

Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard

Full country profile: People's Republic of China

33. People's Republic of China

Key facts on SME financing

In China, there were over 140 million SMEs and self-employed in 2020. Overall, SMEs contribute over 60% of total GDP, 50% of tax income, 79% of job creation and 68% of exports. In 2020, there were about 2.52 million new companies, and the number of newly registered enterprises reached 22 000 per day.

Outstanding business loans for micro and small businesses (MSEs) increased to CNY 36 900 billion in 2019, up by 10.17% from 2018. The share of loans for MSEs remains stable, between 42.97% and 42.85% over the period 2017-19. The ratio of short-term loans to total loans for SMEs decreased from 41.62% to 40.76 % over the period 2018-20.

In 2020, interest rates for SMEs and large firms were 4.84% and 5.06%, down respectively 0.02 and 0.05 percentage points compared to 2019. The interest rate gap between SMEs and large enterprises remains negative, with the difference declining from 0.25 to 0.22 percentage points in 2019-2020. The negative interest rate spread between SMEs and large firms is driven by the support from the Chinese government to reduce the cost of SME loans, including interest rates and bank charges. In 2020, the People's Bank of China reduced re-financing rates and set up special low-cost re-financing funds multiple times to support SMEs. Inclusive finance loans to SMEs significantly increased and the comprehensive financing cost of loans declined steadily. In 2019, the 1-year interest rate in the shadow banking sector ranged from 12.23%-13.81%, with a spread of about 7.4%-8.9% compared to formal bank loans. In 2020, the shadow banking assets reached CNY 59.2 trillion, a slight increase of CNY 200 billion. However, the share of SME loans in shadow banking is difficult to estimate.

In 2020, the rejection rate of loan applications by SMEs was 3.79%, down 0.26 percentage points compared to 2019. On average, only 57.94% of SMEs tried to apply for a bank loan. The utilisation rate of SME bank loans was 84.55%.

In 2020, SMEs obtained CNY 222.6 billion from STAR Market, CNY 249.2 billion from the Shenzhen SME Board, CNY 176.9 billion from Shenzhen Venture Board, and CNY 33.9 billion from NEEQ. Venture capital, leasing and factoring, online lending and crowdfunding continue to remain important sources of SME financing.

The bankruptcy rate for SMEs was 4.06% in 2020 according to survey data, up 31.39% from the previous year. In recent years, the Chinese government has simplified the cancellation process of companies to unblock the channels for market exit. The number of companies that closed their business and cancelled their registration increased from 1.81 million in 2018 to 3.30 million in 2020. The ratio of cancellation cases to new company registrations was about 1 to 2.43 in 2020. However, survey data also show that bankruptcy rates have increased as SMEs were greatly affected by the COVID-19 pandemic.

In 2020, the National Financing Guarantee Fund supported 45.6 million SMEs, totalling CNY 70.91 billion. The National Guide Fund for Venture Investment in Emerging Industries accounts for an aggregate investment of over CNY 85 billion. Special Funds for SME Development account for over CNY 5.04 billion in total.

Facing the huge challenge of COVID-19, the Chinese government promptly proposed a series of emergency policies to financing SMEs in earlier stage of the pandemic. Such immediate policy responses included lowering the deposit reserve ratio, arranging special re-financing funds, and allowing SMEs to delay the payment of overdue bank loan instalments.

