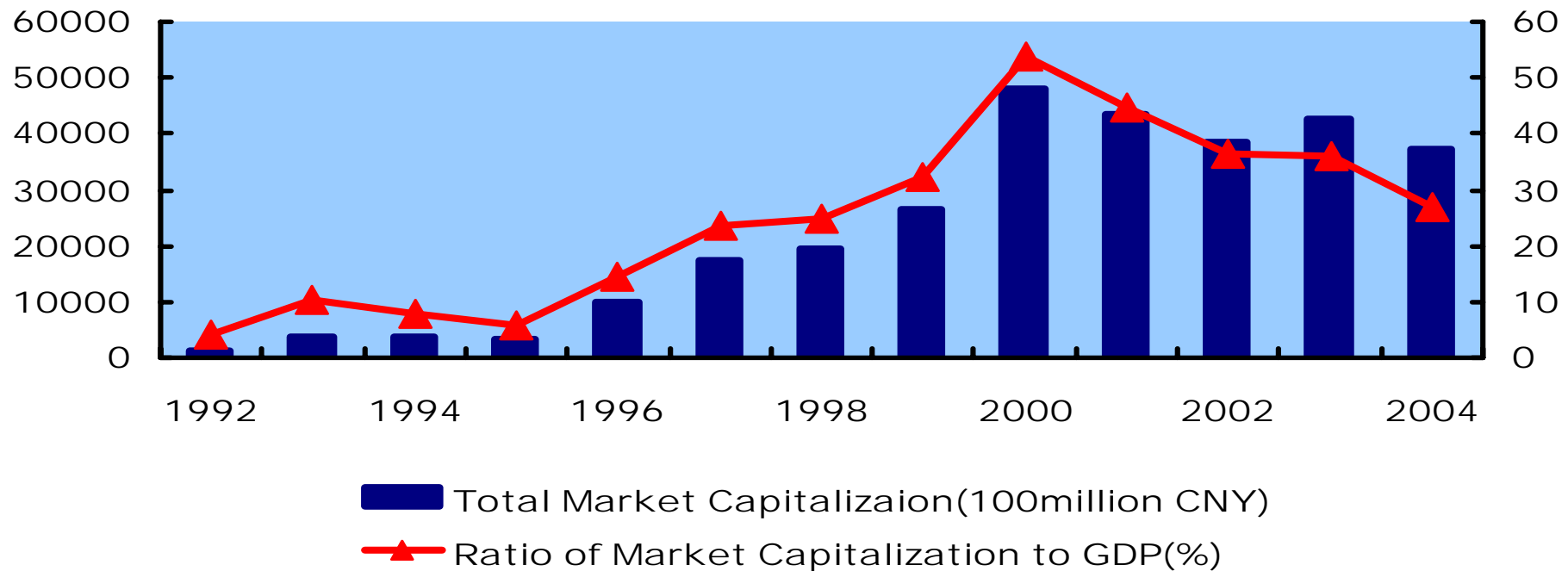
## Structure of Bond Market



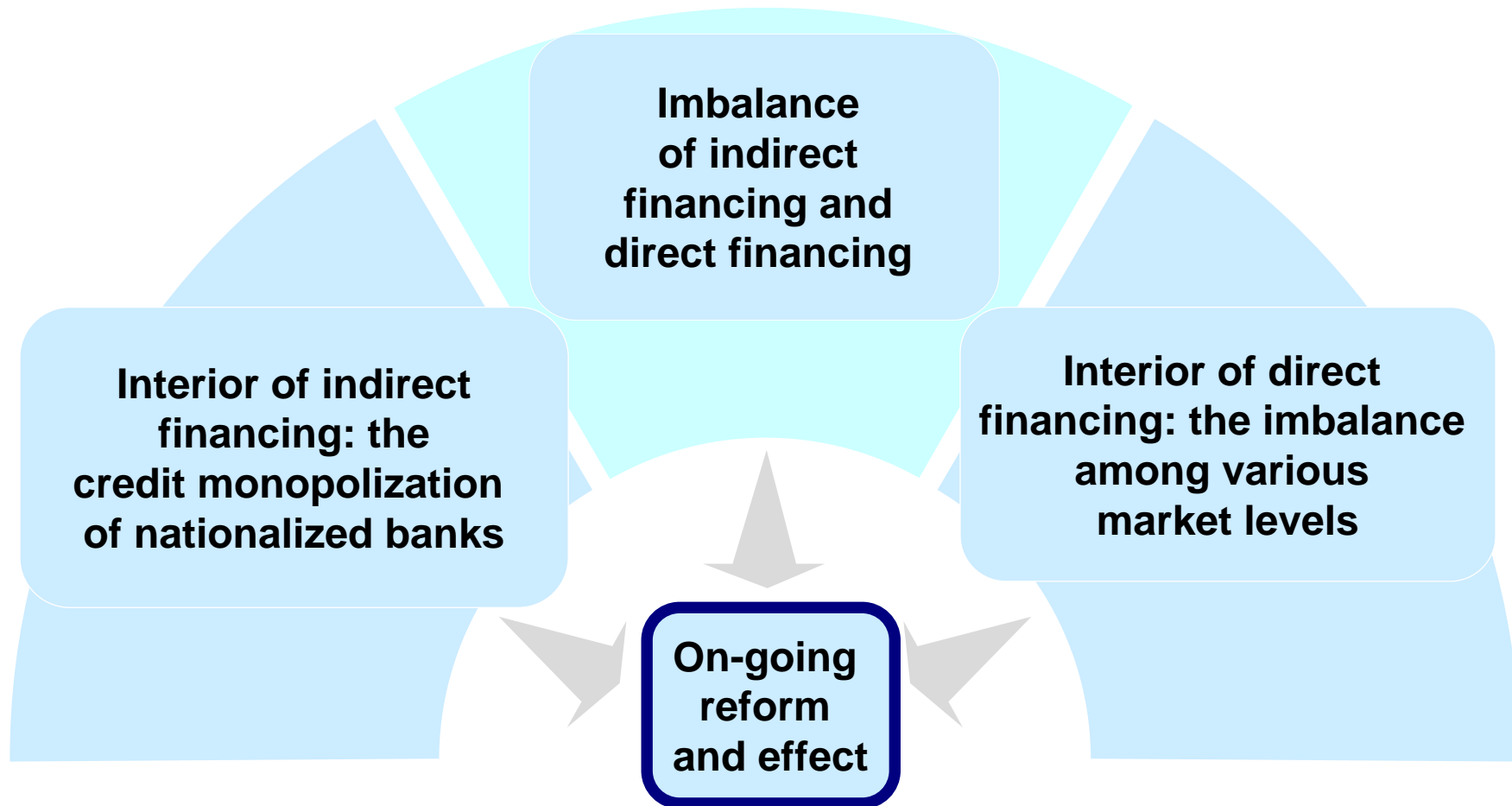
# The interior of direct financing: the imbalance among various market levels



