

Guidelines on Rural Household Micro-Credit by Rural Credit Cooperatives

(The People's Bank of China)

2001.12.10

I. These Guidelines are formulated in accordance with such laws and regulations as Law of the People's Republic of China on the People's Bank of China, the Commercial Banking Law, and General Rules on Lending, for the purpose of supporting rural and agricultural development, promoting credit service quality of rural credit cooperatives (hereinafter referred to as RCCs), improving access to financing and streamline lending procedures.

II. A rural household hereunder refers to farmer and self-employed households who are registered as rural resident, engaged in landfarming and other related business in agricultural sector.

III. Micro-credit hereunder refers to credit within the specified lines and maturity that needs no collateral or guarantee extended to rural households on the basis of their creditworthiness.

The credit line shall be set by the county (city) rural credit union in light of the local economic situation, farmer's income level and fund availability in the RCCs and approved by the county (city) PBC sub-branch.

IV. Each rural household has a fixed credit line and may have borrow so long as the balance is within the limit.

V. A farmer household should meet the following criteria to apply for micro-credit:

A. resides in the service area of UCC;

B. has full capacity and good credit standing;

C. engages in land farming or other productive operations compatible with state industrial policy and has reliable and legitimate income sources; and

D. has the ability to repay both the principal and interests.

VI Micro-credit is provided for financing the following activities:

A. Agricultural production;

B. purchase of small farming machinery;

C. services before, during and after agricultural production; and

D. housing, medical service, education and consumption.

VII. RCC should have a rural household credit rating system with rating methods formulated on the basis of household creditworthiness, credit record, details of productive operation, performance, and debt-service ability, etc.

VIII. RCC should have detailed household credit record files that should include the following items:

A. Name, ID card number, address, means of contact;

B. A description of the productive operation, income level, and household assets;

C. Debt servicing record;

D. Comments by the Village Residents Committee;

E. Opinion of the staff who handles the case.

Credit cooperative unions are to decide on the form and specific items in the credit record file in light of the local conditions.

IX. RCC shall set up a household credit assessment group to be composed mainly of RCC staff and rural household representatives. Members of the Village Party Branch and Village Residents Committee shall also participate in the group.

X. Household credit assessment shall follow the procedures prescribed below:

A. The household applies to RCC for an assessment;

B. Credit officer looks into the financing demand and household income and provides a proposal on credit assessment;

C. Household credit assessment group makes the assessment in accordance with the rural household credit assessment methods.

XI. Household credit ratings consist of three grades, i.e. excellent, good, and pass. The rural credit cooperative union shall set the criteria for the specific categories in light of local situations.

XII. RCC fixes a credit line for the household consistent with its credit assessment and issues a bank book (card) to the household.

XIII. RCC reviews the credit rating of each household once every two years and make accordingly.. If the household changes the purpose of a loan at will, or rent or lend the bank book (card) to others, the RCC shall revoke itseligibility to micro-credit.

XIV. The farmer can go to the outlet of RCC with the permit (card) and valid identity document for a loan within the credit line. Credit officer may also go to the householdsto deliver a loan.

XV. RCC shall keep the loan record for each household in the bank book and simultaneously in the RCC-kept files.

XVI. RCC shall assess the performance of credit officers in terms of loan issuance, aggregate amount of the loans and recovery and reward them accordingly.

XVII. The maturity of micro-credit shall be set in accordance with the production cycle and shall be within one year.

XVIII Interest rate of the credit shall be made more concessional on the basis of PBC benchmark lending rate and floating band.

XIX. Interest payment method of micro-credit shall be the same as other loans.

XX. The PBC branches and sub branches shall urge RCCs under their jurisdiction to formulate implementation methods suitable to local conditions and report to local sub branch for record keeping.