Table 33.1. Scoreboard for the People's Republic of China

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	RMB billion	..	..	13 616	17 139	21 168	25 356	28 585	33 302	35 300	40 517	46 477	..	..	..
Outstanding business loans, total	RMB billion	..	..	24 940	30 292	35 017	39 283	44 019	52 162	53 895	62 578	71 545	78 728	86 123	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	54.60	56.58	60.45	64.55	64.94	63.84	65.50	64.75	64.96	..	..	..
Outstanding business loans, Small and Micro Enterprises	RMB billion											30 744	33 492	36 900	..
Share of outstanding loans, Small and Micro Enterprises	% of total outstanding business loans											42.97	42.54	42.85	..
Share of short-term loans	% of total outstanding business loans							42.12	43.12	42.4	40.35	38.06	35.77	34.35	32.86
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	56.10	49.24	47.56	54.69	40.97	41.62	39.09	40.76
Direct government loans, SMEs	RMB billion	..	..	..	..	1 550	1 813	2 082	2 470	2 820	..	..	..	..	..
Non-performing loans, total	% of all business loans	..	..	..	..	1.26	1.21	1.25	1.49	2.04	2.07	2.05	2.29	2.24	..
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	1.75	1.65	1.66	1.97	2.59	2.60	2.58	3.16	3.09	..
Interest rate, SMEs	%	..	..	..	..	..	..	8.39	7.51	5.23	4.77	5.78	5.17	4.86	4.84
Interest rate, large firms	%	..	..	..	..	..	..	7.72	7.47	5.26	4.89	5.40	5.07	5.11	5.06
Interest rate spread	% points	..	..	..	..	..	..	0.67	0.04	-0.03	-0.12	0.38	0.10	-0.25	-0.22
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	51.59	52.98	54.52	54.76	55.67	52.05	50.28	50.38	..	..
Collateral, Small and Micro Enterprises	% of Small and Micro Enterprises needing collateral to obtain bank lending							55.83	56.96	58.00	54.21	52.38	52.5	53.2	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	69.88	63.06	53.09	58.36	54.79	57.94
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	6.19	11.97	11.72	6.13	4.07	3.69	4.05	3.79
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	93.51	94.75	94.48	94.03	89.91	86.26	84.32	84.55
Non-bank finance															
Venture and growth capital (stock)	RMB billion	111	146	161	241	320	331	264	293	336	377	411	476.9	563.6	..
Venture and growth capital (stock, growth rate)	%, Year-on-year growth rate	..	30.80	10.26	49.93	32.88	3.59	-20.34	11.15	14.59	12.02	9.16	16.03	18.18	..

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Venture and growth capital (incremental)	RMB billion	..	..	..	..	..	25.11	27.90	37.44	46.56	50.55	84.53	52.72	86.68	..
Venture and growth capital (incremental, growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	11.11	34.20	24.36	8.60	67.22	-37.63	64.42	..
Leasing and hire purchases	RMB billion	24	155	370	700	930	1 550	2 100	3 200	4 440	5 330	6 060	6 650	6654	6504
Factoring and invoice discounting	EUR billion		55.0	67.3	154.6	274.9	343.8	378.1	406.1	352.9	301.6	405.5	411.5	403 504	433 162
Other indicators															
Payment delays, B2B	Number of days	..	..	..	..	..	..	95.91	72.31	64.44	65.21	44.00	38.00		
Bankruptcies, SMEs	Percentage of all SMEs	..	..	..	..	..	..	8	7	5	5	4	3	3.09	4.06
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	-4.36	-24.59	-13.37	-21.78	-22.97	8.42	31.39

Source: See Table 33.5.

SMEs in the national economy

In China, there are over 140 million SMEs and self-employed in 2020. Micro and Small Enterprises (MSEs) accounted for 98.5% of all firms. SMEs represent a fundamental part of the economy, contributing to over 60% of total GDP, 50% of tax income, 75% of job creation and 68% of exports.

During 2016-20, the Chinese government carried out a series of reforms to improve business environment, including reducing taxes, cut-off tedious administrative licencing procedures and reshaping commercial registration system. According to China's Business Environment Report (The National Development and Reform Commission, 2020, China reduced taxes and fees by CNY 2.36 trillion, more than 13000 certification items were cancelled, and the processing time for business start-up was reduced by more than half in 2019. China is gradually fostering a business environment that is based on market principles, governed by law and up to international standards. In 2020, there are about 2.52 million new market entities in China, about 22 000 new business are created every day. Vast growth in this area is likely due to the government's continued reforms of the commercial registration system.