## Development of China's Stock Market



# Part 1: Direct Financing Versus Indirect Financing





Part 1: Direct Financing Versus Indirect Financing

Part 2: Domestic Financing versus International Financing

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



# Part 2: Domestic Financing versus International Financing



Overseas financing causes the marginalization trend of financing in domestic capital market

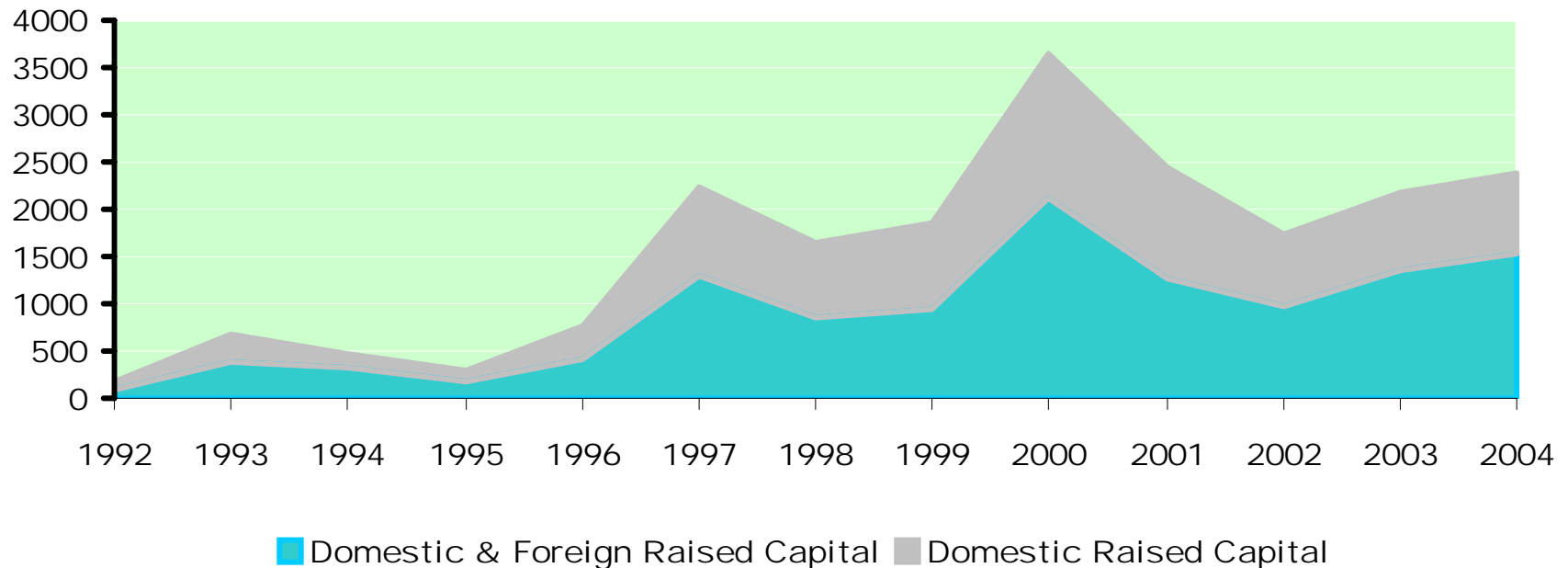
Can the capital market survive at marginalization?

