



Technical Assistance Consultant's Report

Project Number: 35412

August 2005

People's Republic of China: Macroeconomics and Financial Development in Tongren Prefecture and Its Counties

Prepared by He Guangwen

For the Asian Development Bank

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents.

Asian Development Bank

This report used the survey supported under the Technical Assistance for Rural Financial Reforms TA PRC 4430. The project is administered by Ms. Betty Wilkinson, Ms Lu Shen, Microfinance Specialist, Asian Development Bank. The report was produced by Professor Dr. HE Guangwen, Director of Center for Rural Finance & Investment Research (CRFIR), China Agricultural University (CAU). The works has got the helpful support from the team leader Robert Hickson, **Microfinance Services**. The investigation and research received the energetic support of Ms Dr. Tian jing, PBoC Chengdu, Mr. Hu Jiayi, Vice-director of PBoC Guiyang and Division head Dr. Sun Yong; Mr. Tian Xiangfu, Director of PBoC Tongren and Division head Mr. Zhang Zhongxue and Ms. Chen Jing, Mr. Pan Ming, Director of PBoC Jiangkou and Division head Wu Bangrong. The colleagues from CRFIR, Dr. Li Lili and Dr. Wu Cuifang have also given their helpful support. Here express heartfelt appreciation to them.

More Information: hegwen@cau.edu.cn

CONTENTS

1. Introduction	6
2. Survey Approach , Contents & Datum	7
3. Economic & Geological Resources in Tongren Prefecture and in the Sample Counties	8
3.1 Tongren Prefecture	8
3.2 Location of Tongren in Guizhou Province and the Distribution of All the Counties in Tongren Prefecture	11
3.3 Essential Comparison of Each County in Tongren Prefecture	12
3.4 Basic Situation of Sample Counties Investigated	13
3.3.1 Tongren City	13
3.3.2 Jiangkou County	14
3.3.3 Yuping Dong Nationality Autonomous County	15
3.3.4 Shiqian County	15
4. Economic & Financial Development of the Counties in Tongren Prefecture	16
5. Financial Market in Jiangkou	30
6. Conclusions	36
References	38
Appendix	39
LIST OF PEOPLE MET	39

Tables & Charts

Table 1: Essential comparison of each county in Tongren Prefecture.....	13
Table 2: the ratio of per capita GDP of each county in Tongren prefecture to the whole country in 2003	16
Table 3: the comparison of per capita saving deposits of each county in Tongren prefecture at the end of 2003.....	18
Table 4: Per capita fixed assets investment of each county in Tongren prefecture in 2003 ..	19
Table 5: The number of all kinds of scale enterprises in each county of Tongren prefecture in 2003.....	20
Table 6: the proportion of cash in the net income per rural residents of each county in Tongren prefecture in 2003	22
Table 7: Proportion of three industries to total production value of each county in Tongren prefecture in 2003	24
Table 8: Industry sources constitution of total farm households' business income of each county in Tongren prefecture in 2003	25
Table 9: Industry distribution of farm households' business expenses of each county in Tongren prefecture in 2003	26
Table 10: the market share of RCC in the financial market of Tongren prefecture at the end of 2004 %	26
Table 11: The deposit-loan ratio of each county' RCC in Tongren prefecture at the end of May, 2005.....	27
Table 12: Financial institutions diversification of each county in Tongren prefecture.....	27
Table 13: FIR in the counties of Tongren end 2003	28
Table 14: Credit structure of financial institutions in Jiangkou (2000-2004).....	31
Table 15: Deposit market share of each financial institution in Jiangkou (2000-2004)%	32
Table 16: Loan market share of each financial institution in Jiangkou (2000-2004)%	32
Table 17: The evaluate coverage and result to the credit of farm households by Jiangkou RCC at the end of 2004.....	34
Table 18: Credit line for farm households with different credit rating of Jiangkou RCC (Yuan)	35
Chart 1: the Scheme Billboard of Tongren and the rare animal-golden monkey living in Tongren	9
Chart 2: Location of Tongren in Guizhou Province	11
Chart 3: Distribution of All the Counties in Tongren Prefecture.....	12
Chart 4: Comparison of per capita GDP between each county in Tongren prefecture and the whole country in 2003.....	16
Chart 5: Proportion of local governmental avenue to expenditure of each county in Tongren prefecture in 2003	17

Chart 6: Growth trend of saving deposits in Tongren prefecture in 1997-2004	18
Chart 7: Comparison of per capita saving deposit outstanding of each county in Tongren prefecture at the end of 2003.....	19
Chart 8: The increasing trend of net income per rural residents in Tongren prefecture (1997-2004)	21
Chart 9: Comparison of the number of the durable consumable owned by per 100 households of rural residents and city residents in Tongren prefecture	22
Chart 10: Engle Coefficient comparison of each county in Tongren prefecture in 2003	24
Chart 11: the constitution of total production value in Tongren prefecture in 2003.....	25
Chart 12: Growth trend of deposits and loans outstanding of Jiangkou financial institutions (2000-2004).....	30
Chart 13: Propaganda to show the important role of RCC in rural financial field.....	32
Chart 14: Market Share of RCC in Jiangkou(2000-2004)%	33
Chart 15: Lending Book and reputation card that RCC extended to farm households on the basis of credit rating	34

Abbreviations & Acronyms

ABC	Agricultural bank of China
ADBC	Agriculture Development Bank of China
BC	Bank of China
CBC	Construction Bank of China
ICBC	Industrial and Commercial Bank of China
Na.	Not available
PBOC	People's Bank of China
pRCCU	Provincial Rural Credit Cooperative Union
PS	Postal Saving
RCC	Rural Credit Cooperative
RCCU	Rural Credit Cooperative Union
SME	Small and Medium-sized Enterprise
UCC	Urban Credit Cooperative

Currency Equivalents

(as of 15 August, 2005)

Currency Unit	-	Yuan (RMB)
RMB¥1.00	=	\$0.1233
USD\$1.00	=	RMB¥8.1101

1. Introduction

Academic circles have paid more attention to the relation between financial development and economic development. Both the theoretical study conclusions by Goldsmith (1969), Mckinnon (1973), Shaw(1973), Stiglitz (1985), Mayer (1990), King and Levine(1993a, b), Levine(1997) and the demonstration study conclusions among different countries by Levine and Sara(1997), Rajan and Zingales(1998b), Rousseau and Wachtel(1998、2000), Levine、Loayza and Becker(2000a、2000b), Wurgler(2000), think that there are significant positive correlation between the financial development and economic development and increasing, that is, the higher the financial development is, the more favorable to all the facets of the economic development it is(such as the increasing of per capita GDP, the formation of fixed assets and the ratio of saving), and financial markets----esp. banks---have played an important role in economic development. Based on the emphasis on the accelerating effect of the supplying of financial service to economy, Patrick brought forward the model of supply-lending which held in the early stage of economic development or the underdeveloped areas the finance of supply- lending played a dominant role.

So, during the course of accelerating region economy of China, esp. that of those underdeveloped areas, we must attach great importance to the role of finance to the economic development. The demonstration study conclusions to the relation of the finance of Guizhou province and its economic development by Sun Yong^① (2003) indicates that there is a positive correlation between the GDP of Guizhou province and the deepening of its finance. Every 1% increasing of financial deepening will contribute 0.1431% to economic development accumulative total. And Asian Development Bank also realized this well. In September, 2004, Asian Development Bank determined to provide technical assistance for Guizhou rural financial reforms to promote the diversification of financial institutions, and select Jiangkou county in

^① Dr. Sun Yong, Division Head and senior economist of Guizhou PBC.

Tongren prefecture as experimental unit to support a privately run credit-only microfinance institution through international bidding.

But, how is the economic and financial circumstance in Tongren Prefecture? What about the degree of financial deepening is? What about the rural financial supply is? How is the satisfaction degree of rural financial demand? How much the market room that formal financial institution left is? How do the microfinance institutions seek their market location? And so on. All these should be lucubrated. Therefore, we research from the point of macroeconomic and financial circumstance and rural financial demand. This report is the study result of macroeconomic and financial circumstance of Tongren prefecture and financial market in Jiangkou county. And as a micro-analysis, the study on rural financial demand is based on the investigation to financial demand of farm households, which will be presented in another report.

This report consists of six parts, which are introduction, survey approach, contents & datum, economic & geological resources in Tongren Prefecture and in the sample counties, economic & financial development of the counties in Tongren Prefecture, financial market in Jiangkou, conclusions.

2. Survey Approach , Contents & Datum

Survey approach includes group visit and discussion, personal visit.

The anticipants of group visit and discussion involve the specialists of PBOC Chengdu, the main leaders and Division Heads of Guizhou pRCCU, Division Heads of PBOC Guiyang, the main leaders and Division Heads of Tongren PBOC and Jiangkou County PBOC, leaders of Jiangkou ABC, People's Government, Public Finance Bureau, Statistic Bureau, Office of Poverty Affiliation, RCCU and township rural Credit Cooperatives (See List of Persons Met) .

The objects of personal visit involve the operation director of pRUCC Tongren office, director of Guanhe Town RCC, Jiangkou County, director and business officers of Taiping Town RCC, Jiangkou County.