SME lending

In past years, China shifts its focus to the share of Micro and Small Enterprises (MSEs) in total business loan¹. The outstanding business loans for Micro and Small Enterprises (MSEs) increased to CNY 36900 billion in 2019, up 10.17% from 2018. The share of loans for MSEs remained stable between 42.97% to 42.85% over 2017-19. In the past years, the Chinese government has encouraged financial institutions to increase credit supply for MSEs, promoting financial institutions to better serve them. In 2019, loan growth for MSEs and total businesses increased 10.17% and 9.39%, respectively.

In 2020, 57.94% of SMEs applied for bank loans, up 3.15 percentage points compared with the previous year. Generally, short-term financing is losing its traditional importance for SMEs. The ratio of short-term loans to total loans for SMEs decreased from 41.62% to 39.09 % over 2018-19. This ratio slightly increases to 40.76, up 1.67 percentage points in 2020.

In 2020, the Chinese government has allowed SMEs to postpone their repayments of bank loans, effectively easing the liquidity pressure they experienced when facing the COVID-19 crisis. In the past decade, small banks, private banks, village banks, small credit companies, and other new financing

organizations have developed and received support from the government. By 2020, about 25.73 million MSEs obtained their loan from banks, the number increases by 4.61 million compared to the previous year.

Credit conditions

The People's Bank of China take a critical step towards market-oriented reforming of loan interest rates. The formation mechanism of loan market quotation rate is introduced in 2020. LPR, the new lending benchmark rate, experienced a decline at first and then keep stable at a relatively low level of 3.85 % in 2020.

In 2020, interest rates for SMEs and large firms were 4.84% and 5.06%, down 0.02 and 0.05 percentage points, respectively, compared to 2019. The interest rate gap between SMEs and large enterprises remains negative, and the difference declined from 0.25 to 0.22 percentage points in 2019-2020. Thus, in recent years, SMEs have more advantages in terms of credit conditions than large enterprises thanks to the National Strategy to support financing for SMEs and entrepreneurs implemented by the Chinese Government.

The extra fees in the process of loan application are an important component of the financing cost for a SME loan. In 2020, SMEs were on average charged 2.21% of the total value of bank loans in the form of extra loan fees, slightly down 0.26 percentage points with respect to the previous year. In 2020, SMEs were exempted from about CNY 360 billion additional service charges for their loan applications as part of the government policy response where tax and fee reduction was the key point in deepening the "cost reduction" in China's supply side structural reform.

In 2016-19, the collateral requirements were another constraint for SMEs to obtain bank loans. The share of collateral -backed loans in total SME loans has steadily decreased from 54.2% to 53.2%. In 2019, the Chinese government called for more credit support for SMEs. Demand-side surveys shows that the share of credit loans for SMEs increased in 2019-2020.

In general, the credit conditions of SMEs have been gradually improved in 2020, which can be confirmed by survey data on loan interest rates, interest rate spreads, loan fees, and other indicators. First, the rejection rate of SME loan applications is 3.79%, which is 0.26 percentage points lower than that in 2019. Second, the utilisation rate of SME bank loans has remained at a high rate of 84.55%, up 0.23 percentage points from 2019.

Alternative sources of SME financing

Equity financing

In 2003, the Chinese authorities proposed a plan to establish a multi-level capital market system. In 2019, the registration system reform was established and piloted. After 16 years of efforts, China has initially built a functional multi-level capital market system, consisting of traditional mainboards of Shanghai and Shenzhen, the SME Board, the Science and Technology Innovation Board (STAR Market), the Venture Board, National Equities Exchange, and Quotations (NEEQ). In 2020, the registration system of Venture Board, the transfer arrangement from NEEQ to stock markets are launched.

In 2020, SMEs obtained CNY 222.6 billion from STAR Market, CNY 249.2 billion from the Shenzhen SME Board, and CNY 176.9 billion from Shenzhen Venture Board, up by 170.08%, 29.34%, and 92.99%, respectively, compared to the previous year. In total, 145 small companies were listed in the STAR Market, 54 in the SME Board and 107 in the Venture Board in 2020, up 107.14%, 107.69%, and 105.77% respectively compared to the previous year.