# Overseas financing causes the marginalization trend of financing in domestic capital market



## Percent of Foreign Raised Capital Through Stock Market

100 million CNY

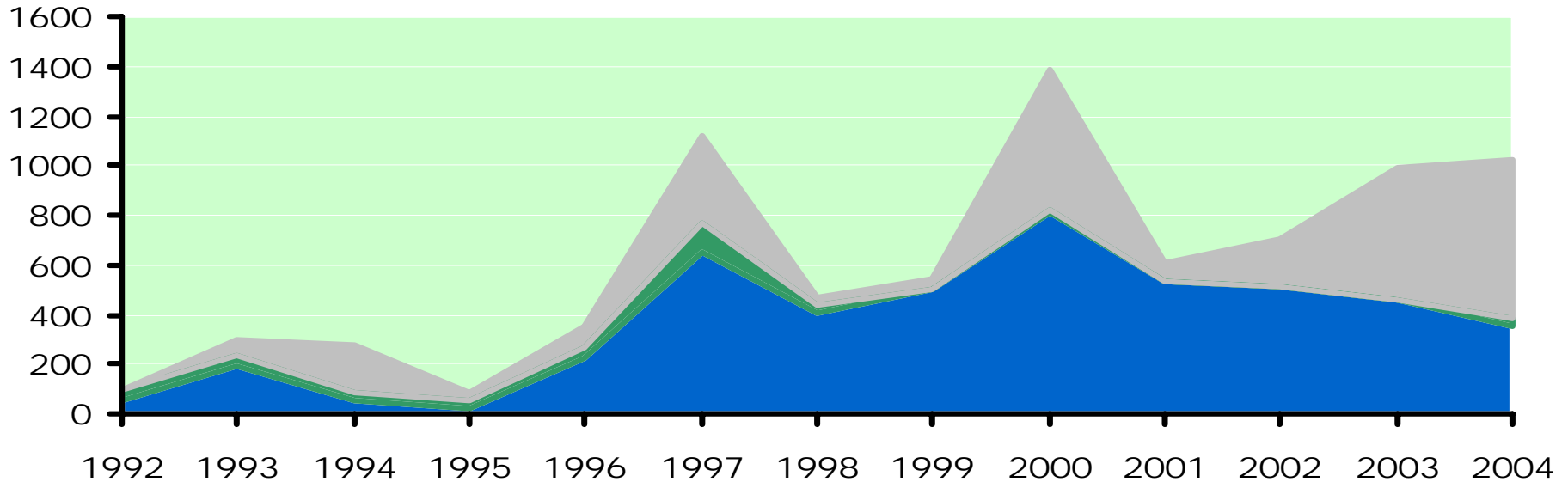


# Overseas financing causes the marginalization trend of financing in domestic capital market



## Issuing Summary for Stock(1992-2004)

100 million CNY



■ Raised Capital of A share ■ Raised Capital of B share ■ Raised Capital of H share



Part 1: Direct Financing Versus Indirect Financing

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# Part 3: Traditional Financing versus Innovative Financing



**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



**Financing innovation in the bond market is attractive**

**Nongovernmental financing needs to be developed and standardized**

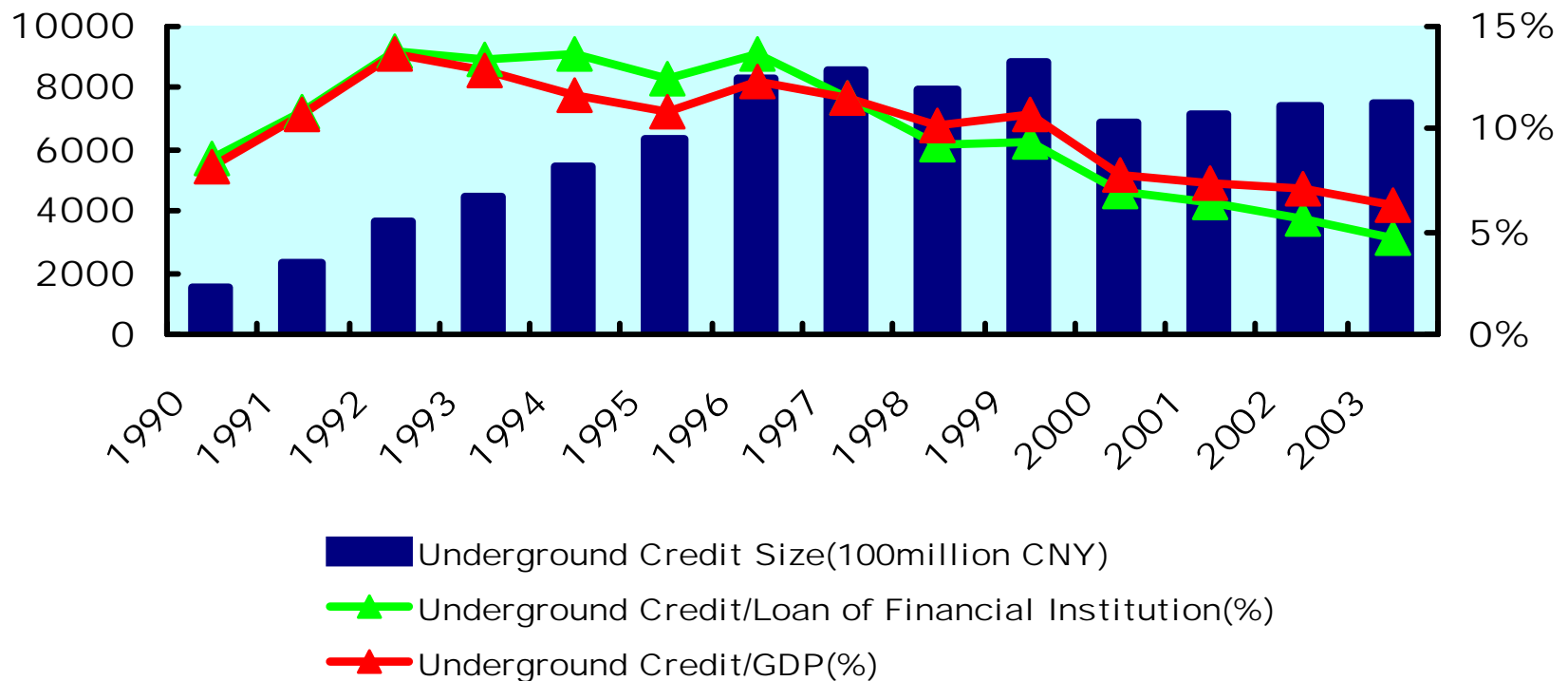
**Urbanization calls for the innovation of financing channels**

**Positively developing and standardizing the efficient nongovernmental financing channel is also an emphasis for moving forward the financing system innovation at present.**