Discussion contents include the appraisal to local rural economic development, the business development of rural financial institutions, the economic activities of

rural residents and their credit demands.

Datum sources include:

1. Business development status of RCC offered by Guizhou province RUCC, relevant “Tongren Social and Economic Statistic Yearbooks” offered by Tongren Prefecture Statistic Bureau;

2. Tongren Prefecture Statistic Bureau: “Tongren Prefecture National Economy and Social Development Statistic Communiqué 2004”, “Tongren Daily” 4/4/2005

3. “Jiangkou Social and Economic Statistic Yearbooks” offered by Jiangkou County Statistic Bureau, and relevant datum offered by Tongren Prefecture PBOC, Jiangkou County PBOC, Jiangkou ABC, Jiangkou People’s Government, Jiangkou Public Finance Bureau, Jiangkou Office of Poverty Affiliation, Jiangkou RCCU, Guanhe Town RCC and Taiping Town RCC.

3. Economic & Geological Resources in Tongren Prefecture and in the Sample Counties

3.1 Tongren Prefecture

Tongren Prefecture is situated in the northeast of Guizhou province, to the east is Xiangxi autonomous prefecture, Hunan province; to the north is Chongqing; to the west is Zunyi; and south is Southeast Qian autonomous prefecture. It lies longitude $107^{\circ} 45' - 109^{\circ} 31'$ degrees east and latitude $27^{\circ} 7' - 29^{\circ} 5'$ degree north. Its administrative area is 18023 square kilometres, taking 10.2% of the total areas of Guizhou province. Its total population is 3900500, in which, 54% are minority nationalities. There are 29 minority nationalities in Tongren, including the Miao, Dong, Tujia, Gelao, Hui, Buyi, Menggu, etc. The administrative capital of Tongren Prefecture is in Tongren City, administers Tongren City, Jiangkou County, Sinan County, Dejiang County, Songtao Miao nationality autonomous County, Yuping Dong autonomous nationality County, Yinjiang Tujia and Miao nationality autonomous County, Yanhe Tujia nationality autonomous County and Wanshan special zone.



Chart 1: The Scheme Billboard of Tongren and the rare animal-golden monkey living in Tongren

The famous Buddhism Mountain Fanjing Mountain is the symbol of Tongren. There have antiquated stratum 1 billion years ago, the most intact and typical virgin forest on the same latitude. There are 650000 hectare woodland, 3000 species of wild plant, of which, Gongtong(珙桐), Zhongemu(钟萼木), Xianglian(莲香), Ezhangqiu(鹅掌楸) are the national protection plants of emphasis; 400 species of wild animals, of which, golden monkey, South China tiger, bear monkey are the first-class national protection animals. Wujiang and Jianjiang rivers run through the whole region.

Tongren prefecture lies in the east slope belt of Yungui plateau, have mild climate, abundant rainfall. The mean annual temperature is 13-17.5 degrees centigrade, and the annual rainfall is 1100-1400mm, frostless periods 200-300 days, the mean daily temperature $\geq 10^{\circ}\text{C}$, accumulate temperature 3000-5700 $^{\circ}\text{C}$, sunlight 1085—1324 hours every year, taking 25~30% of the hours should be lighted. The density of river net is large, the slope of river is precipitate, and waterpower is abundant. The mean annual natural rainfall is 22 billion cubic metres, annual diameter flow capacity 12.79 billion cubic metres. There are 221 rivers whose length is above 10 kilometres, drainage areas above 20 square kilometres. The reserves of groundwater are 3.233 billion cubic metres. Theoretical contain of waterpower is 2.03 million

kilowatt, and 1.49 million can be exploited. Tongren have plenty of natural resources. There are 60 sorts of crops in the region. In 2004, grain planting which gives priority to paddy and corn, stockbreeding which gives priority to pig, cattle and sheep, economic crop which gives priority to flue-cured tobacco, cole, peanut and Chinese herbal medicine, and economic forest which gives priority to mulberry, fruit, bamboo and tea plant, all formed certain scale. Of which, peanut, tung tree and rapeseed play important role in the whole province.

There are 40 kinds of mineral resources having been exploited. Of which, the reserves of coal, mercury (Hg), manganese, lead, zine, sulphuriron, shale with kalium, heavy spar, marble, dolomite, phosphor, etc. are rich. The distributing of rare metal, such as tungsten, tin, molybdenum, barium, selenium, tantalum, lanthanon is wide. There are 43 mineral water with plenty microelement, which reserves are up to 3.3billion cubic metres. The reserves of mercury and its products are the first in the country. The industry reserves of manganese are 60 million tons, taking 1/8 of the total reserves of the country.

Daxing airport of Tongren was open to air traffic in July 2001. The Xiangqian railway runs through Yuping County, and two railway stations - Yuping and Dalong are setup. Yuhuai railway built and opened in 2004 runs through Tongren, Jiangkou and Songtao three counties, with 10 railway stations. There are high grade highways from Tongren to each county, and freeway of national highway No. 320 crosses through churchyard. Tongren is the important assembly area of goods and materials and a hub of communication of west Guizhou. Lightcable communication circuitry covers the whole region, and internal and international telephone and cell phone have been opened, which advantages information transmission. With the national electricity net of 500 thousand and 220 thousand volts transformer substations, 1 million kilowatt Wujiang Silin waterpower dam and 1.2 million kilowatt Tongren fire power station, Tongren prefecture has plenty of electric power, 110 thousand volts transmit electricity circuitry covers every counties of the whole region.

In 2004, prefecture GDP is 10.107 billion Yuan, gain products 1464.7 thousand tons, total fiscal income 1.041 billion Yuan, local fiscal income 636 million Yuan, fiscal expenditure 2.453 million Yuan, per capita net income of rural residents 1582 Yuan, per capita disposable income of town residents 5953 Yuan. Tourists in the whole year are up to 688.2thousands.

3.2 Location of Tongren in Guizhou Province and the Distribution of All the Counties in Tongren Prefecture

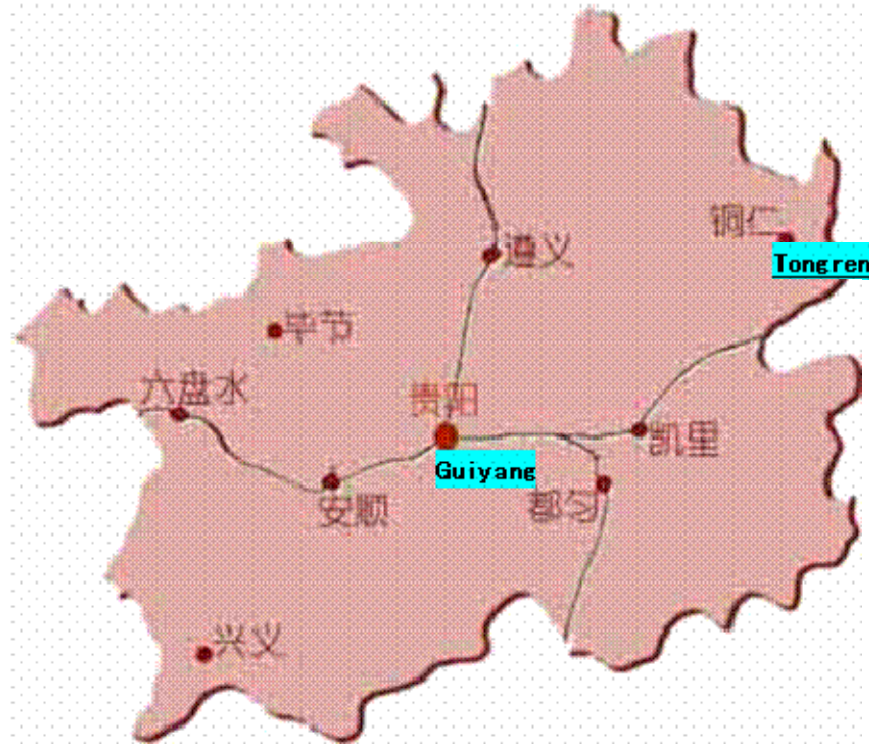


Chart 2: Location of Tongren in Guizhou Province



Chart 3: Distribution of All the Counties in Tongren Prefecture

3.3 Essential Comparison of Each County in Tongren Prefecture

By the end of 2003, there are 168 townships, 3.8634 million populations, of which, non-agricultural population takes 8.8% only. Generally speaking, the ratio of non-agricultural population can reflect the degree of urbanization, and with this indicator, we can say the urbanization of Tongren prefecture is lower. Except Tongren city, Wanshan and Yuping counties, the mean degree of urbanization of the other

counties is below 10%. But to reflect the degree of urbanization, the ratio of non-agricultural population is under the ratio of population living in the towns and city. According to relevant sources from local government, the degree of urbanization of Tongren prefecture is 18%.

As to per capita GDP, Yuping and Tongren are higher, with 5653.4 and 4656.5 Yuan respectively; Shiqian is the lowest, with 1740.4 Yuan only (Table 1), accounting for 30.8% of that of Yuping only.

