Microcredit Innovation in China
Wang Shuguang and Jonathan Richter
Abstract

Innovative microcredit practices in China might be seen as providing some notable lessons to the world. This paper aims to illuminate poignant such lessons through surveying some impressive instances of Chinese microcredit institutions innovating financial and organizational models to adapt to their local contexts. The first part of the survey utilizes material from three brief case studies of modern microcredit institutions (whose operations Western audiences may not be previously familiar with) conducted by the authors in rural China. The latter part highlights one of the author (Professor Wang Shuguang of Peking University)’s discovery of the striking similarity between rural financial practices conceived by 11th-century Chinese government leader Wang Anshi, and the “mutual solidarity”-based, acollateral lending model of microcredit which Nobel Peace Prize winner Muhammad Yunus pioneered in the 1970s with his Grameen Bank. The cases highlight the central, “timeless” importance of adapting an organization’s operational model to the local context.
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TABLE OF CONTENTS

Introduction .................................................................................................................. 5
‘Quasi-Collateral Lending:’ Understanding How Microcredit Works......................... 5
Financial and Organizational Innovations in Microcredit in China............................... 9
Local Government Role in Innovation................................................................... 15
Song Dynasty Microcredit: Wang Anshi’s Green Shoots Policy................................ 17
Conclusion............................................................................................................... 30

References Cited..................................................................................................... 32
Introduction

Innovative microcredit practices in China might be seen as providing some notable lessons to the world. This paper aims to illuminate a couple of poignant such lessons through surveying some impressive instances of Chinese microcredit institutions innovating financial and organizational models to adapt to their local contexts. The first part of the survey utilizes material from three brief case studies of modern microcredit institutions (whose operations Western audiences may not be previously familiar with) conducted by the authors in rural China. The latter part highlights one of the author’s (Professor Wang Shuguang of Peking University) discovery of the striking similarity between rural financial practices conceived by 11th-century Chinese government leader Wang Anshi, and the “mutual solidarity”-based, acollateral lending model of microcredit which Nobel Peace Prize winner Muhammad Yunus pioneered in the 1970s with his Grameen Bank. The cases highlight the central, “timeless” importance of adapting an organization’s operational model to the local context.

‘Quasi-Collateral Lending:’ Understanding How Microcredit Works

For the purposes of the following discussion, it will be useful to articulate a couple of theoretical aspects of microcredit.

The most important cause of poverty might be seen to be indicated by the work of Amartya Sen, whose Starvation and Famines: An Essay on Entitlement and Deprivation indicates the deprivation of poor people’s “exchange entitlements,” deserved rights of the poor to means of extricating themselves from poverty. Muhammad Yunus, whose Grameen Bank is credited with pioneering formal microcredit practices, describes microcredit’s effectiveness in a Sen-like framework, as freeing poor would-be businesspeople from constraints on otherwise practical economic activities, caused by a lack of access to normal, formal credit. The idea that poor people can be credit-worthy has greatly flourished since Yunus established the Grameen

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Bank in the 1970s, and in recent years it has been estimated that microcredit services currently reach over 100 million borrowers.³

A theoretical factor which could be seen as crucially important in influencing the development of microcredit in China, involves the borrower’s impression of the sustainability of the organization providing microcredit service. One could consider that essentially all forms of financial services are based off of institutions’ and systems’ capacities to maintain a basic social trust in their continued operating presence.⁴ In contemplating factors which cause microcredit organizations to succeed, it is crucial to recognize the particular importance of the presence of this ‘impression of sustainability’ as a fundamental thematic concept in microcredit operations in particular.

While it is occasionally facile to distinguish microcredit from the traditional bank loan as being a form of ‘acollateral’ lending, this term can be misleading from the aim of understanding how microcredit works. Collateral is commonly defined with two components:

(1) Assets with monetary value… which are used to guarantee a loan.
(2) If the borrower defaults and fails to fulfill the terms of the loan agreement, the collateral, or some portion of it, may become the property of the lender.⁵

In fact, when a borrower takes out a microloan, she is guaranteeing the loan with an asset which has monetary value to her: the borrower re-pays the loan because doing so will enable the possibility to take out more loans in the future. This asset is, indeed, not only abstract but also one-sided—the utility could not be transferred to the lender—so it is something insufficient to constitute actual collateral. However, this utility is, functionally, very much an asset to the borrower. Therefore, it would be more appropriate to think about microcredit as ‘quasi-collateral lending’ rather than ‘acollateral lending.’

³ There is a large variance in estimates of the global total number of microcredit borrowers and loan portfolio size, in large part owing to the range of operative definitions of what should be defined as microcredit. Nelson, Elizabeth. “What Are the Total Global Assets in Microfinance?” Leading Sources Weigh In: MIX, Microcredit Summit, MicroBanking Bulletin (MBB), ACCION, Microfinance Gateway, BlueOrchard, UNCDF, Unitus, CGAP.” MicroCapital, October 31, 2007.
⁴ E.g., Americans feel secure making deposits of up to $100,000 of their savings in a local commercial bank because they trust that the Federal Deposit Insurance Commission will reimburse them in any worst case. Large institutions’ collapses during the recent financial crisis demonstrate that even institutions in the most advanced sectors of the overall financial services industry depend fundamentally on the foundation of an impression of immediate-term “sustainability.”
When a borrower is given a loan, she forms a utility consideration based on the value of simply keeping however much cash she has been handed, weighed against the value of future financial services that she would access by paying back:

The borrower evaluates the lump benefit from the cash which she is given for her loan, against the opportunity cost of having her potential access to future financial services cancelled.

Much academic work has focused on how microcredit works has focused on concepts like ‘social capital’ and ‘reputational capital,’ and on the peer pressure aspect of Yunus’ grouping mechanism. It is true that in mutual solidarity lending the borrower repays as a means of maintaining face, which in some part is simply tied to the desire to maintain a reputation as a moral person who pays back loans. However, in a broad range of lending situations—especially if the micro-lender to a community is not itself completely made up of local people—it would be misguided to a priori presume that popular sentiment on a community level will shame a non-performing borrower. It should be appreciated that a fundamental type of capital at play in microcredit is something that could be called ‘opportunity capital.’ Borrowers are compelled to repay their loans—and compelled to pressure their group-mates to repay their respective loans.

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via ‘social capital’—by two factors: 1) their fundamental interest in obtaining more loans in the future; and 2) their expectation of the future sustained presence of a microcredit operation insofar as it will provide them access to future loans. Therefore, a microfinance institution truly can only succeed as an ‘Institution,’ economically, socially and legally.