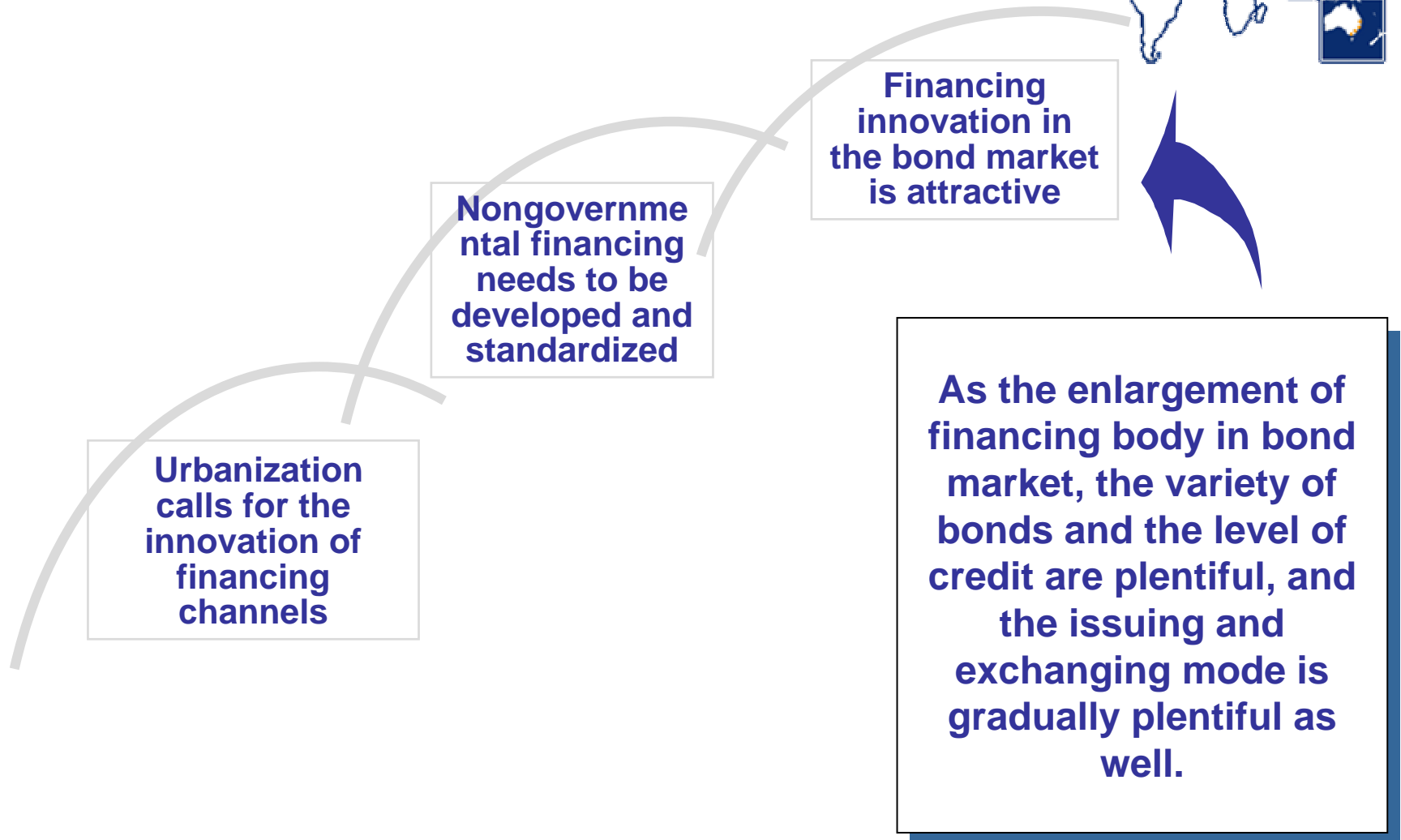
# Nongovernmental financing needs to be developed and standardized