Table 1: Essential comparison of each county in Tongren Prefecture

	townships	Population density: people/km ²	Total population: 10 thousand	Ratio of non-agricultural population: %	Per capita GDP: Yuan
总计 Total	168	215	386.34	8.8	2225.6
铜仁 Tongren	16	224	34.08	26.6	4656.5
江口 Jiangkou	9	120	22.51	9.1	2217.4
玉屏 Yuping	6	274	14.16	17.7	5653.4
石阡 Shiqian	18	176	38.4	6.2	1740.4
思南 Sinan	27	284	63.66	6.2	1849.2
印江 Yinjiang	17	211	41.48	6.1	1855.3
德江 Dejiang	20	217	45.16	7.2	2210.3
沿河 Yanhe	22	226	56.11	5.9	1580.3
松桃 Songtao	28	223	64.14	5.1	1744.8
万山 Wanshan	5	195	6.64	25.6	2498.8

Datum sources: Collating according to “Tongren Social and Economic Statistic Yearbook” (2004)

3.4 Basic Situation of Sample Counties Investigated

3.3.1 Tongren City

Tongren City is the political, economic, cultural, information center of Tongren prefecture, and a landscape gardens city whose main industries are commodity trade, light industry and tour services.

Tongren city lies on the edge of northeast of Guizhou. Its geographical

coordinate is longitude 108° 51' —109° 21' degrees east and latitude 27° 25' — 27° 53' degree north. It is in the slope belt from Yungui plateau to Xiangxi mountains region and foothill, belongs to Middle Asian tropic monsoon wettish climate. The rainfall is abundant, the annual rainfall is 1250-1400mm. Its country area is 1515 square kilometres. Farm produces include paddy, wheat, corn, and the other grain, quill-coverts, white goose. It teems with peanuts. Mercury is rich in Tongren and its secondary planet town – Wanshan special zone, whose reserves and outputs list the first place in China. Jinjiang river originated from Fanjing mountain runs through the south of canton, along the riverside, Jiulong Cave in the Liulong Mountain is the famous landscape spot, and a group of limestone caves, in which, there is the highest stele in China.

It administers 4 offices, 5 towns, 7 townships, 340000 population, the degree of urbanization is 35%. The range of urban layout is 150 km², having 150000 urban residents now, estimating the urban residents will be up to 300000 by 2020. The city functions are completely, infrastructures are perfect, which make it having stronger attraction and radiation.

3.3.2 Jiangkou County

The county area of Jiangkou County is 1869 km². To the east is Tongren City; south is Cengong county, Southeast Qian autonomous prefecture; west is Shiqian and Yinjiang Counties; north is Songtao Miao nationality autonomous county. It administers 9 townships, 71 administrative villages, 230000 population by the end of 2003, and 51.8% of them are minority nationalities.

It belongs to semi-tropical continent monsoon climate. The mean annual temperature is 16.2 degrees centigrade, frostless periods are about 289 days, the gap of altitude is 2297.5 metres (the highest is 2572.5 metres and the lowest 275 metres), the annual rainfall is about 1300mm. The main landform is low hill and river valley flat, cultivated area is 11300 hectares, forest area is 7469 hectares, grassland 125000 hectares. It is fit for the development of agriculture, forest, livestock industry and fishery.

Jiangkou County is the main way to enter Fanjing mountain- national natural protectorate. And depended on which, Taipinghe landscape is formed.

There are 30 rivers in Jiangkou County, which form Jinjiang river at the county

seat - a main branch of Yuanjiang water system. The mean annual natural rainfall is 2 billion cubic metres, annual diameter flow capacity 1.563 billion cubic metres. 283 mouth of spring has been discovered, of which, 253 can be exploited and utilized

Forest coverage rate is 45.5%. In the county there are 1200 species of plants, 300 species of animals and 30 kinds of mineral resources, such as gold, copper, sulphuriron, molybdenum, phosphor, heavy spar, and hyalite.

3.3.3 Yuping Dong Nationality Autonomous County

Yuping is situated in the slope belt from the east edge of Yungui plateau to Xiangxi mountains region and foothill, belongs to semi-tropical monsoon wettish climate. The mean annual temperature is 16.8 degrees centigrade; the annual rainfall is about 1300mm. The county area is 517 km². Wuyang river runs through the county, and alongside the river, the landscape is very beauty. The communication is convenience, going by the name of “Gate of East Qian”. By the end of 2004, it administrates 6 townships, 150000 populations.

The range of urban layout is 17.58 km², having 40000 urban residents now, estimating the urban residents will be up to 100000 by 2020. Yuping is a county whose economic development is faster in Tongren prefecture.

3.3.4 Shiqian County

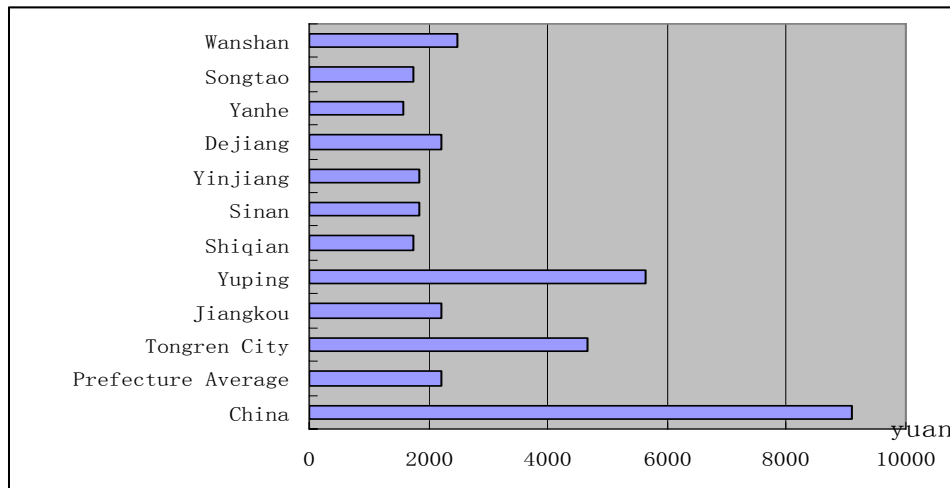
Shiqian County lies in the northeast of Guizhou, belongs to Middle Asian tropic zone, with distinct Middle Asian tropic monsoon wettish climate. Rainfall is abundant, water system is wide. The county area is 2172 km². The county seat of Shiqian is famous provincial history and cultural city; it is also provincial thermal spring landscape showplace. In the county, heat resource is rich, the mean hot water temperature is 35⁰C. Main industries are agriculture products and by- products processing, mineral water exploiting and utilizing. Tour industry develops quickly. By the end of 2004, it administrates 18 townships, 390000 populations.

The range of urban layout is 6.4 km², having 30000 urban residents now, estimating the urban residents will be up to 80000 by 2020.

4. Economic & Financial Development of the Counties in Tongren Prefecture

4.1 Economic strength of counties is weaker.

In 2003, per capita GDP of Tongren Prefecture is 24.5% of that of the whole country, except Tongren city and Yuping county, whose per capita GDP is above 50% of that of the whole country, per capita GDP of all the other counties is below 30% of that of the whole country, of which, per capita GDP of Yanhe county is only 17.4% of that of the whole country (chart 4, table 2), which reflects the limited economic strength of counties.



Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

Chart 4: Comparison of per capita GDP between each county in Tongren prefecture and the whole country in 2003

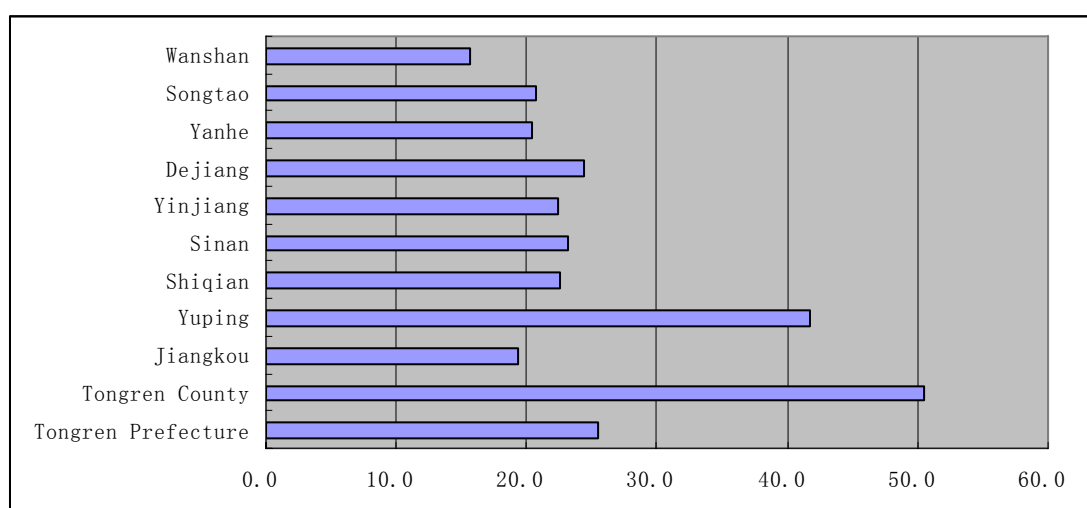
Table 2: the ratio of per capita GDP of each county in Tongren prefecture to the whole country in 2003

	the ratio of per capita GDP to that of the whole country %
Prefecture Average	24.5
Tongren City	51.2
Jiangkou	24.4
Yuping	62.1
Shiqian	19.1
Sinan	20.3
Yinjiang	20.4

Dejiang	24.3
Yanhe	17.4
Songtao	19.2
Wanshan	27.5

Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

Local public finance also embodies the weak economic strength of counties. In 2003, the local financial income of all the counties can't meet their expenditure greatly. The gap between local finance income and expenses is greater, and the financial ability is limited. As to Tongren prefecture, the local financial income is only 25.5% of its expenditure.