In addition to the distinction regarding collateral in microcredit, the authors hope to briefly make a distinction about the nature of the ‘entrepreneurialism’ that is enabled by microcredit. Although Yunus and following practitioners’ development of microcredit practices should be seen as a singularly spectacular human achievement, it could be helpful to acknowledge the not only relatively mundane, but also limited nature of the vast majority of credit-enabled entrepreneurial activities. The “Microcredit Revolution” is actually carried out much less by the type of woman who utilizes her unique talents to conjure a local rug-weaving empire, than by the type who buys a small motor vehicle to transport her produce directly to a market eighteen miles away and thereby cut out the middle man who had previously purchased her goods from her at an exploitative mark-down. Alex Counts, director of the Grameen Foundation, has acknowledged that only a tenth of the Grameen Bank's clients are “true entrepreneurs;”7 rather than considering “entrepreneurialism” in the romantic sense, poor people without access to credit are more appropriately, directly analogized by Yunus as stunted “bonsai people.”8 This distinction is worth noting because it obviates criticism of microcredit’s potential spuriously based on the focus that “most people do not have the skills, vision, creativity, and persistence to be true entrepreneurs.”9 It is almost demographically self-evident that most poor people aren’t “true entrepreneurs” in the sense of possessing unusual talents, but those who aren’t can still gain a solid improvement in living standards through microcredit, as those who are are enabled to make special economic contributions through their skills and creativity.

7 Counts made this distinction in the scope of discussing the cases of entrepreneurs who “started borrowing $100 and are now borrowing $10,000 to $20,000.” Margolis, Mac. “Lining Up the Loan Angels.” Newsweek. April 9, 2007.
Financial and Organizational Innovation in Microcredit in China

This section respectively discusses cases that provide some examples of financially and organizationally innovative forms that microcredit is taking in China, that were encountered by the authors in visiting the operations of the Wengniute Crop-and-Livestock Agriculturalists Credit Cooperative Association in Inner Mongolia province, as well as the Zhangzheng Capital and Material Adjustment Center in Ningxia Region and (briefly) the Xinjiang Wujiacu Citizens’ Village/Township Bank.

A case of financial innovation that can be seen as remarkable not only in the context of microcredit’s development in China, but also in the general context of financial innovation in microcredit practices, is that of the Wengniute Crop-and-Livestock Agriculturalists Credit Cooperative Association in Inner Mongolia province.\(^\text{10}\) The Wengniute Crop-and-Livestock Agriculturalists Credit Cooperative Association (here referred to as the CLACCA) was formed as a response to a similar challenge as faced in many other cases. Wengniute County has a population of 470,000 of whom 400,000 are agriculturalists and area over 12,000 square kilometers, and it is classified as a National Poverty-Emphasis County.

In the past few years before the November, 2008 field visit, the farming and breeding industries began to experience substantially improved profitability; this relative prosperity brought a corresponding, rapidly-growing demand for small-scale credit to expand operations, with increased demand for loans of quantity ranging from around three thousand yuan to tens of thousands of yuan. But regardless of demand for loans, local Rural Credit Cooperatives (RCCs) maintained a tendency to “water-pump” deposit funds outside of the area. The main reason for this tendency was that the RCCs lacked sufficient mechanisms to guarantee repayment from borrowers. The RCCs had experimented with microcredit loan programs, but witnessed thematic challenges in which mutual solidarity groups essentially became “mutual solidarity in non-repayment” groups: borrower groups would take out loans that they collectively intended not to repay. The roots of this behavior were simple. RCC loan officers agreed that the cause of this

non-cooperation amounted to what could be described as the “institutional” failure of mechanisms demonstrating the long-term nature of the operations: many borrowers were not convinced that the operations were likely to continue to be around, and with widespread deficit in the RCC operations’ “impressions of sustainability,” pessimists could group together to extract funding from the operations. Additionally, agriculturalists’ lack of access to reasonably-priced insurance subjected their income to great and relatively systemic risk. Largely as a result of failure to cultivate attractive investments, in the past few years leading up to 2008, of the cumulative average deposits in Wengniute’s financial institutions of 2.5 billion yuan only about 1.4 billion yuan was invested inside the county, with 1.1 billion “pumped” outside.

In response to these challenges, in 2007 the Wengniute local government, local People’s Bank of China branch, and citizens conceived of an infrastructure for delivering financial services to local agriculturalists that is remarkably innovative. The Wengniute Crop-and-Livestock Agriculturalists Credit Cooperative Association, established as a holistic, inclusive system, brought about four main benefits: first, by introducing ‘opportunity capital’ into local agriculturalists’ borrowing profile through an innovative mutual solidarity model; second, by lowering RCCs’ operating costs by incorporating the Association’s resources into its operations; third, by diffusing systemic risk for the RCCs through insurance; and finally, by allowing borrowers to use this more attractive model to take out progressively larger loans.

The CLACCA was conceived as a “Five-in-One System” incorporating a wide range of stakeholders. The first part of the system was constituted of RCCs administering loans. The second part of the system, the agriculturalists’ guarantee fund, contained the CLACCA’s first major innovation. In order to take out a loan, each borrower was first required to assemble in a mutual solidarity group of borrowers. However, in addition to simply forming mutual solidarity groups, each borrower was also required to contribute ten percent of the amount of their desired loan into an overall group guarantee fund. This guarantee fund was the foundational element of a sub-association, which were organized around administrative villages, known as gacha. Members assembled into sub-associations through individually applying and gaining each other’s recommendations, and report to the county Civil Administration Department to have their formation ratified. At the same time, the local RCC would examine the qualifications of the applying members. If a borrower failed to repay their loan, then the other members of their mutual solidarity group would first be responsible for covering his failure. If too many members
of the mutual solidarity group failed to repay their loans, then the rest of the money would be repaid from the sub-association’s overall guarantee fund to the RCC administering the loans. This association-level guarantee approach might be described as creating a ‘Meta Mutual Solidarity Group’ which not only ties together a small group of five borrowers as stakeholders in each of each other’s repayment of their respective loans, but also ties together all of the mutual solidarity groups in an entire community-sized group in being accountable to the repayment behavior of everyone else in the community. In order to conduct a “mutual solidarity in non-repayment” scheme, the entire community would have to be in on the scheme together. The possibility of this is quite small for the obvious reason that it would basically require a whole community to enact a scheme without the RCC being made aware.

In addition to this guarantee fund, three other “parts” were built into the CLACCA’s system to supplement the RCC’s loans, each of which essentially served to incorporate into the system stakeholders other than the agriculturalists and RCCs themselves. First, as a type of subsidy, the Wengniute county government agreed to purchase income insurance for borrowers, guaranteeing a minimum income stream and thereby appreciably decreasing risk to RCC’s credit allocations. Next, the government put its own Risk Compensation Fund to guarantee CLACCA members’ loans. As a final measure the association, with the assistance of the Wengniute government, was able to establish cooperative relationships with large, Inner Mongolia-based “Industry-Leading” enterprises sourcing from agriculturalists.

The CLACCA was established with its first sub-association pilot in Dongyuanzi village in 2007 with great success: within the next year, total annual loans disbursed in the village rose from about 3 million yuan to about 15 million yuan. Accordingly, the Crop-and-Livestock-Farmers’ Mutual Benefit Association was quickly popularized, and by October, 2008 there were 57 Associations in Wengniute. The 2030 total members in Wengniute put in 10,303,000 RMB total of Mutual Assistance funding. In addition, the Wengniute government established a Risk Compensation Fund of 1,400,000 RMB. The RCCs then administered loans totaling 126,000,000 RMB, of which 15,000,000 RMB of loans were administered to agricultural enterprises, and 111,000,000 RMB were administered to livestock breeding enterprises. The growing demand for financial services has been substantially relieved.