China's Underground Credit Absolute Size and Relative Size



# Part 3: Traditional Financing versus Innovative Financing







Part 1: Direct Financing Versus Indirect Financing

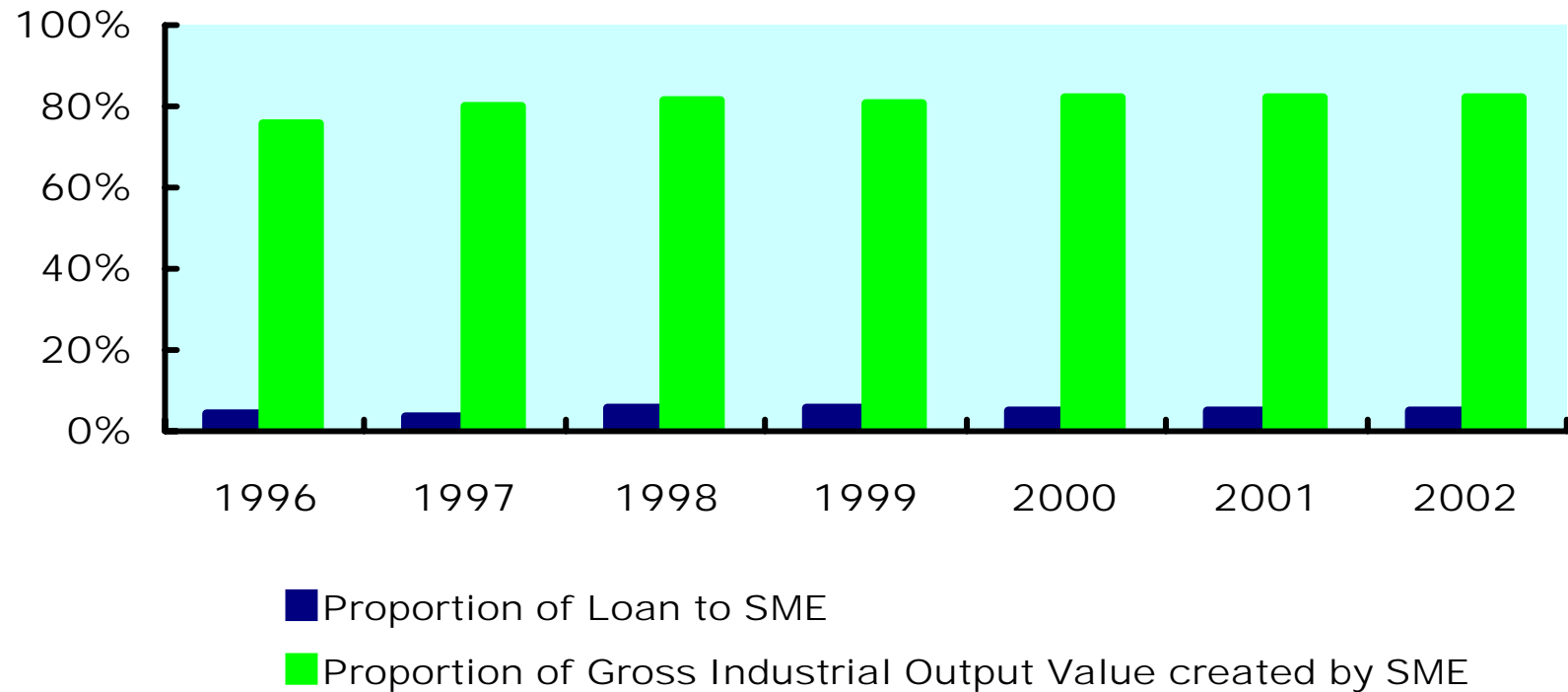
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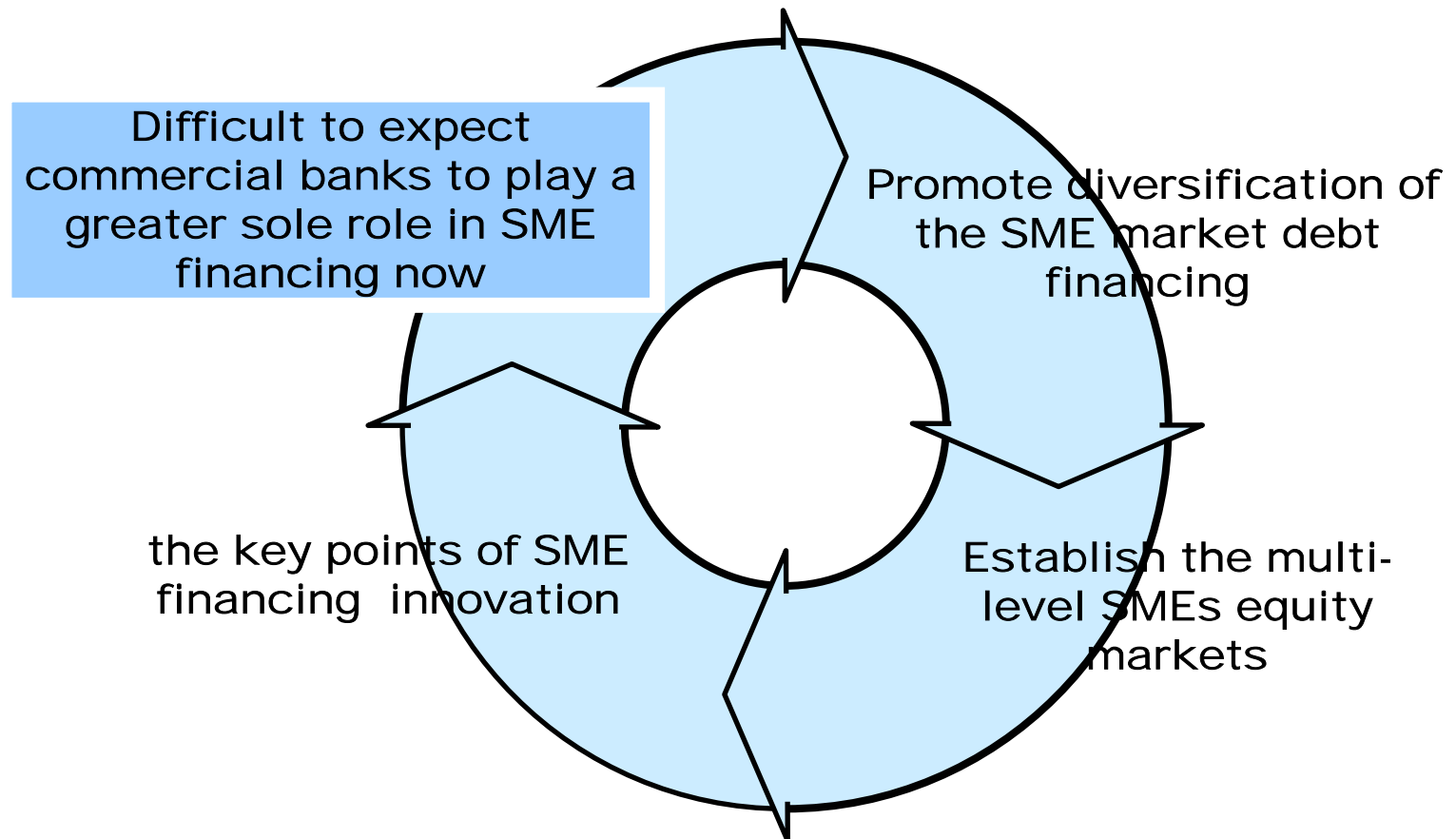
Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing



## Economic Index of SME in Economic Development



# 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



## Degree of Financing Obstacle to SME

	No	Small	Moderate	Serious
China	10.7	8	12	69.3
Malaysia	28.2	26.9	19.2	25.6
Singapore	44.1	14.7	29.4	11.8
Thailand	4.3	18.1	33.5	44.1