In 2020, the total number of listed companies on the NEEQ was 8187, down 9.36%. However, the total transaction amount increased by 56.8% compared with 2019, reaching CNY 129.46 billion, and the total amount of stocks raised by listed companies throughout the year was CNY 33.9 billion compared to CNY 26.5 billion in 2019. At the same time, institutional investors and individual investors are also increasing year by year. In 2020, the number of individual investors increased rapidly to 1.608 million.

Table 33.2. Basic Statistics on the Development of NEEQ, 2016-2020

	2016	2017	2018	2019	2020
The number of listed companies	10 163	1 1630	1 0691	8953	8187
Total market value (CNY, billion)	4 055.8	4 940.5	3 448.7	2 939.9	2 654.2
Financing value (CNY, billion)	139.1	133.6	60.4	26.5	33.9
Exchanging value (CNY, billion)	191.2	227.2	88.8	82.6	129.5
Turnover ratio (%)	20.74	13.47	5.31	6.00	9.90
P/E ratio	28.71	30.18	20.86	19.74	21.10

Source: official website of National Equities Exchange and Quotations (NEEQ), <http://www.neeq.com.cn>.

Venture capital, which plays an important role in fostering national innovation systems, has become an important financing source for SMEs and entrepreneurship. The stock of venture capital investment reached CNY 563.58 billion in 2019, up 18.18% compared to 2018. In which, CNY 86.68 billion was incremental VC investment in this year. There is no doubt that the rapid development of equity financing has become an important means of solving the financing difficulties of SMEs.

Table 33.3. Venture and Growth capital in China, 2015-19

	2015	2016	2017	2018	2019
The number of VC organizations	1 775	2 045	2296	2800	2994
Total VC managed capital (CNY, billion)	665.3	827.7	887.25	917.9	998.91
The stock of VC investments (CNY, billion)	336.1	376.5	411.02	476.9	563.58
In which, incremental VC investments in this year (CNY, billion)	46.6	50.6	84.53	52.72	86.68
Incremental VC investments/GDP (%)	0.0676	0.0680	0.1030	0.059	0.087

Leasing and factoring

In recent years, the Chinese finance leasing industry has developed rapidly and maintained a large economic volume. In 2020, China Banking and Insurance Regulatory Commission issued some regulatory policies, such as "Interim Measures for Supervision and Administration of Financial Leasing Companies", to regulate the industry. In 2020, the number of national financial leasing enterprises reached 12 156, which increased by 26 compared with 12130 in 2019, an increase of 0.21%. There are 71 financial leasing enterprises, 414 domestic leasing companies, and 11 671 foreign leasing companies. Foreign-funded enterprises still dominate the leasing market. In the total volume the balance of the national financial leasing contract in 2020 is about CNY 6 504 billion, which is reduced by CNY 150 billion and a decrease of 2.3% compared with 2019.

In 2019, the number of commercial factoring companies and branches reduced from 11 541 to 10 724, with a decrease of 7.08%, and total factoring volume was about EUR 403.5 billion, down 2.0% compared to 2018. In 2020, the legal system for this industry has been enhanced by National Civil Code and regulatory of China Banking and Insurance Regulatory Commission. The number of commercial factoring companies and branches has dropped below 10000 and total factoring volume exceeded EUR 433.2 billion, up 7.3% compared to 2019.

Shadow banking

In recent years, China Banking and Insurance Regulatory Commission have gradually reduced the risk of shadow banking, but shadow banking remains crucial for SMEs. According to Moody's, growth in shadow banking appears to be slowing down. The total value of all assets involved in the Chinese shadow banking system was about CNY 59 trillion in 2019, down 3.9% compared to 2018. In 2020, the shadow banking assets reached CNY 59.2 trillion, a slight increase of CNY 200 billion, however the ratio of shadow banking assets to GDP dropped to 58.3%².