The CLACCA’s advent of this type of wide-ranging guarantee system provided four main, overall benefits: first, the guarantee fund, structured on the community level, created more
accountability of individual agriculturalists and their mutual solidarity groups when they borrowed from an RCC, decreasing risk. Second, sub-associations were effectively invented civil associations which, by providing ‘quasi-employees’ to investigate potential borrowers to admit and then to act to encourage borrowers to repay, contributed directly to lowering the administrative operating costs of the RCCs even as they enhanced loan quality. The CLACCA was able to make microcredit more economically feasible essentially by expanding its scope to the “social” in addition to the “economic” realms. At the same time, the presence of the CLACCA fundamentally changed the management practices of the RCCs: with the Association watching the process of loan administration became more transparent and fair, and an end was put to obscure administration methods and bribing of loan officers. Third, the government’s decision to provide borrowers with income insurance not only helped the borrowers themselves, but was of equal benefit to the RCCs whose loan portfolios thereby possessed substantially lower systemic risk. Finally, because of the Association’s guarantee, borrowers were simply enabled to take out progressive loans of sizes multiple times greater than before. Loans of drastically greater scale allowed for industrialization, specialization, and considerable enhancement of the scale and scope of agricultural enterprises.

From a theoretical perspective, the effectiveness of the CLACCA’s innovative approach could be effectively viewed through the scope of the ‘opportunity capital’ concept proposed near the beginning of the paper. The reason that mutual solidarity groups work—which is to say the reason that so-called “reputational capital” is activated—is that such grouping serves to magnify ‘opportunity capital’ activated by an individual’s perception of future utility of continued services from the microfinance institution—members pressure each other to repay because they each respectively perceive such an individual utility. But, the limit of mutual solidarity groups’ effectiveness is circumscribed by the extent to which members actually believe in the microfinance institution’s continued future presence. As has been perceived in Lingqiu and other cases, due to traceable causes five-person mutual solidarity is often not a completely sufficient foundation on which to base a lending operation. The CLACCA’s “Five-in-One” model addresses this deficit from a few angles: first, it leverages solidarity one degree further by making each group itself responsible to its entire community—it is much more difficult for a whole community to conduct a synchronized failure than it is for a smaller group or an individual. This mechanism’s enlightened incorporation of the solidarity concept should truly not be
underappreciated. In addition to solidarity, the Cooperative structure of the CLACCA also, of course, enables the basic monetary guarantees of the borrowers in terms of their stakes in the guarantee fund. In this sense, the CLACCA incorporates a method of monetarily engaging borrowers as stakeholders in a similar manner to that of the Rotating Savings and Credit Association, although the CLACCA’s operational model allows it to magnify borrowers’ funding contributions to incorporate larger funding sources. As a third conceptual tool being employed by the CLACCA, the local government’s involvement as a guarantor and provider of insurance also incorporates it as a stakeholder incentivized to encourage fair administration and broad repayment of loans. Finally, the income insurance importantly changes the risk profile of RCCs’ lending portfolios.

In addition to the Wengniute CLACCA, the Zhangzheng Capital and Material Adjustment Center in Ningxia Region also provides a case which could be briefly discussed, of organizational innovation being improvised to address rural demand for financial services. The Zhangzheng Capital and Material Adjustment Center (CMAC) was established in Zhangzheng County of the Ningxia Hui Autonomous Region in 2007 to address farmers’ unmet demand for financial services.

The CMAC’s innovation was essentially in combining a set of operational models into a synergized “Three-in-One,” one-stop shop to serve local farmers. The first “part” of the CMAC is a rural credit cooperative framework: 200 participants contributed varying amounts from 1000 yuan to over 10,000 yuan. The second “part” of the fund was its expanded scope from added private capital: utilizing a similar principle as the CLACCA’s using contributions to its guarantee fund to attract RCC funding, private funding was then injected into the CMAC’s assets to administer as micro-loans. The third “part” of the CMAC was the selling of common materials such fertilizer and seeds to borrowers.

The integration of the three different operations into one organization allowed the CMAC to save on communication costs, allowing the Center to achieve higher earnings by doing more business with the same group of clients with whom it would be doing business as an isolated

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credit operation. Given the CMAC’s aim to succeed as a completely marketized, non-policy financial institution while at the same time serving the rural population with loans that broadly accommodate the greatest proportion of citizens’ capacity to repay, the ability to immediately and profitably expand its revenue base through acting as a synergized “conglomerate” substantially improved its commercial viability.

Innovation, even on a smaller, sub-organizational scale of improvisation of offered services, could also be organizationally encouraged. The Wujiang Citizens’ Village/Township Bank, established in January, 2008 as the first Village/Township Bank in Xinjiang province, distinguished 90% of its routine operational processes as being open to improvisation by the employees that implemented them. One branch (the Wutongzhen branch) even allowed its employees, for services under 100,000 yuan, to improvise whatever solution they deemed necessary for clients. One idea that typified the type of innovation that this encouraging policy gave rise to was in the Bank’s collateral-bearing loan operations: although it is common practice for real estate property used as loan security to be appraised by an intermediary in the loan process, some employees conceived of a simple, uniform method for appraising land, thereby eliminating the need to employ intermediaries in the administration of such loans.

The innovations of the Wengniute CLACCA as well as the Zhangzheng CMAC and the Wujiang Citizens’ Township/Village Bank can be seen to be demonstrative of important lessons in two basic veins. First, the successful organizational innovations of each institution can be seen to illuminate a certain feature of microcredit as a development practice, in general. While it is often accurate to describe microcredit as simply being a ‘tool’ in the overall ‘toolkit’ of various practices which can be applied in helping to develop an underdeveloped place, and while Yunus’ “Grameen Model” has been straightforwardly applied to vast success, at the same time, in some ways it is important to recognize microcredit (or, “microfinance”) as truly being a field, in the sense that the set of its potential applications and variations is so wide and diverse. As with the Wengniute CLACCA, microcredit can be drastically adapted to suit a given context. As with the Zhangzheng CMAC and the Wujiang Citizens’ Bank, the practice itself can either be mixed with or simply adapted to incorporate different functions that serve its clientele. Microcredit is more malleable than a screwdriver or hammer.

13 Field study conducted by Dr. Wang Shuguang of the operations of the Xinjiang Wujiang Citizens’ Village/Township Bank, September, 2009.
In addition, the above cases can be seen as indicative in the Chinese context. As will be briefly discussed further in the next section, the above cases are reflective of the broader range of stakeholders participating on China’s economic “playing field;” economic success crucially requires local government as a stakeholder, rather than simply being limited to the agents of the business, the customer and a static law. Adaptive solutions to local problems inevitably involve the local government’s support.