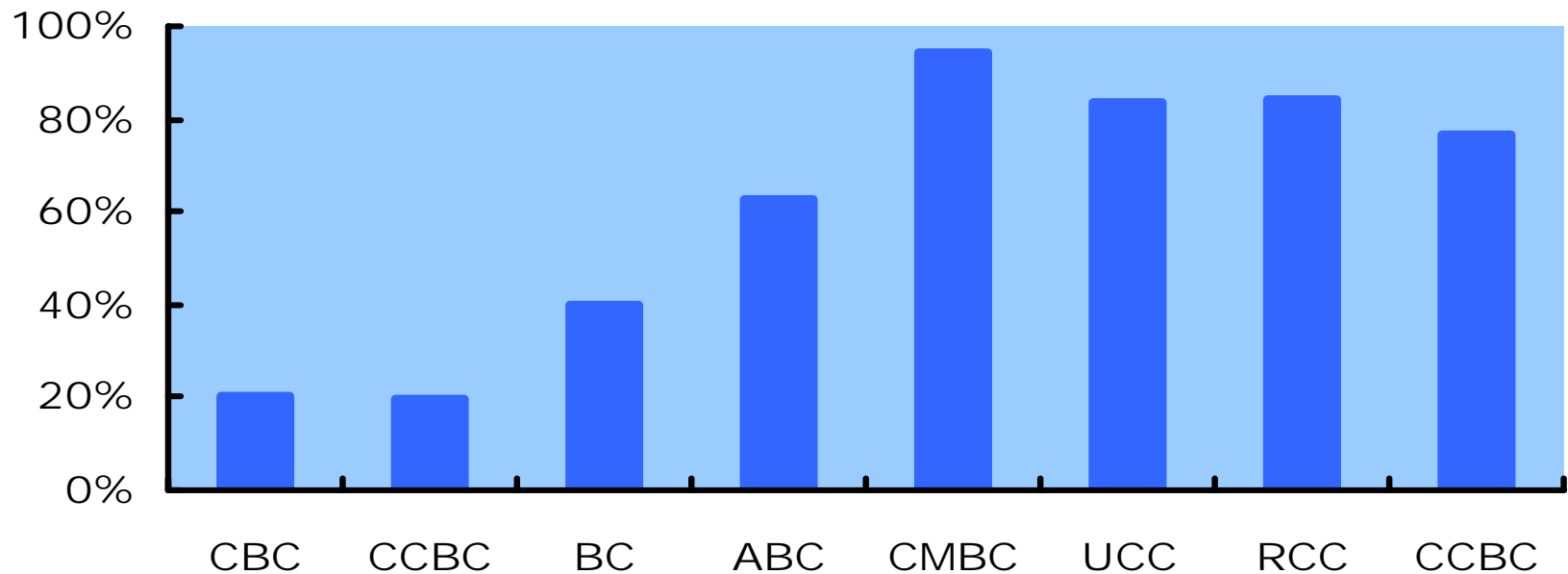
## Degree of Financing Obstacle to SE

	No	Small	Moderate	Serious
China	6.7	11.1	6.7	75.6
Malaysia	18.4	26.5	22.4	32.7
Singapore	23.1	17.9	46.2	12.8
Thailand	4.9	15.4	35.8	43.9

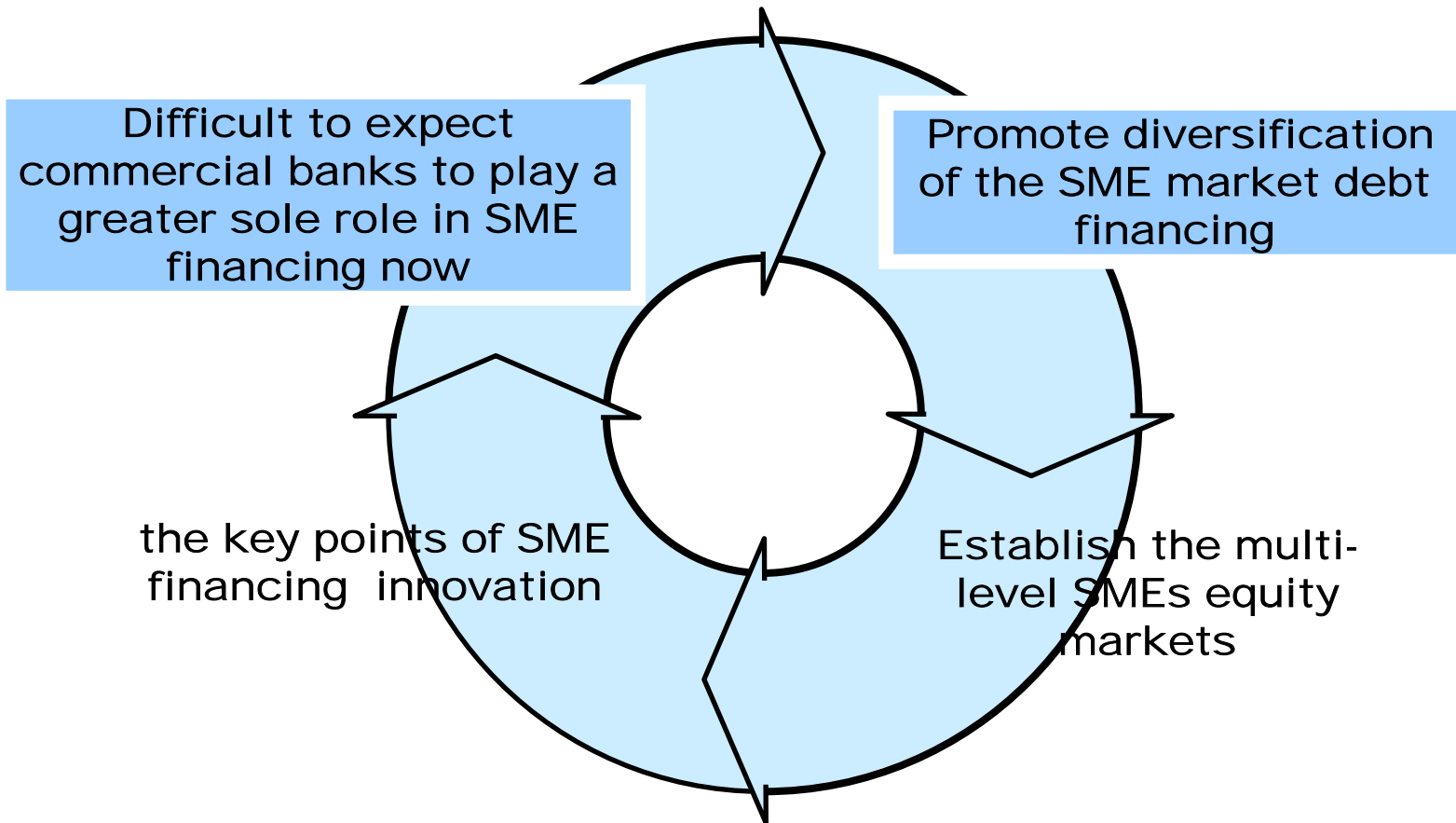
# Difficult to expect commercial banks to play a greater sole role in SME financing now