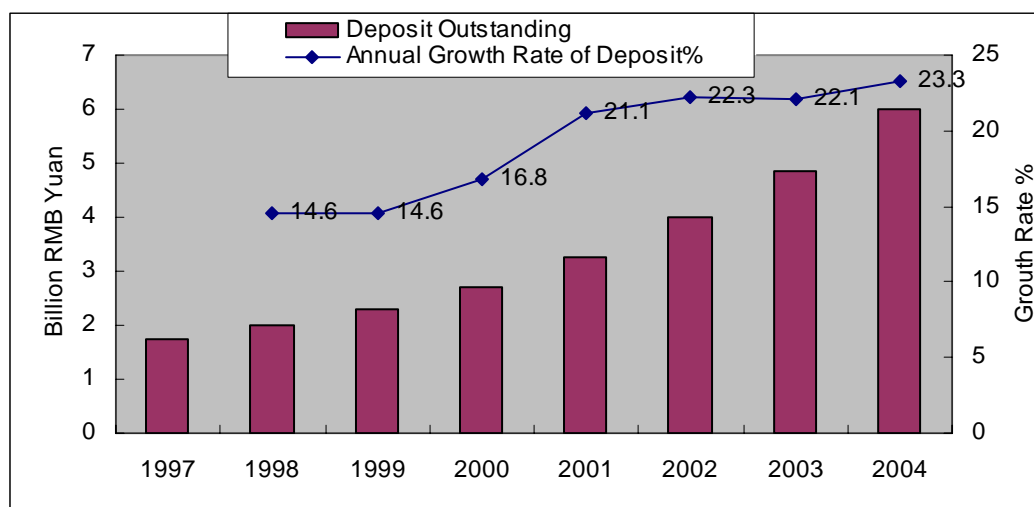
Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

Chart 5: Proportion of local governmental revenue to expenditure of each county in Tongren prefecture in 2003

4.2 Saving deposits of residents increase continuously, but below the mean of the whole country greatly, and the difference between city and rural is great.

Since 1997, the outstanding of saving deposits of Tongren residents keeps faster increasing situation (chart 6), and during the period of 2001-2004, the annual growth

rate is above 20%.



Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004) and “Tongren economic resume”(2004,12)

Chart 6: Growth trend of saving deposits in Tongren prefecture in 1997-2004

But, at the end of 2003, per capita saving deposits of city residents is 10116.3 Yuan, while that of rural residents is only 404.5 Yuan. The former is 25 times of the latter (table 3, chart 7)!! The gap of saving deposits between city and rural is great. Of which, per capita saving deposits of city residents in Songtao county is 38 times that of rural residents.

At the same time, at the end of 2003, per capita saving deposits of rural residents in Tongren prefecture is 17.1% of that of the whole country, which is 2363.8 Yuan.

Table 3: the comparison of per capita saving deposits of each county in Tongren prefecture at the end of 2003

	城市居民 City residents	农村居民 Rural residents	Times: city to rural 城市是农村的倍数
Prefecture	10116.3	404.5	25
Tongren City	13482.9	1074.3	13
Jiangkou	8259.0	680.6	12
Yuping	11128.7	887.2	13
Shiqian	8995.4	303.4	30
Sinan	8586.1	362.3	24
Yinjiang	10750.8	610.6	18

Dejiang	8680.6	329.0	26
Yanhe	9863.1	276.9	36
Songtao	10291.7	273.1	38

Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

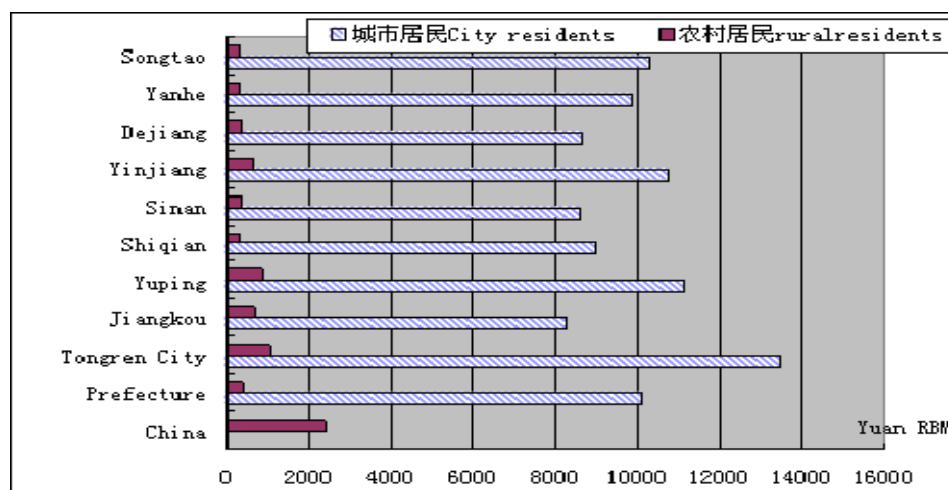


Chart 7: Comparison of per capita saving deposit outstanding of each county in Tongren prefecture at the end of 2003

4.3 Fixed assets investment ability is weak. In 2003, rural private fixed assets investment calculated by agricultural population in Tongren prefecture is 75.3 Yuan only, of which, that of Yanhe、Shiqian is 47.5 Yuan、28.6 Yuan respectively (table 4).

Table 4: Per capita fixed assets investment of each county in Tongren prefecture in 2003

	rural private fixed assets investment calculated by agricultural population: Yuan
Prefecture Average	75.3
Tongren City	131.9
Jiangkou	156.4
Yuping	120.2
Shiqian	47.5
Sinan	60.3
Yinjiang	98.8
Dejiang	83.5
Yanhe	28.6
Songtao	64.5

Wanshan	107.7
---------	-------

Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

4.4 Enterprises with certain scale are fewer.

In the statistic datum in existence, the statistic to enterprise number is confined to those enterprises whose fixed assets are above 5million Yuan - the so-called scale enterprises. From table 5, we can see, in all the counties of Tongren prefecture, this kind of enterprise is not much, which indicates microenterprises are the main bodies in Tongren prefecture, and the development of enterprise scallization is deficient.

Table 5: The number of all kinds of scale enterprises in each county of Tongren prefecture in 2003

	the number of scale industry enterprises 规模以上工业企业个数						
	State-owned	Collectivity-owned	Joint equity	Affiliated	Limited liability Co.	Limited Co.	Private
Prefecture	86	7	2	3	19	7	28
Tongren City	31	3	1	0	2	0	5
Jiangkou	3	0	1	0	0	0	1
Yuping	6	0	0	0	9	4	10
Shiqian	9	0	0	1	0	0	0
Sinan	10	1	0	0	0	0	1
Yinjiang	3	0	0	0	2	0	1
Dejiang	7	0	0	0	1	1	2
Yanhe	7	1	0	0	0	1	2
Songtao	6	0	0	2	3	1	4
Wanshan	4	2	0	0	2	0	2

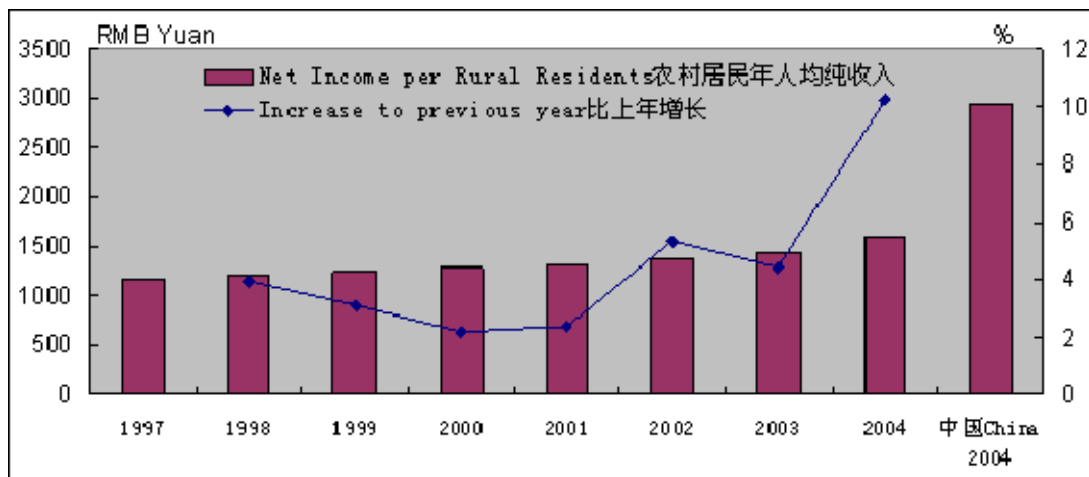
Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

4.5 The difference of income and living between city residents and rural residents is greater.

Firstly, the difference of the mean annual net income between city residents and rural residents is greater. In 2004, the disposable income per town residents in Tongren city is 5953 Yuan, while net income per rural residents is only 1582 Yuan, the

ratio of disposable income per town residents to net income per rural residents is 3.76: 1, which is higher than that of the whole country 3.32: 1. And the difference of the mean annual net income between city residents and rural residents is greater.