**Local Government Role in Innovation**

The local government plays a foundational role in rural finance innovation in China, and is often even a proactive generator of innovation. In the absence of a fully-defined and liberal-oriented legal system, the local government becomes intimately involved in the process of forming new practices which can even lead to its being involved in the innovation itself.

In general, local government can be seen as having had one of the most important active roles in the origination of China’s gradualist development. Local government asserts strong influence relative to the central government,\(^\text{14}\) and transformation is manifest by local government first guiding innovation, and then central government formulating broader policies based off of this innovation.\(^\text{15}\) The particularly crucial role of local government begins simply in its robust ability to influence the conception of an institution in the first place. The Xinjiang Wujiang case demonstrates that local government’s adoption of a reform-oriented attitude which embraces innovation can be crucial in enabling an institution to thrive. The Wujiang local government’s supportive and non-interfering approach to the Wujiang Citizens’ Village/Township Bank’s establishment in the region allowed the Yinzhou Rural Cooperative Bank that managed it to pursue a new model integrating the Yinzhou Bank’s best practices with local culture with an extremely smooth experience.


In certain cases local government may not only create a supportive environment for institutional innovation, but even assert itself as a crucial contributor to innovation. One such case is presented by the Wengnuite CLACCA. The local government (as well as the local People’s Bank of China Branch) essentially intermediated the innovation of the CLACCA’s “Five-in-One System” in three ways. The first way was by constructing an effective cooperation mechanism to govern RCCs’ relationship to CLACCA members. The local Department of Justice accomplished this through the establishment of what it referred to as the “three preferential, one priority and one simplification” which it awarded to Association members. The three “preferentials” were: that CLACCA members were entitled to take out loans ten times the amount of their guarantee contribution; that loan repayment schedules were to be set in a particular way to convenience the natural operations cycle of the business; and that CLACCA members were to pay interest rates on loans in line with the lowest applicable rates that the RCC commonly charged. The “priority” was that in credit tightening situations, any RCC was compelled to prioritize disbursal of loans to CLACCA members. The “simplification” was that when an RCC disbursed a letter of credit to a member, and prepared a loan guarantee for the member, only the CLACCA was needed to provide the guarantee. The second way that the government intermediated the innovation of the CLACCA’s microcredit model was in brokering business relationships between the Association and Inner Mongolia based “Industry-Leading” companies. These companies previously did not tend to do business with the individually small-scaled members, but could be persuaded to partner with the CLACCA by the government. The final way that the local government intermediated the innovative CLACCA model was by establishing the subsidized provision of agricultural insurance to Association members. Overall, the Wengniute not only enabled the CLACCA to establish its innovative model, but also played a central role in the implementation of its innovations.

In addition to the Wengniute case, the Zhangzheng CMAC also presents an example of local government not only creating a supportive environment for innovation, but even taking part in it. Members of the local government and Finance Regulatory Ministry actually actively participated not only in developing the business’ organizational model, but also in conceiving the “Three-in-One” model, itself.

Whether in creating a salutary environment to enable innovation in rural finance, or in proactively participating in the generation of innovations, local government should be
appreciated as playing a central role in bringing about the innovations that adapt microcredit to its local contexts.

**Song Dynasty Microcredit: Wang Anshi’s *Green Shoots Policy***

Although the content of this last section is certainly in a temporal sense quite tangential to the above discussion of microcredit innovation in the modern Chinese context, the co-writers believe that the discovery by Professor Wang Shuguang of striking similarities between a Chinese reformer’s mid-eleventh-century conception of a rural financial practice, with what is known as modern microcredit, is remarkable enough that it may serve as a sort of counter feature piece in the paper. ¹⁶ Specifically this section describes the rural finance model of the *Green Shoots Policy* developed by Wang Anshi, a Song Dynasty Chancellor from 1070-1086 A.D., as part of his *New Policies* reforms. It demonstrates a couple of conceptual breakthroughs shared by Wang Anshi with Nobel Peace Prize winner Muhammad Yunus who is credited with conceiving modern microcredit: namely, Wang’s articulation of the concept of interest-bearing lending being a more effective form of aid than philanthropy, as well as the “mutual solidarity” acollateral lending concept. Finally it analyzes the practice’s ultimate failure in expanding its operations from successful initial pilot programs around 1050 and 1070 A.D.

This section begins by clarifying a couple of historical parameters: first, that historical appreciation of the main conceptual breakthroughs of microcredit appears to mostly reach back to Yunus’s breakthroughs, with an occasional comparative view of similar practices in past centuries; and second, that Wang Anshi’s *Green Shoots Policy*, rather than being some type of long-lost document, presents an unexpected model of classical Chinese microcredit that actually has more or less been hiding in plain view over the centuries since its failed implementation. “The history of microcredit” is commonly appreciated as having begun with the independent conception of the practice by Muhammad Yunus in 1974 in his native Bangladesh, or by the Latin America-based ACCION which claims to have established microcredit operations in

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Earlier than this, elements of microcredit practices have been traced back to regulation enabling community-based lending funds in Germany in the late 18th century, or to less formal membership-based financial institutions in 15th- and 16th-century Nigeria. However, it is unclear which other models before the 1970s might have constituted formal, broad-scale, poverty-targeting, interest-charging, mutual-solidarity-based “microcredit” practices. It appears that during the same century which saw the first instances of movable type printing and a precursor version of the Bessemer process, China might have also been the original home of formal microcredit.

Wang Anshi was born in modern-day Jiangxi province in 1021 A.D. He is a familiar figure of Chinese history as one of many influential intellectuals who were also influential political figures during the Northern Song period (960—1127), in which a focus on serving government particularly pervaded intellectual culture. Wang is principally remembered by history as a failed reformer: after his time in office, most of his initiatives were eventually reversed by supporters of his nemesis, Conservative faction leader (and celebrated historian) Sima Guang. Recognized as a distinguished scholar since achieving high scores in the jinshi palace examinations in 1042, Wang formed a wide-ranging set of reformist inclinations while serving the first twenty years of his career in the lower Yangtze region. Wang’s reform ideas were broad in scope, ranging from introducing control of the price of cereals as a way of fighting against the practice of stockpiling; to substantially increasing the salaries of state officials to allow them to more single-mindedly pursue the public good; to creating peasant militias as a means of reducing the state’s bloated costs of supporting mercenary armies. Many modern scholars have used the term “socialist” to describe Wang’s inclinations that the government

21 王安石
should control economic activity; however, it was possibly his personal background in the south-eastern region of China, which witnessed rapid economic expansion and its “intense circulation of goods and money,” which influenced his perspective that poor peasants were exploited by the rich fundamentally due to obstacles impeding the free circulation of wealth.25 Wang’s ideas gained a wide following when he submitted his “Ten Thousand Word Memorial” in 1058. By 1068 the new emperor Shenzong had begun to seek Wang’s council. Wang won deep influence in Shenzong’s decision-making, and