Proportion of Loan to SME in Total Loan



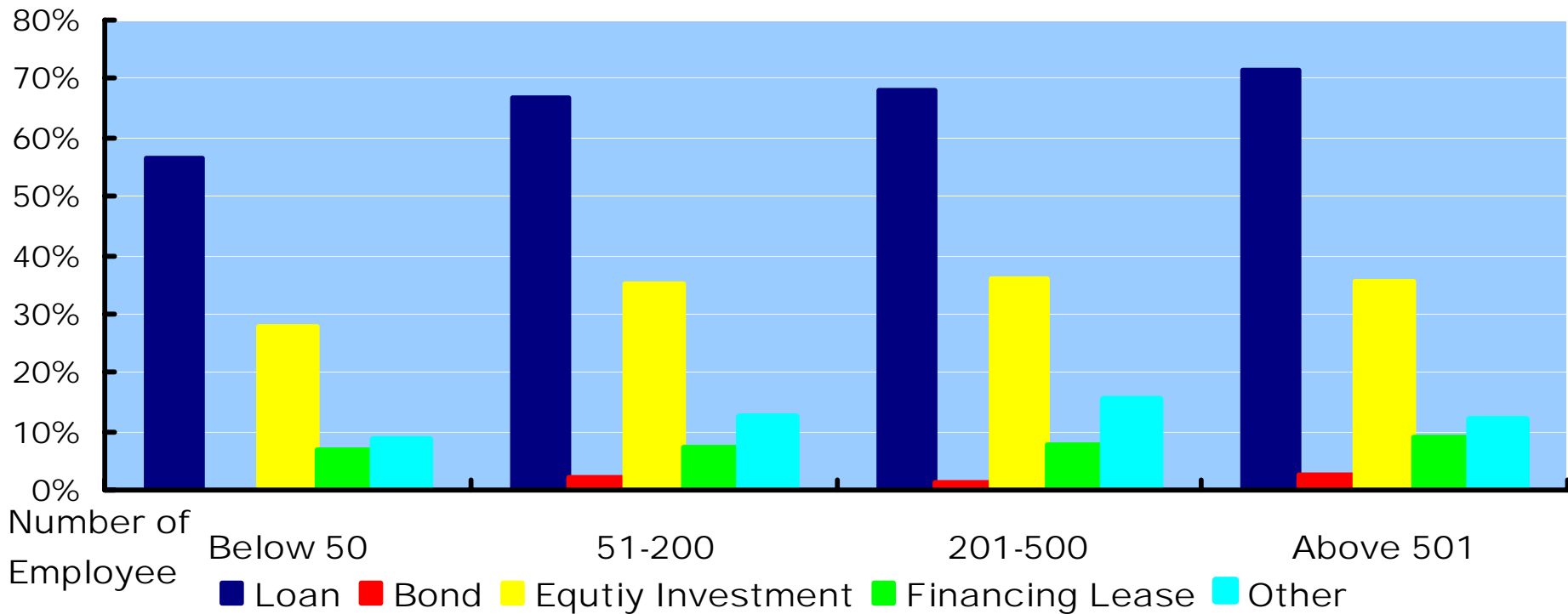
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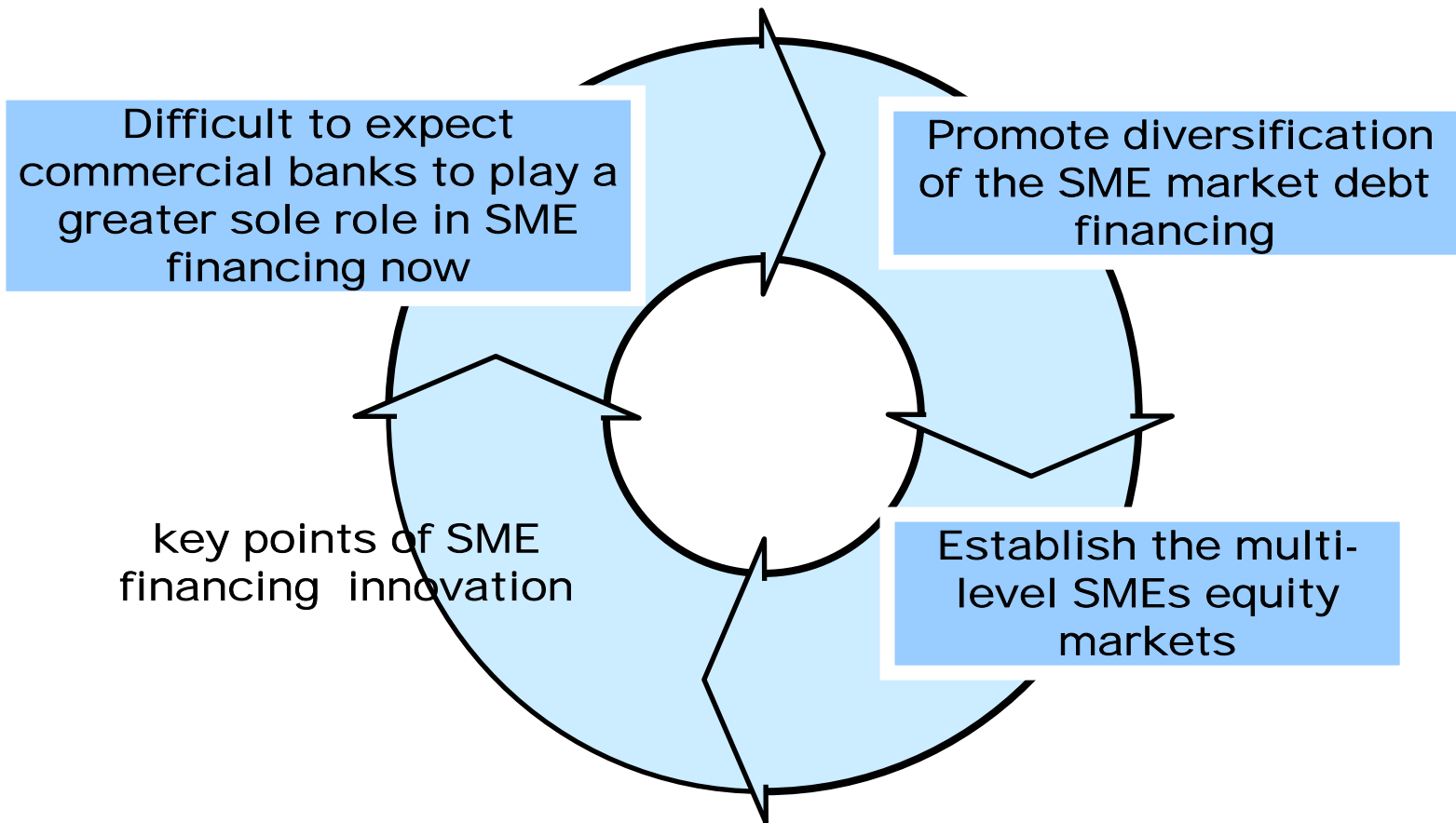
# Promote diversification of the SME market debt financing