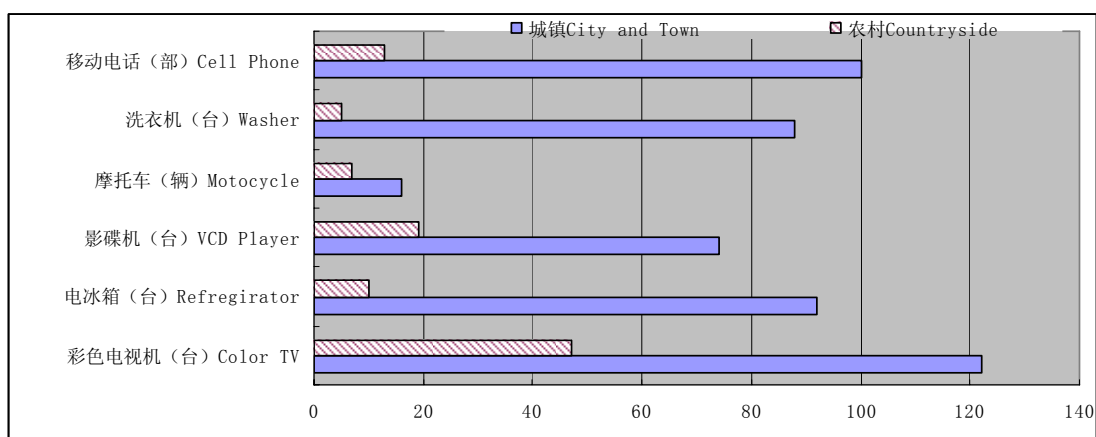
The increasing trend of net income per rural residents in Tongren prefecture during the period of 1997-2004 sees chart 8. In 2004, the net income per rural residents in Tongren prefecture is only 53.88% of that of the whole country which is 2936 Yuan.



Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (every year)

Chart 8: The increasing trend of net income per rural residents in Tongren prefecture (1997-2004)

Secondly, the durable consumable owned by rural residents is fewer, and lower than that of city residents largely. From chart 9 which indicates the number of the durable consumable owned by per 100 households of rural residents and city residents, we can see that the living difference between rural and city residents is large.



Datum sources: Tongren Prefecture Statistic Bureau, “Tongren Prefecture National Economy and Social Development Statistic Communiqué 2004”, “Tongren Daily” 4/4/200

Chart 9: Comparison of the number of the durable consumable owned by per 100 households of rural residents and city residents in Tongren prefecture

Thirdly, the proportion of cash in the net income per rural residents is lower (table 6). The net income per rural residents in Tongren prefecture is lower itself, while the proportion of cash in the net income is lower, which indicates the cash flow of rural residents in this area is lower.

Table 6: the proportion of cash in the net income per rural residents of each county in Tongren prefecture in 2003

	the proportion of cash in the net income per rural residents %
Prefecture average	67.2
Tongren City	77.9
Jiangkou	67.3
Yuping	73.7
Shiqian	61.5
Sinan	71.4
Yinjiang	71.9
Dejiang	63.3
Yanhe	49.7
Songtao	66.9
Wanshan	73.4

Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

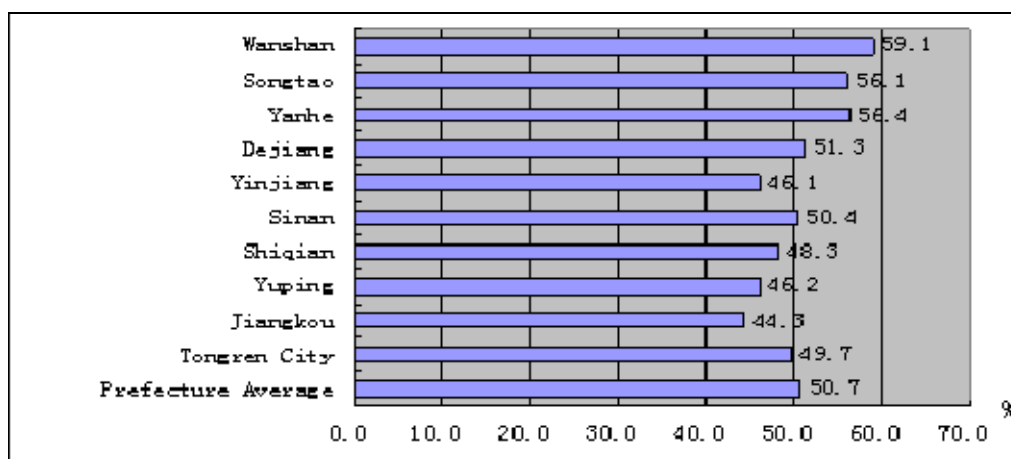
Fourthly, Engle coefficient^② is too high. As to the living condition of rural residents in Tongren prefecture, it is merely adequately fed and clothed.

As everyone knows, food is the first need to survive. When the income is lower, food takes very important place in consumption expenditure. With the income increasing, only the need of food can be met, the center of consumption will turn to clothes, articles for use, and other facets. So, the more poverty-stricken a nation or a family is, the larger the Engle coefficient is; vice versa. Internationally, Engle coefficient is used to measuring the living condition of a nation or region.

According to the criteria provided by FAO, if Engle coefficient is above 59%, it is poverty; 50-59%, adequately fed and clothed; 40-50%, ease; 30-40%, rich; below 30%, richest. The average Engle Coefficient (chart 10) of rural residents in Tonren prefecture is 50.7%, while that of Tongren city, Jiangkou, Yuping, Shiqian and Yinjiang is below 50% a little. Judged by the criteria, the living condition of rural residents in Tongren prefecture is merely adequately fed and clothed. In 2003, the average Engle coefficient of rural residents in the whole country is 47.2, while that of Jiangkou, Yuping Yinjiang is below it. But this can't indicate the living conditions of rural residents in these counties are higher than that of the whole country.

^② In 1857, the world famous German statistician Engle set forth a law: With the income increasing of a family and person, the proportion of food expenditure in the income will drop step by step, which is called Engle Law, and the coefficient reflecting this law is called Engle Coefficient. Its formula is: Engle Coefficient (%)= total food expenditure/total consumption expenditure of a family or a person×100%

Engle Law describes the trend that the proportion of food expenditure to total consumption expenditure changes with the income, and reveals the correlation between residents income and food expenditure. Using the proportion of food expenditure to total consumption expenditure can indicate the influence degree of economic development and income increasing to living consumption.



Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

Chart 10: Engle Coefficient comparison of each county in Tongren prefecture in 2003

4.6 Traditional (the primary) industries are relied on too much, while the development of the secondary and tertiary industries lags relatively.

(1) The primary industry takes greater proportion to social production value. As to Tongren prefecture, in 2003, the proportion of the primary industry is 51.8%. In GDP of each county, the proportion of primary industry is above 50%, except Tongren city, Yuping county and Wanshan special zone (table7、Chart 11)。

Table 7: Proportion of three industries to total production value of each county in Tongren prefecture in 2003

	primary sector	secondary sector	tertiary sector
总计 Total	51.8	26.0	22.2
铜仁 Tongren	24.1	41.4	34.5
江口 Jiangkou	50.4	21.3	28.2
玉屏 Yuping	26.0	45.8	28.2
石阡 Shiqian	66.2	16.2	17.7
思南 Sinan	60.8	19.4	19.8
印江 Yinjiang	65.6	15.5	18.9
德江 Dejiang	63.5	15.4	21.0
沿河 Yanhe	64.0	12.3	23.7
松桃 Songtao	61.0	17.7	21.3
万山 Wanshan	36.1	35.8	28.0

Datum sources: Collating according to “Tongren social and economic Statistic

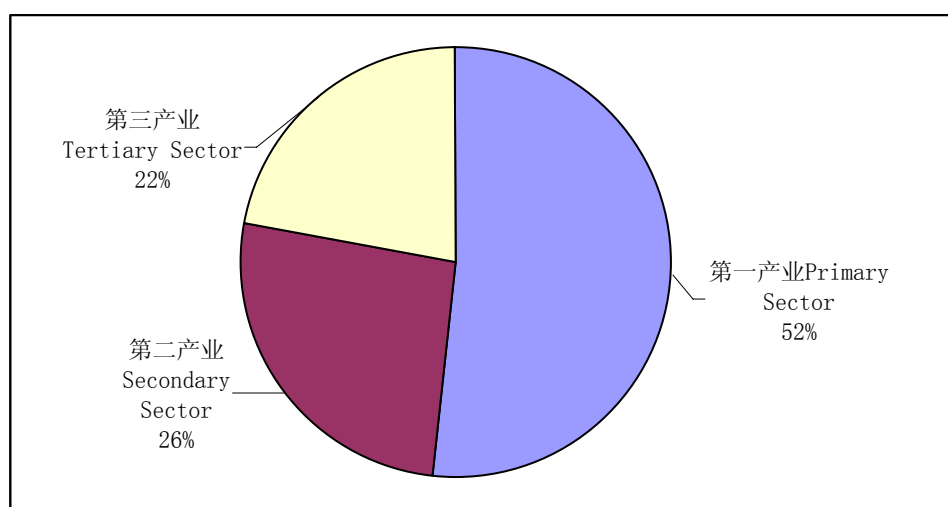


Chart 11: the constitution of total production value in Tongren prefecture in 2003

(2) Business income of farm households relies on primary industry strongly. Of the total rural business income in Tongren prefecture, the ratio of income coming from the primary industry is up to 86.4% (table 8). Of which, the ratio coming from the primary industry in Yinjiang, Dejiang, Yanhe and Wanshan is above 90%.