The full trust which Emperor Shenzong gave to Wang Anshi created one of those rare opportunities in all of imperial history: a man of ideas was given virtual free rein to implement them in the name of a ruler who fully respected him.26

Wang was named second privy councilor in 1069 and Chancellor in 1070, a title which he would hold until a year before his death in 1086. From 1069 through the early 1070s, Wang introduced his New Policies (xinfa)27 reforms which, as Wang’s ambitious attempts to embody his deeply-formed progressive inclinations, set in motion sweeping changes through various aspects of Song society. The New Policies included instituting the baojia28 system, a plan for organizing households into groups of tens and hundreds for collective responsibility in reporting crimes and maintaining order and defense.29 They also focused on education, breaking down educational barriers which divided clerks and civil servants, and broadening the range of competencies tested in the jinshi government exams. Finally, the New Policies contained a number of wide-ranging economic reforms, including such fundamental changes as implementing new ways to manage the state’s procurement system, surveying landholdings then accordingly adjusting agrarian tax rates, and recognizing the roles of the craft and trade guilds. Among these economic reforms was included one particularly intended to address Song farmers’ precarious economic conditions: Wang’s newly-conceived rural finance policy, the Green Shoots Policy, qingmiaofa.30

27 新法
28 保甲
29 The baojia system persisted in China in different forms throughout the rest of its imperial history.
30 青苗法
The Northern Song period in China was plagued with a destabilizing problem, agricultural shortages, which had been faced by governments throughout much of Chinese history. Speculators would aggravate seasonal imbalances in grain supply and demand, and small farmers would often be forced to borrow during planting season. Furthermore, unstable grain price conditions were exacerbated by the pervasive practice known as jianbing'ing, in which local tycoons lent to peasants at usurious rates and then often seized peasants’ land which they were forced to use as collateral. Jianbing'ing had been dealt with as a major social problem in China since at least the Han Dynasty.

As means of dealing with the instability brought on by shortages and famines, Chinese governments had relied on two main practices: ever-normal granaries, and credit. The basic concept of an “ever-normal granary” is for a government (or other large entity) to store grain at a constant supply in order to reduce prices’ manipulability. The term was coined in China by Geng Shoucang (d. 49 B.C.) of the Western Han dynasty, but basic elements of this model were being practiced as early as the Spring and Autumn period with “normalizing grain-sale.” During the Song, the ever-normal granary system was plagued by rampant occurrences of local officials’ transferring grain stores to private use, conducting buying and selling of grain on an inefficient basis, or profiteering in collusion with local powerful merchants. This resulted in catastrophic, fundamental instability in agricultural markets. The alternate means used in ancient and classical China to address instability in addition to the ever-normal granary system, was to

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31 聚併/兼併


33 The phenomenon was pervasive enough in the Han to have been called “the key social question” of the Han period. Commentators as early as Chao Cuo, d. 154 B.C., equated “floods or droughts, the cruelty of an oppressive government, (and) untimely taxes” with farmers’ selling of their land to large landowners. Mao, Han-kuang. “The Evolution in the Nature of the Medieval Genteel Families.” *State and Society in Early Medieval China*. Edited by Albert Dien, Stanford: Stanford University Press, 1990. p. 74.

34 常平仓. It is not clear whether the term was necessarily copied over from Chinese into English, but the term “ever-normal granary” has still been referred to as a basic economic concept in modern times. Graham, Benjamin. *Storage and Stability: A Modern Ever-Normal Granary*. McGraw-Hill, 1997 (originally published in 1937).

35 趙時昌/耿壽昌

36 *History of the Former Han Dynasty*. “Annal of Food and Commodities.” (Finished 111 A.D.) Sang Hongyang 桑弘羊 established an ambitious government system incorporating the “normalizing grain-sale” and “normalizing grain-purchase” 平糶 methods during the reign of Han Wudi (156-87 B.C.), making “the myriad things be unable to fluctuate in price.” Qian, Sima. *Records of the Grand Historian*. “Treatise on Equalization.” 91 B.C.

37 范蠡, discussed by Fan Li 范蠡 in 《計然之策》 used by Gou Jian the King of Yue.

38 Deng, p. 145.
employ credit policies. Indeed, poverty alleviation loans had been employed by Chinese
governments since centuries before Christ: the Rites of Zhou contains records of a national
institution known as the quanfu\(^{39}\) in the Spring and Autumn Period (from around the second half
of the 8th century B.C. to the first half of the 5th century B.C.) which was made in charge of
administering two types of loans to farmers—zero-interest she\(^{40}\) loans allowing the borrower to
purchase necessary items during a period of economic difficulty, and interest-bearing, larger-
amount dai\(^{41}\) loans administered for rural enterprise. The ability to borrow during the spring
tilling season provided greatly enhanced stability to small farmers.

Wang Anshi gained a firsthand exposure to the Song state’s rural economic problems
when he was appointed as magistrate of Yin county (notably, the location of Zhejiang’s modern-
day Yinzhou whose Rural Cooperative Bank invested in the Xinjiang Wujiaqu Citizens’
Village/Township Bank) from 1046-1050. During this period, he was able to acquire not only
local-based administrative experience, and but also an appreciation for the types of problems that
the Song everyman faced in his farming existence. In particular, Wang witnessed the
fundamental factor in the Yin county farmers’ precarious economic circumstances that was their
vulnerability to the local jianbing’ing tycoons. As he described in the Green Shoots Policy:

> People’s poverty, is always constituted of the situation that when ends can’t be met, jianbing’ers will take
advantage of their distress and seek two-times interest, and the borrowers will be unable to earn that
amount through their labors.\(^{42}\)

Recognizing that Yin county’s farmers were essentially being preyed on because of their chronic
lack of alternatives to jianbing’ers’ usury, Wang attempted to conceive a model which could
address small farmers’ economic distress but that also could preserve the limited base of
resources which he had access to to serve the community. Interest-free poverty alleviation loans

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\(^{39}\)泉府. *The Rites of Zhou* (《周礼》) is thought to have been composed during the Warring States period (476—
221 B.C.). The topic is discussed in Book 15: “凡赊者，祭祀无过旬日，丧纪无过三月;” “凡民之贷者，与其有
司辨而授之，以国服为之息”. “国服” referred to the type of industry that the borrower was in, meaning that
charged interest would vary according to industry. For example, a lacquer farmer would have to pay 25% annual
interest.

\(^{40}\)赊

\(^{41}\)贷

\(^{42}\)“人之困乏，常在新陈不接之际，兼并之家乘其急以邀倍息，而货者常苦于不得。”
had been administered in earlier Chinese history, but Wang realized that such a practice “simply could not be sustained.” Therefore, Wang added a feature of charging substantial interest even on these small poverty alleviation loans in order to allow for costs of operating the program (including occasional failure of some farmers to repay) to be covered. The line of reasoning that poor farmers could be best helped by the same method—interest-bearing loans—which was broadly understood to be the source of their greatest problems, was truly unique at the time.