Resources of Financing For Various Kinds of Enterprises

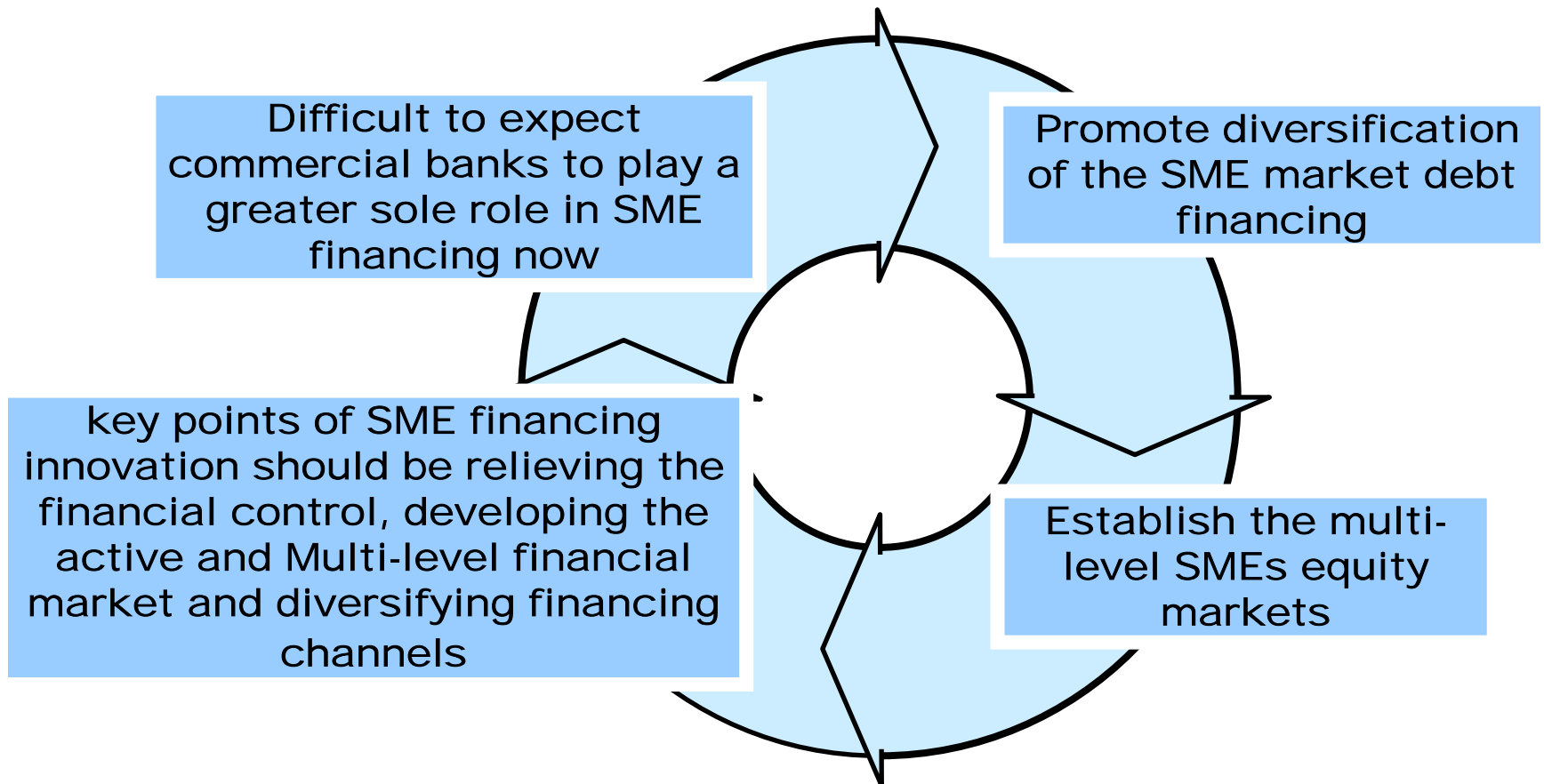


# Part 4: Large Enterprises Financing versus Small & Middle Size Enterprises Financing





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





Thanks