The Wenzhou private financing index, published since 2012, is a well-known barometer for the regional and national private financing markets. In 2020, the interest rate for 1-year private loan ranged between 12.23% - 13.81%, which is a certain decline compared to the 12.23% - 14.47% in 2019. However, the interest margin between the private lending rate and formal bank lending rate is as high as 7.4% - 8.9%.

Table 33.4. Wenzhou index of private lending interest rate in the Chinese shadow banking system, 2020

As a percentage

Term of lending	1 month	3 months	6 months	1 year	Over 1 year
January	20.51	17.24	15.40	12.23	15.00
February	-	-	-	-	-
March	20.13	15.43	15.23	13.41	15.41
April	19.56	17.21	15.05	13.81	13.90
May	19.71	17.84	14.72	13.31	14.65
June	19.20	16.01	14.70	13.50	13.46
July	19.59	16.52	14.82	12.97	14.58
August	20.44	16.14	13.68	13.05	10.64
September	15.28	15.29	13.83	13.36	13.28
October	17.85	15.96	14.28	13.16	6.23
November	18.09	15.90	14.21	13.24	14.69
December	19.39	15.17	13.98	12.90	11.84

Note: The February Wenzhou index was suspended due to COVID-19.

Source: Monitoring website of Wenzhou Private Finance Index, <http://www.wzpfj.gov.cn>

Online lending and crowdfunding

In 2019, the number of platforms of the individual online lending industry continued to decline, there were 184 operating platforms, 1542 fewer than in 2018. In addition, the outstanding volume of online lending dropped dramatically with a decline of 72.81% from 2018 to 2019, reaching CNY 236.48 billion. In 2020, the regulatory authorities furtherly control Internet financial risks and attempt to establish a long-term supervision mechanism of Internet finance. By June 2020, the number of online lending platforms remarkably dropped from about 5000 to 29. By the end of 2020, all online lending platforms in China have been closed. Some online lending platforms have transformed into consumer financial institutions, microfinance companies or financial technology companies.

In 2020, the Chinese crowdfunding industry has been negatively affected. By the end of April 2020, there were only 59 crowdfunding platforms still running, and the whole crowdfunding industry financed CNY 524 million from 1 141 successful projects.

In 2019, there were nearly 120 traditional commercial banks in the domestic market that introduced direct banking. These Internet banks have a strong momentum of development represented by WeBank, MY bank, and XW bank, which both focus on digital, technical means to deeply cultivate the financial markets.

In 2019, WeBank had 900 000 SME clients and outstanding loans exceeded CNY 44 billion. The number of SMEs and self-employed receiving banking services from MYBank reached 20.87 million by 2019.

Other indicators

In 2019, the ratio of non-performing loans to total small and micro business loans was 3.09%, down 0.07 percentage points from 2018. The ratio of non-performing loans among all business loans was 2.24%, 0.85 percentage points lower than the ratio of non-performing loans to total small and micro business loans. Finally, the bankruptcy rate for SMEs was 4.06% in 2020 according to survey data, up 31.39% from the previous year.