Many of the specifics of the model Wang used in Yin county have not been preserved through history, but it is known that Wang’s experimentation with charging interest on loans, as well as with incorporating an additional feature of conducting lending in the form of maize instead of currency to guard against the effects of currency inflation, ended up being widely regarded as a successful project in staving off Yin county’s jianbing’ing epidemic. With this success, Wang was encouraged that poverty alleviation could be effectively approached as a government lending business.

In late 1069, Wang published his Green Shoots Policy. Based at least partially off the Yin county model, Wang attempted to provide a prescriptive model to generalize his previous success in using finance to liberate farmers from the poverty trap of jianbing-style financial practices. The model was to be first applied and then refined in pilots in Hebei province, the region east of the capital Bianjing (Kaifeng, in modern-day Henan province), and the Huainan region (in modern-day Anhui). Wang’s articulation of this Policy was divided into two parts: the first part described Wang’s legislative intention to build a policy microcredit system, and the second part explained specific implementation measures for the Policy. It was in these two separate ambitious plans, of a group-based lending poverty alleviation lending model and of a top-down implementation system with orders from the center directly transmitting all the way down to county loan project managers, that Wang’s Green Shoots Policy distinguished itself as a revolutionary model for poverty-targeting financial services, and then ultimately, sadly failed to expand past its successful beginnings.

Wang’s Green Shoots model was truly that of a practical and effective, microcredit platform. The model was composed of the following aspects. Loans were disbursed both on the thirtieth day of the first lunar month and in the fall for buying materials on the thirtieth day of the

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43 Shao Bowen (1057-1134), among others, has said stated that Wang’s projects in Yin county including his loan program constituted the successful bases for many of the New Policies. Shao, Bowen. Master Shao's Record of Perceptions. Chapter 11. 邵伯溫：《邵氏聞見錄》卷一一。
fifth month. Borrowers applied for loans of their own volition, with the government not allowed to force peasants to take out loans. Grain loaned to farmers was fixed at a price according to the last year’s price, allowing farmers to reliably decide how much to borrow in order to plant for the next harvest. In repayment, the borrower could then either repay the loan in cash or in the standard commensurate amount of grain.

In order to decide loan sizes, the Green Shoots Policy included a system for rating potential borrowers’ creditworthiness. Borrowers were classified into five grades based on both the size of their property, and an evaluation of their personal credit-worthiness: for example, a loan applicant who owned no land and was regarded as having poor personal qualities would be classified as “Grade E,” and an ideal applicant would be graded as “Grade A.” Evaluation of applicants’ credit-worthiness was carried out through detailed inspections conducted by the county magistrate, county assistants, and basic-level officials above 60 years of age.

A particularly distinctive, unique aspect of Wang’s model was in a mechanism for enhancing loan repayment rates by having farmers mutually guarantee each other’s loans. Wang had the insight that by organizing borrowers into groups and making members mutually responsible for the repayment of the entire group’s loans, borrowers could be caused to peer pressure each other to each repay their individual loans. The Green Shoots Policy thus included the condition that borrowers be grouped into five- or ten-person groups according to their bao, with each group collectively guaranteeing each of its members. Furthermore, each group was required to possess at least one member of “Grade C” or higher, to act as the first guarantor member of the group.

Repayments of the two loans took place after the summer and fall harvests respectively. Wang also transmitted his practice of charging interest from the Yin county experiment. Similarly to modern microcredit, interest was significant. Interest was charged on loans ranging from 20-30% per loan: in other words, even the cheapest loans administered would have charged an annualized rate higher than 40%. Loans were required to be paid on time and in full except in the case of a natural disaster for which repayment could be delayed.

With such imaginative aspects, Wang’s Green Shoots model would have been considered revolutionary even in the twentieth century. In his policy for expanding credit access to the Song state’s rural poor, Wang indeed articulates what are arguably the two breakthrough conceptual insights of modern microcredit that Yunus has been credited with originating. First, he describes
a rationale for addressing economically distressed peasant’s problems through the means of providing loans rather than providing aid. Wang describes the popularity of his program in Yin county, and explains the optimality of providing interest-bearing loans to peasants rather than providing unsustainable philanthropy:

> At the beginning I did not expect that (potential borrowers) would desire to participate, but we could not suppress people’s desire to participate. At the end I did not expect them to repay, but they could not be repressed from repaying; this must be because it is of benefit to the people. If loaning at twenty percent interest is not as good as loaning at ten percent interest, if loaning at ten percent interest is not as good as loaning without interest at all, and if providing an interest-free loan is inferior to simply granting the money, then how come we must lend at twenty percent? (Because) in the future that simply could not be sustained. As an unsustainable approach, this would constitute governing with good intentions but without awareness; it would not accord to the Way of Benefiting Rather Than Costing; so we must lend. There are officials’ salaries, there is the cost of carriage transportation, there is our obligation to treat people’s hunger caused by drought or pest problems, so, how can we not charge twenty percent interest? Thus, twenty percent interest, along with the fairness and justness of ever-normality, how could this be (avoided)?

Wang justifies his microcredit concept in a couple of ways. First, he points out that it must have been of benefit to its clients, because they largely so eagerly chose to participate in the loan program, and then repaid their loans. Second, he points out that while in an isolated sense simple philanthropy, or at least interest-free loans, might seem more generous than an interest-bearing loan as a means of addressing a peasant’s distress, such methods would cause the government to run out of resources which with to continue to provide help. Wang’s assertion that a model for addressing peasants’ financial problems should be one that sustainably earns interest revenue to cover the costs of the enterprise, would be considered cutting-edge even in the twentieth century.

In addition to that understanding that loans rather than philanthropy could provide a sustainable means for helping Song rural poor, another remarkable conceptual breakthrough of Wang’s is in the aspect of his credit policy’s operational model of having bao members mutually

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44 始以为不请，而请者不可遏；终以为不纳，而纳者不可却，盖因民之所利而利之，不得不然也。然二分不及一分，一分不及不利而货之，货之不若与之，然不与之，而必至于二分者，何也？为其来日之不可继也。不可继则是惠而不知为政，非惠而不费之道也，故必货。然而有官吏之俸、辇运之费、水旱之逋、鼠雀之耗，而必欲广之以待其饥不足而直与之也，则无二分之息可乎？则二分者，亦常平之中正也，岂可易哉？

It might also be noted that Wang’s point about the effectiveness of his Green Shoots model was also made in the context of an ongoing debate throughout history as to the appropriateness of government involvement in finance. The excerpted passage was made in support of the assertion that “financial management is a government matter,” “政事所以理财.”
guarantee each other’s loans. While modern microcredit’s use of “social capital” is predated by such informal practices as rotating savings and credit associations,45 Yunus’ “mutual solidarity lending model” is regarded as innovative in having linked mutual, informal social forces to formal lending. As Yunus explains:

Group membership not only creates support and protection but also smoothes out the erratic behavior patterns of individual members, making each borrower more reliable in the process. Subtle and at times not-so-subtle peer pressure keeps each group member in line with the broader objectives of the credit program. A sense of intergroup and intragroup competition also encourages each member to be an achiever.46

It could be seen to be surprising not only that what is now known as “the Grameen model” after Yunus’ bank was indeed, 1,000 years ago, basically “the Wang model,” but also that the two models were similar to each other in some truly uncanny ways: even the size of Wang’s mutual solidarity groups of five or ten borrowers exactly matches or doubles Yunus’ five-person groups.47 Both Yunus’ model and Wang’s model appear to optimally incorporate the ability of small groups to magnify the ‘opportunity capital’ which causes borrowers to repay their loans even in the absence of tangible capital. Indeed, Wang’s model might even be seen to “build off” Yunus’ basic mutual-solidarity model in incorporating the condition that each group would be required to use a highly-graded member as the first guarantor of each of the group’s loans.