Table 8: Industry sources constitution of total farm households' business income of each county in Tongren prefecture in 2003

	primary sector %	secondary sector %	tertiary sector %
Prefecture average	86.4	3.2	10.4
Tongren City	69.8	10.5	19.7
Jiangkou	86.2	0.4	13.4
Yuping	79.3	5.7	15.0
Shiqian	87.8	1.4	10.9
Sinan	88.1	2.0	9.8
Yinjiang	90.0	3.8	6.2
Dejiang	94.1	2.4	3.5
Yanhe	97.3	0.4	2.3
Songtao	77.9	3.7	18.4
Wanshan	99.3	0.0	0.7

Datum are coming from the investigation for rural households of each county' statistic bureau.

Datum sources: Collating according to “Tongren social and economic Statistic

Yearbook” (2004)

(3) Relative to the income of farm households relying on the primary industry mainly, the most expenditure of farm households’ business expense invests in the primary industry (table 9). The proportion of average investment to primary industry is up to 90.7%, which is also the important reason that the local secondary and tertiary industries underdeveloped.

Table 9: Industry distribution of farm households’ business expenses of each county in Tongren prefecture in 2003

	primary sector %	secondary sector %	tertiary sector %
Prefecture average	90.7	2.8	6.5
Tongren City	90.2	4.9	4.9
Jiangkou	85.9	0.9	13.2
Yuping	94.0	0.6	5.4
Shiqian	90.3	1.0	8.6
Sinan	90.3	0.8	8.9
Yinjiang	86.2	7.9	5.9
Dejiang	95.5	2.3	2.2
Yanhe	96.3	2.0	1.7
Songtao	82.4	7.1	10.5
Wanshan	99.6	0.0	0.4

Datum are coming from the investigation for rural households of each county’ statistic bureau.

Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

4.7 Rural Credit Cooperative is the main force of rural finance, but the market share of RCC in the rural deposits and loan market is limited.

(1) As to Tongren prefecture, At the end of 2004, the market share of RCC in the rural deposits and loan market is 23% and 24% only (table 10).

Table 10: the market share of RCC in the financial market of Tongren prefecture at the end of 2004 %

	RCC	ABC	ADBC	ICBC	CBC	BC	PS
Deposit%	23	30.08	0.31	13.53	19.08	4.71	8.79
Loan%	24.23	43.7	10.9	12.7	6.55	1.85	

Source: Tongren PBOC.

(2) The deposit-loan ratio of RCC is higher, which indicates funds shortage of RCC is serious, and funds overuse. From table 11, we can see that at the end of May, 2005, the average deposit-loan ratio of RCC in Tongren prefecture is up to 95.1%, of which, that of Shiqian、Yanhe、Songtao exceeds 100%.

Table 11: The deposit-loan ratio of each county' RCC in Tongren prefecture at the end of May, 2005

	deposit-loan ratio %
铜仁 Tongren City	95.1
江口 Jiangkou	94.1
玉屏 Yuping	96.3
石阡 Shiqian	105.0
思南 Sinan	87.2
印江 Yinjiang	98.1
德江 Dejiang	99.9
沿河 Yanhe	102.2
松桃 Songtao	101.1
万山 Wanshan	90.7
合计 Prefecture Average	96.8

Source: Tongren office of Guizhou Provincial RCCU.

4.8 Few kinds of financial institution and lower degree of diversification (table 12). Except RCC and Postal Saving exist in each county, not all the state-owned commercial banks set organizations in each county. Of which, the financial institutions in Wanshan is fewest, with RCC, ICBC and Postal Saving only.

Table 12: Financial institutions diversification of each county in Tongren prefecture

	RCC	ABC	ADBC	BC	ICBC	CBC	PS	UCC	Guarantee institution	others
Tongren	✓	✓	✓	✓	✓	✓	✓	×	✓	×
Jiangkou	✓	✓	×	×	×	✓	✓	×	×	×
Yuping	✓	✓	✓	×	✓	✓	✓	×	×	×
Shiqian	✓	✓	✓	×	×	×	✓	×	×	×
Sinan	✓	✓	✓	×	✓	✓	✓	×	✓	×
Yinjiang	✓	✓	✓	×	×	✓	✓	×	×	×

Dejiang	✓	✓	✓	×	✓	×	✓	×	×	×
Yanhe	✓	✓	✓	×	✓	✓	✓	×	✓	×
Songtao	✓	✓	✓	×	✓	✓	✓	×	×	×
Wanshan	✓	×	×	×	✓	×	✓	×	×	×

Note: “✓” shows having the institution, “×” not having.

Source: Tongren PBOC.

4.9 The difference of financial deepening degree is greater.

Because of lacking the statistic datum of financial assets and M_2 of each region in China, we can't use the Goldsmith and McKinnon indicators to measure the degree of finance growth directly. But because the main financial assets of China concentrate in banks, and the main assets of banks are deposits and loans, so, we can use the datum of deposits and loans to reveal the financial development of China. Calculation formula is:

$$FIR = (S+L) / GDP$$

Of which, FIR: the finance interrelation ratio

S: deposits

L: loans

GDP: gross domestic product of each county

Therefore, the FIR of each county in Tongren prefecture sees table 13.

Table 13: FIR in the counties of Tongren end 2003

	FIR:%
总计 Prefecture Average	158.4
铜仁 Tongren	378.5
江口 Jiangkou	120.3
玉屏 Yuping	136.9
石阡 Shiqian	110.3
思南 Sinan	95.6
印江 Yinjiang	132.6
德江 Dejiang	72.0
沿河 Yanhe	112.4
松桃 Songtao	97.2
万山 Wanshan	NA.

Datum sources: Collating according to “Tongren social and economic Statistic Yearbook” (2004)

According to the theory of McKinnon (1973) and Shaw (1973)^③, the more developed the economy is, the more developed the finance is, and the higher the FIR is. But from table 13, we find that as an underdeveloped region, in each county in Tongren prefecture, FIR is relative higher. The reasonable explanation should be that the investing and financing channel in Tongren prefecture is limited, so the financial behavior of residents concentrates on banking deposits and loans.

4.10 Stockbreeding is the light point of rural economic development and breakthrough point to increase peasants' income in Tongren prefecture.

In 2004, the production value of Stockbreeding of Tongren prefecture reached 2.682 billion Yuan, the outputs of meat reached 2.443 billion tons, and their growth speeds are 24.48% and 10.27%. In the increased 148 Yuan of net income per peasant in Tongren prefecture in 2004, 58 Yuan came from stockbreeding.

Since 2003, Tongren prefecture implements eco-stockbreeding pattern energetically, and forest-grass-livestock, grain-grass-livestock, livestock-biogas-grain, livestock-biogas-fruit, livestock-biogas-vegetable, livestock-biogas-tea, and so on, to form the benign circulation and harmonious development among stockbreeding, eco-environment and grain production. It also implements eco-stockbreeding community, large stockbreeding family, biogas project and manpower planting grass project.