Utilizing this revolutionary theoretical model of financial poverty alleviation, Wang’s Green Shoots Policy would be implemented with some successes over the course of the decade and a half that he held the Chancellorship. By some indications, on a fundamental level Wang’s model “worked:” by the 1080s, millions of guan of Green Shoots loans were being administered each year across the Song state, providing an alternative for peasants to the loan-sharking activities which made them vulnerable to jianbing’ers. From the perspective of sustainability the practice also proved to be quite feasible, earning an approximate 3% income for the government by 1080. The scholar Qi Xia has collected recorded statistics of the Green Shoots program, demonstrating total results for the two years of 1080 and 1083 of 13,186,114 and 11,037,772 guan administered with 1,814,308 and 2,927,687 of interest revenues (13.8% and 26.5%)

46 Yunus, Banker to the Poor, p. 62.
47 From a social-psychological perspective, this makes one wonder if perhaps there is some naturally appropriate aspect of a five-person-sized group.
respectively. On a basic level it could be said that Wang’s model achieved his vision that “Where the peasants of past borrowed with interest from (local) powerful people, the peasants of today shall borrow with interest from government officials, and the officials will charge slightened interest which will relieve their poverty.”

Yet, despite the success of the Green Shoots Policy in providing many with a superior alternative to jianbing’ers’ loans, and the government with a means of perpetuating the project, ultimately, Wang’s reform would fail to survive past his time in office. Although the innovative model for enabling the state’s poor via credit was itself proven feasible, its broad context of administrative and political challenges eventually kept the Green Shoots Policy from becoming a longer-term institution of Song China. Wang’s attempt to implement his model so rapidly and widely over the too-long top-down chain of command from central to local government resulted in great disorder, leading the project to witness as many perverse failures as convincing successes throughout its lifespan. Without a clear and broad base of success, conflict with Conservatives over Wang’s broad reform philosophy ultimately caused the Green Shoots Policy to be an incidental target of the Conservative faction leaders who would succeed Wang in power.

In its implementation, the basic shortcoming of Wang’s Green Shoots Policy was essentially that its reach exceeded its administrative grasp. Despite its sufficient success in many regions to enable the program’s continuous operation for a decade and a half, Wang’s ambition to implement his system across such a wide reach and down such long vertical chains caused a few main problems which ultimately plagued the policy’s viability. The Green Shoots Policy was transmitted via top-down orders from the central government, to provincial and then central government bureaus, and then finally to actual loan office managers—an extreme distance, given the current infrastructure, to not only effectively communicate the system’s principles to local loan officers but also then monitor practices’ correct implementation. To truly build what was essentially a vast new public financial system would have required great effort over a period of multiple decades. Yet Wang’s entire approach was characterized by an attempt to simply bring the program into being in as quickly and widely as possible, which more or less constitutes acting on the assumption that the only issue in building an institution could be the soundness of

its operative idea for bringing a solution to a problem. Ignorance of the equal crucial non-
malleability of the system’s implementation to its core operational model was apparent even in
the program’s earliest stages, when the initial pilot programs in Hebei, Jingdong, and Huainan
had been established for merely a few months before the program was expanded nationwide.

A first way in which these communication costs were manifest could simply be seen as
being, in a broad sense, of the failure to allow sufficient time for a system to develop mistake-
correction and other improvement mechanisms before implementing a generalizable policy.
Attempting to begin the broad implementation of the Green Shoots Policy almost immediately
after establishing its pilots rendered the pilots essentially useless. This approach meant that,
essentially, the entire Green Shoots Policy’s method of implementation was being conducted
without any precedent besides the project that Wang had implemented locally in Yin county
twenty years earlier. Wang’s exceptional haste had the result of a broad uncertainty throughout
the government in forming an overall consensus of what the Policy needed to constitute.

Another negative effect of the hasty expansion of the program was that on the
organizational and managerial level of implementing Wang’s model, local actors lacked
sufficient experience and practical preparation for administering the program. Even with local
stakeholders’ best intentions, predictably, the intended model often ended up warped and
disabled in some or other important way. As Zhu Xi was attributed as commenting in “Wuzhou
Jinhua County Shecang Record,”50 Wang’s top-down administrative system failed to allow
sufficient control for strict selection of managers, as well as for maintaining the respective steps
and the overall pace of the project. These failures in turn arguably would have resulted in
common failure to implement the effective controls on loan administration to creditworthy
borrowers, and also to build the general local “institutional” presence required to ensure
repayment, giving way to high incidences of non-performing loans in many locations.

In addition to insufficient control over the implementation of the program, Wang’s
system also failed in its administrative capacity of monitoring “leaks” in the policy which

50 Zhu Xi was attributed as commenting on the Green Shoots Policy: “青苗者，其立法之本意，固未为不善也。
但其给之以钱而不以谷；其处之以县而不以乡；其职之者以官吏而不以乡人士君子；其行
之者以聚敛亟疾之意，而不以惨怛忠利之心，是以王氏能行于一邑，而不能行于天下
也。”Zhu Xi Reference, Chapter 79. (Zhu Xi 1130- 1200 A.D.)
allowed theoretically sound aspects of the system to be exploited to non-salutary practical ends. In some areas, most perversely, government officials began charging semi-annual interest rates upwards of 80% on peasants’ loans, essentially using the program as a cover for “official” loansharking. In the earliest stages of the *Green Shoots Policy*’s implementation this practice became disappointingly widespread, materially contributing to overall officially-tallied government interest income’s ballooning as high as 2.92 million *guan* in 1073.\

Failures occurred from bad behavior not only of government administrators, but also of the local communities whom the Policy served. Sometimes local powerful families organized broad conspiracies to take out loans and then collectively neglect repayment. In converse cases, even well-meaning participant wealthy families were often taken advantage of: with the distinctive aspect of Wang’s mutual solidarity model incorporating high-graded citizens to act as guarantors for group loans, the lower-graded recipients of loans would often collectively fail to repay, leaving their better-standing group member on the hook as the guarantor. Sima Guang lamented, “The poor exhaust (the loans), and the rich are impoverished.”\

In addition to the ineffective and sometimes-perverse implementation of the *Green Shoots Policy*, it also suffered from continuous critical attacks within the government. With Wang’s haste to institute the Policy, mixed results could not strongly sway public opinion in favor of the practice. The scholar-official class maintained broad opposition to the new plans, causing large friction costs in institutional development.

Perhaps even more than by criticisms stemming from the pronounced flaws of the program itself, the *Green Shoots Policy* also became a casualty of Conservatives’ attacks of Wang’s *New Policies* at large. The educational reforms of the *New Policies* aroused the deep-seated resentment of entrenched bureaucrats who had achieved their status under the old system and still had some material interests in perpetuating it. The *New Policies*’ land surveys and taxation reforms threatened the hold of established elites on their local areas. Many of these such entrenched stakeholders attempted on one hand to slander Wang, and on the other to interfere with the implementation of his new measures at the local level. Wang’s complex approach to expressing his ideology, in which he couched his legislative initiatives in Legalist

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51 Yang, Zhongliang. *Extended Continuation of the Zizhitongjian Historical Narrative.* Ca. 1220.
53 Mote, 141.
phrases like “enriching the state and strengthening the military,” ironically served to make him a target of accusations of anti-Confucianism despite his fundamental assertions of his measures’ primary service to the people rather than the state.\textsuperscript{54} Wang’s reforms were vociferously opposed by such Conservative personages as Su Shi and Ouyang Xiu.\textsuperscript{55}

In addition, of course, the litany of institutional failures resulting from Wang’s haste to implement the \textit{Green Shoots Policy} made it an easier target. Prominent Conservatives such as Sima Guang and Ouyang Xiu had access to a wealth of horror stories resulting from different types of institutional breakdowns, from which to conduct attacks of the \textit{Green Shoots Policy} as an example of the \textit{New Policies} carrying perverse economic and social consequences.

Ultimately, Conservative criticisms of the \textit{New Policies} did not abate, and after the death of Wang’s patron Emperor Shenzong in 1085, a Conservative group under the succeeding empress dowager implemented a vindictive anti-Wang policy. Before Wang passed away in 1086, he was able to see the \textit{Green Shoots Policy} shut down as part of what would be a process of most of his \textit{New Policies} being revoked over the next eight years. When Emperor Zhezhong took reign in 1093 he actually attempted to reinstate Wang’s policies, but factional strife continued throughout the reign of Zhezong and of his ineffectual successor Huizong (r. 1100—1135), and the policies were reduced to being “nothing more than an instrument in a bitter political warfare.”\textsuperscript{56}

In history’s analyses of Wang’s reforms, not much positive significance has been attached to the \textit{Green Shoots Policy}. While Wang is perhaps remembered primarily as a failed reformer, some have viewed Wang and his overall \textit{New Policies} reforms in a decidedly more positive light. For example Liang Qichao, in his piece \textit{Wang Jinggong} titled after another name used to refer to Wang Anshi, thusly described Wang and his \textit{New Policies}:

\begin{quote}
His ethical capacity deeply was as if a wave of one thousand moments, his integrity was as mountainous as a 20,000-meter wall… the achievements that he installed, addressed the demands of the time and relieved its problems.\textsuperscript{57}
\end{quote}

\textsuperscript{54} Ibid, 140. Also see Bol, pp. 212—253 Chapter 7: “For Perfect Order: Wang An-shih and Ssu-ma Kuang.”
\textsuperscript{55} Ibid, 153.
\textsuperscript{56} Mote, 142, 207-8.

梁启超：《饮冰室合集》专集第七册《王荆公》，中华书局 1936 年版。
Additionally it is accepted that historical records produced around Wang’s time would have been altered to present Wang in a more negative light (Wang’s own records were destroyed). With a mixed overall judgment of Wang’s merit as a leader of the Song state, though, modern references to the *Green Shoots Policy* tend to describe it cursorily and critically in terms of the shortcomings that led to its failure, or neutrally without acknowledging its innovative aspects.\(^5^8\) Considering the theoretical breakthroughs inherent in the *Green Shoots Policy*, Wang’s legacy as a revolutionary rural finance innovator has not been fully recognized.

The merits of Wang Anshi’s attempts to impose his reforms on the Song state may be judged as their own broad topic. However, based on his conception of the *Green Shoots Policy*, Wang should undoubtedly be recognized as an inventor of microcredit. While such macro-results as the *Green Shoots Loans*’ overall financial statistics may of course be taken with an appropriately moderated perspective, it is undeniable that Wang conceptualized, and then carried out with at least partial success, a model for poverty-alleviation credit which incorporates the concepts of mutual solidarity lending and interest-based sustainability that are two of the most important pillars of “revolutionary” modern microcredit. Wang may have failed in executing the implementation of his ambitious idea, but he could be seen as having essentially succeeded in inventing modern microcredit in classical China.

**Conclusion**

Innovative microcredit practices in China might be seen as providing some notable lessons to the world. This paper hopes to have reflected a few poignant lessons through surveying some impressive instances of Chinese microcredit institutions innovating financial and organizational models to adapt to their local contexts.

The innovations of the Wengniute CLACCA as well as the Zhangzheng CMAC and the Wujiaqu Citizens’ Township/Village Bank can be seen to be demonstrative of important lessons in two main ways. First, the successful organizational innovations of each institution illuminate a certain feature of microcredit broadly as a development practice. The case of the Wengniute CLACCA, whose “five-in-one” system incorporates the impressive innovation of ‘meta mutual

solidarity groups,’ demonstrates that microcredit can be drastically adapted to suit a given context. The Zhangzheng CMAC and Wujiaqu Citizens’ Bank cases demonstrate that the practice itself can either be mixed with or simply adapted to incorporate different functions that serve its clientele. Microcredit is in some ways a simple tool, and it is of course limited, but it is also malleable.

In addition, the above cases can be seen as indicative in the Chinese context. In China’s economic “playing field,” economic success crucially requires local government as a stakeholder, rather than simply being limited to the agents of the business, the customer and a static law. Adaptive solutions to local problems in China must involve the local government’s support.

The last section of the paper, discussing Wang Anshi’s conception of an “ancient microcredit,” is of course far removed from the modern scope of the rest of the survey. However, it is hoped that it may still to some extent be treated as a case of more than merely idiosyncratic interest. On the one hand, as a piece of history, Wang’s case can be seen to demonstrate some of both the power and the limitations of a “big idea” such as microcredit as it influences and is constrained by its political-social environmental parameters. On the other hand, the Green Shoots Policy may be seen to underscore a couple of operative concepts important to the survey. A second theme of Wang’s “chapter” which reflects back through the rest of the survey is the concept that tying people into stakeholdership of each other’s individual responsible economic action, can lead to enhanced overall performance. Wang’s conception of mutual solidarity groups was based on the same exact principle used in modern microcredit, and his failure was arguably in the fundamental area that faces modern microfinance institutions: the issue of whether all local agents—from high-ranking government officials, to the clients themselves—recognize the value of the sustained operation. The cases including that of the Wengniute CLACCA’s ‘meta mutual solidarity group’ serve as a sort of elaborated validation of this same principle, that microcredit is fundamentally a group effort that must be adapted to its local context.
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