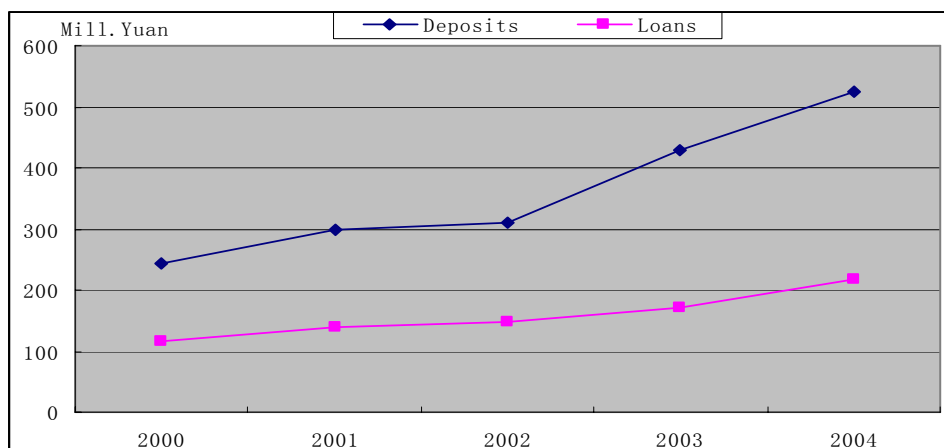
Dejiang and Yinjiang implement the project of retreating from cultivated land and planting grass supported by the Agriculture Ministry, invested 5 million and 4 million Yuan respectively to put the project of 50000 Mu manpower planting grass base, natural grassland restoring and protection into practice. By the end of June, 2005, Dejiang has planted grass in the field 10000 Mu, planted grass by manpower 30000 Mu, improved grassland 20000 Mu. The construction of grassland drove the

^③ McKinnon, Ronald (1973). Money and Capital in Economic Development. Washington, D.C.: Brookings Institution. Shaw, E. (1973). Financial Deepening in Economic Development. New York: Oxford University Press.

construction of stockbreeding community. 40 stockbreeding communities, 1092 large stockbreeding families have been developed at present, and most of them accomplished enclosure breeding, thus the environment preserved. Jinxin cow breeding field in Fuxing Township, and the Tongren Pure-blooded Bohr Sheep Breeding Base in Xinglongpo Jiancha town, Dejiang county, have accomplished enclosure breeding. Yangjiaao breeding community in Donghua township, Sinan county has become the biggest breeding base of lean meat commodity pig in Tongren prefecture. By the end of June, 2005, there are 183 eco-stockbreeding communities and 10700 large stockbreeding families in Tongren prefecture.

5. Financial Market in Jiangkou

5.1 Financial market in Jiangkou is a steady development market. From chart 12, we can see the deposits and loans of financial institution in Jiangkou keep the tendency of steady increasing in 2002-2004. After 2002, the growth speed of deposits is faster than that of loans distinctly.



Source: Jiangkou PBOC.

Chart 12: Growth trend of deposits and loans outstanding of Jiangkou financial institutions (2000-2004)

5.2 Credit market in Jiangkou is an agriculture-oriented credit market; the proportion of agricultural loans is larger. From table 14, we can see that from 2000 to

2004, of all the credit outstanding of the Jiangkou financial institutions, the proportion of long-term loans dropped from 27.9% to 23.2%, while that of short-term loans increased from 72.1% to 76.8%. In the short-term loans, the proportion of agricultural loans is the largest, and increased from 48.9% of 2000 to 61.6% of 2004. From table 14, we can also see that the proportion of loans for industry, commerce, township enterprises, construction business, and private & business is smaller. This relates to that Jiangkou is a traditional agricultural county and its industry and commerce is underdeveloped.

Table 14: Credit structure of financial institutions in Jiangkou (2000-2004)

		2000	2001	2002	2003	2004
长期贷款 long-term loans %		27.9	30.6	29.9	23.0	23.2
短期贷款 short-term loans %		72.1	69.4	70.1	75.5	76.8
Of short - term loans	工业 industry	4.3	3.1	2.9	2.4	1.8
	商业 commerce	7.7	6.5	6.1	0.4	0.0
	建筑业 construction business	1.0	1.0	1.0	0.0	0.0
	农业 agriculture	48.9	56.5	57.8	62.6	61.6
	乡镇企业 TVEs	1.1	0.3	0.3	0.2	0.5
	私营及个体 Individual and Private Enterprises	0.0	1.1	1.0	0.5	1.1
	其它 others	37.0	31.6	31.0	33.9	35.1

Source: Jiangkou PBOC.

5.3 RCC is the only formal financial institution participating in Jiangkou farm households and rural microenterprise credit market. In Jiangkou financial market, the three deposit financial institutions --- ADBC, ABC and Postal Saving also exist. But because of the limitation of their loan authority, ABC and ADBC provide fewer loans in Jiangkou, and don't provide loans to farm households and rural microenterprises directly. The funds of Postal Saving deposit upper institution, without any direct effect to local market. At the end of April, 2005, the market share of Jiangkou RCC reached 76.3% in the rural credit market. So, RCC takes very important place in Jiangkou rural financial market, and goes by the name of the main force of rural finance, coagent helping peasants to get rid of poverty and reach rich, pacemaker of rural economic structure adjustment, golden tache that government contacts with peasant

(Chart 13)

Chart 13: Propaganda to show the important role of RCC in rural financial field



5.4 Deposit market share of RCC is lower relatively, while its loan market share is higher. In Jiangkou deposits market, ABC and CBC take higher and more steady share (Table 15), while their share in loans market drop year by year (Table 16). In 2000, the market shares of Jiangkou RCC in deposit and loan market are 30.7% and 47.6%, respectively, and in 2004, they increase to 36.4% and 72.6%, respectively. During the period of 2000-2004, RCC achieves faster growth in both deposit and loan market (chart 14).

Table 15: Deposit market share of each financial institution in Jiangkou (2000-2004)%

	农业银行 ABC	建设银行 CBC	农村信用社 RCC	邮储 Postal Savings	合计 Total
2000	30.3	28.4	30.7	10.6	100.0
2001	31.8	28.8	29.2	10.2	100.0
2002	34.0	26.6	29.4	10.0	100.0
2003	26.5	28.3	35.6	9.6	100.0
2004	28.0	26.7	36.4	8.9	100.0

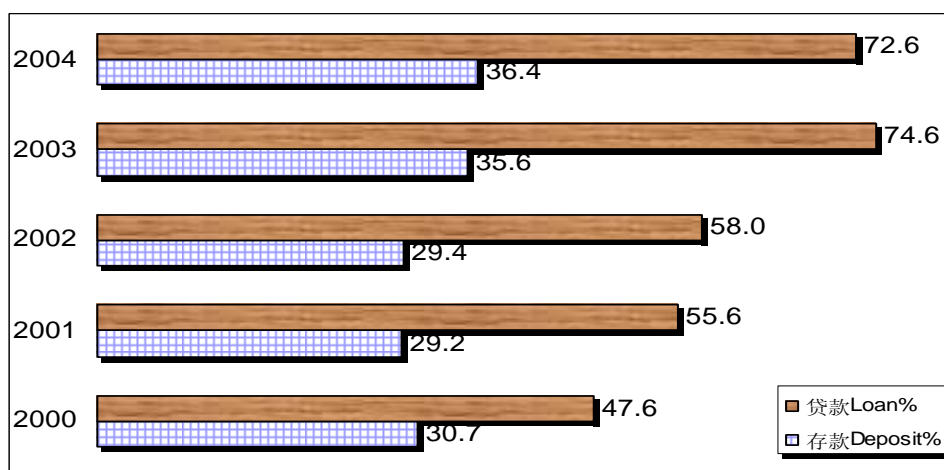
Source: Jiangkou PBOC.

Table 16: Loan market share of each financial institution in Jiangkou (2000-2004)%

	农业银行 ABC	建设银行 CBC	农村信用社 RCC	其它 others
2000	40.4	11.8	47.6	0.1
2001	33.8	10.4	55.6	0.1
2002	32.0	9.9	58.0	0.1

2003	15.6	9.7	74.6	0.1
2004	19.3	7.0	72.6	1.1

Source: Jiangkou PBOC.



Source: Jiangkou PBOC.

Chart 14: Market Share of RCC in Jiangkou(2000-2004)%

5.5 People's Bank of China supports RCC strongly. The support of PBOC to RCC include: (1) PBOC-lending. The PBOC-lending outstandings of Jiangkou RCC are 8 million, 10 million and 15 million Yuan respectively in 2002-2004, and took 7.8%, 6.2% and 7.3% of RCC's total funds sources of that year. (2) Special paper (Zhuan xiang piao ju). In the course of unifying corporation, Jiangkou RCC also gained the special papers from PBOC to replace the non- performing assets of RCC. By the end of April, 2005, Jiangkou RCC has obtained special papers 3.54 million Yuan. It is possible for Jiangkou RCC to get additional 6.46 million Yuan special papers to replace its non-performing assets. At the same time, RCC also gain the revenue preference and subsidy policy to preserve the value of saving interest. And because of the support of government and PBOC, the capital adequacy ratio of Jiangkou RCC increased from 4.49% of 2004 to 14.64% of the end of April, 2005. The ability to resist risks of RCC improved greatly.

5.6 RCC evaluates the credit rating of farm households, and establishes credit village (group).After the enactment of "Guidelines on management of RCC

microfinance for farm household” on December 10, 2001, by People’s Bank of China, on the basis of establishing economic files for farm households, Jiangkou RCC evaluates the credit rating of farm households. By the end of 2004, 70.7% of farm households in Jiangkou has been evaluated credit rating, and of which, the farm households with credit rating takes 48.2%, those without credit rating takes 51.8% (Table 17). What’s more, 1 credit village and 44 credit group have been evaluated. By the end of 2004, microfinance for farm households of Jiangkou RCC took 44.52% of its total credit.



Chart 15: Lending Book and reputation card that RCC extended to farm households on the basis of credit rating

Table 17: The evaluate coverage and result to the credit of farm households by Jiangkou RCC at the end of 2004

Proportion of farm households evaluated to total farm households %		70.7	
Of which	Credit rating	excellent%	6.7
		Fair good%	21.2
		ordinary%	20.3
Non-credit rating %		51.8	

Source: Jiangkou RCCU.

At the same time, in order to meet the increasing loan demand of farm households, on the basis of providing microfinance for farm households in 2002-2004, Jiangkou RCC increased the credit line of each credit rating since 2005 (Table 18) .

Table 18: Credit line for farm households with different credit rating of Jiangkou RCC (Yuan)

	Before 2005: Yuan	Since 2005: Yuan
Golden card	10000	30000
Silver card	5000	10000
Ordinary card	3000	5000

Source: Jiangkou RCCU.

5.7 Organized informal lending in Jiangkou is the important supplement to rural formal financial market. There is an informal lending institution, the mutual saving association, which founded in 1993, whose aims are relieve disaster, poverty alleviation and mutual help, instructed and administered by county civil administration bureau, set up according to administrative village division. Its organization structure is: head office of mutual saving association→village mutual saving association. The funds sources are civil administration subsidy, money paid for share of farm households, interest income of deposits in financial institutions, and the accumulation formed by lending income. There were 61 villages mutual saving association previously, abolished 4 in the cleaning up and putting in order of 2003, and leaving 57 now. At the end of 2004, there are 9023 farm households participated in the association, taking about 1/5 of the total farm households in the county; funds 450000 Yuan, of which, civil administration subsidy takes 25%, money paid for share of farm households takes 75%.

At one time, informal lending market in Jiangkou is active. According to the investigation and estimation by PBOC Jiangkou, the loan size of informal lending is from several ten thousands to several hundred thousands Yuan, total magnitude is about 3 million Yuan or so. The interest rate arrangements include the following: (1) borrow 10 thousand Yuan, pay annual interest 600 Yuan; (2) borrow 10 thousand Yuan, pay interest 500 Yuan monthly, if the borrower can't pay the interest in the second month, and pay interest according to the principal of 10500 Yuan in the next month, on the analogy of this; (3) borrow 1000 Yuan, pay interest 20 Yuan everyday, 10 days is a paying period and pay interest 200 Yuan, if the borrower doesn't pay interest in the tenth day, then in the next ten days, pay interest according to the principal of 1200

Yuan, so should pay 24 Yuan everyday, on the analogy of this. There are 3 reasons that informal lending in the county came forth: The first is the loan supply of formal financial institution is insufficient, while the funds demand to develop economy of peasants increases greatly because of the development of rural economy in recent years; The second is the loan procedures of banks and RCC are fussy, collateral and guarantee are normative, so it is difficult to borrow; The third is lenders seek sudden huge profits and borrowers need funds exactly to meet an emergency.

6. Conclusions

6.1 Tongren prefecture is an area with abundant economic resources, but its economy is underdevelopment at present, the ability of social fixed assets investment is weak, the number of enterprises with certain scale is less, per capita GDP is lower per capita financial resources is weak, the gap between public financial income and expenditure is greater, 75% of financial expenses come from superior financial transference and payment.

6.2 Although the living condition of rural residents in Tongren prefecture is still adequately fed and clothed, the growth of residents saving of city and rural is faster, while the difference of per capita saving between city and rural is greater and the average saving in Tongren prefecture is below that of the whole country greatly, its main reason lies in the greater income gap between city residents and rural residents, so it is to the gap of durable consumable.

6.3 The development of industries diversification in Tongren prefecture is deficient seriously, relying on the traditional (primary) industry greatly. The main business income of farm households come from primary industry, and the main business expenditure of farm households invest in primary industry.

6.4 The diversification of financial institutions in Tongren prefecture is insufficient, so RCC becomes the main force in rural financial market. But the market share of RCC is not higher, funds shortage is serious, and funds overrun, the deposit-loan ratio of RCC exceeds the requirements of assets-liability ratio management severely. Nevertheless, the FIR in Tongren prefecture is higher, but it

can't show that the degree of financial deepening in Tongren prefecture is higher; it is the result of limited investing and financing channel in Tongren prefecture.

6.5 Stockbreeding and private enterprises are the lightpoint of economic development in Tongren prefecture, so we suggest that the banks should pay more attention to these sectors in their course of providing loans.

6.6 Since 2000, the deposits and loans in Jiangkou financial market keep the tendency of steady growth. The characteristic of Jiangkou credit market is its agriculture-oriented, the proportion of agricultural loans to total loans outstanding is higher; RCC is the main force in local rural financial market, and the only formal financial institution participating in Jiangkou farm households and rural microenterprises credit market, while its deposit market share is lower, so RCC gets the PBOC-lending support coming from PBOC. RCC improved the credit accessibility of farm households through the way of evaluating the credit rating of farm households, but because of the limited funds, it can't meet the funds demand of farm households, SMEs and microenterprises. And because of this, local rural informal lending is more active.

References

- Sun Yong, 2003, "Empirical study of the interrelation between financial development and economic growth", In: Southwest China Finance, May, P7-11.
- Goldsmith, R. (1969), *Financial Structure and Economic Development*, New Haven: Yale University Press.
- King, Robert G. and Levine, Ross. "Finance and Growth: Schumpeter Might Be Right", *Quarterly Journal of Economics*, 1993a, 108, 717-38.
- King, Robert G. and Levine, Ross. "Finance, Entrepreneurship, and Growth: Theory and Evidence", *Journal of Monetary Economics*, 1993b, 32, 513-42.
- Levine, Ross. "Financial Development and Economic Growth: Views and Agenda," *Journal of Economic Literature*, June 1997, pp. 688-726.
- Levine, Ross and Zervos, Sara. "Stock Markets, Banks, and Economic Growth," *American Economic Review*, June 1998, 88(3), 537-558.
- Levine, Ross; Loayza, Norman; Beck, Thorsten. "Financial Intermediation and Growth: Causality and Causes," *Journal of Monetary Economics*, 2000a.
- Levine, Ross; Loayza, Norman; Beck, Thorsten. "Finance and the Sources of Growth," *Journal of Financial Economics*, 2000b.
- Mayer, C. (1990), "Financial Systems, Corporate Finance and Economic Development", in G. Hubbard (ed.), *Asymmetric Information, Corporate Finance and Investment* Chicago: The University of Chicago Press.
- Mckinnon Ronald, "Money and Capital in Economic Development" , Washington DC: Brookings institution, 1973.
- Patrick, Hugh T., 1966, "Financial Development and Economic Growth in Underdeveloped Countries" , 《Economic Development and Cultural Change》, 1966-14(2, January).
- Rajan R. and L. Zingales, 1998, "Financial Dependence and Growth", *American Economic Review*, vol 88, pp 559-586.
- Stiglitz, Joseph E. "Credit Markets and the Control of Capital," *Journal of Money, Credit and Banking*, May 1985, 17(2), pp. 133-52.
- Wurgler, Jeffrey. (2000) "Financial Markets and the Allocation of Capital," *Journal of Financial Economics*, forthcoming.

Appendix

LIST OF PEOPLE MET

During the macroeconomic analyze tour between 6/6/2005-6/14/2005

Chengdu PBOC

Dr. Jing TIAN	Senior Economist	PBOC Chengdu Branch
Qinsong Su	Secretary	PBOC Chengdu Branch

Guizhou Provincial Government

Jiayi Hu	Deputy Director	Guizhou PBOC
Naiyun Liu	Head of Board	Provincial RCCU
Qikui Chen	Deputy Director	Provincial RCCU
Rui Song	Deputy Director	Provincial RCCU
Yong Sun	Division Head	Research Department, Guizhou PBOC
Degang Wang	Secretary	Research Department, Guizhou PBOC
Ming Xiang	Secretary	Research Department, Guizhou PBOC

Tongren Prefecture and Jiangkou County

Xiangfu Tian	Director	Tongren PBOC
Zhongxue Zhang	Division Head	Tongren PBOC
Jing Chen	Division Head	Tongren PBOC
Qingqiang Gong	Director	RCCU Tongren Office
Shiyue Luo	Deputy Director	RCCU Tongren Office
Hongbin Tian	Secretary	RCCU Tongren Office
Jigang Gang	Deputy Governor	Jiangkou Government
Guohua Lu	Secretary	Jiangkou Government
Zhengjun Cai	Deputy Director	ABC Jiangkou Branch
Ming Pan	Director	PBOC Jiangkou Branch
Wei Yuan	Division Head	PBOC Jiangkou Branch
Bangrong Wu	Division Head	PBOC Jiangkou Branch
Yuhua Hou	Division Head	Jiangkou Statistics Bureau
Disong Wang	Division Head	Jiangkou Finance Bureau
Xiuzhi Huang	Division Head	Jiangkou Poverty Alleviation Office
Dawen Wu	Director	Jiangkou RCCU
Qihua Xu	Director	Guanhe RCC, Jiangkou
Qiuyun Wu	Director	Taiping RCC, Jiangkou