Government policy response

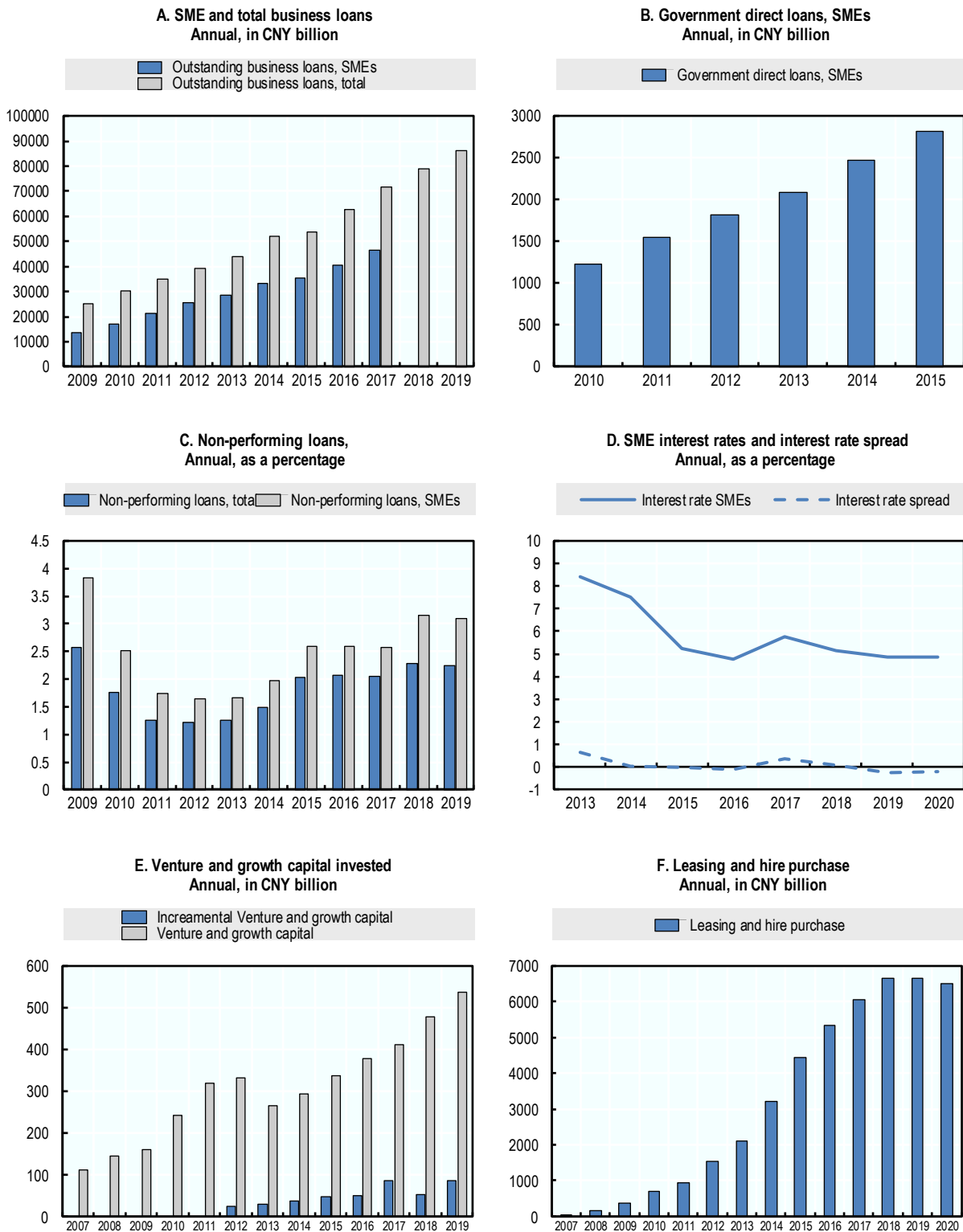
Facing huge challenge of COVID-19, Chinese government promptly proposed a series of emergency policies to finance SMEs in earlier stage of this epidemic. Such immediate policy responses include lowering the deposit reserve ratio, arranging special re-financing funds, allowing SMEs to delay repayment of their overdue bank loans. The major policy response and adjustment to fight the impact of COVID-19 is listed as follows:

- On January 6, the People 's Bank of China announced the decision to cut the deposit reserve ratio of financial institutions by 0.5%.
- On January 31, the People ' s Bank of China arrange CNY 300 billion to set up a special low-cost refinancing fund. This project supports financial institutions to provide loans to important firms at preferential interest rate for fighting with such epidemic. Over 7600 firms are beneficial from this project.
- On February 26, the People's Bank of China input additional CNY 500 billion for re-financing and re-discounting to support economic recovering.
- On March 16, the People 's Bank of China cut off 0.5-1% deposit reserve ratio for those banks which meet the assessment criteria in the aspect of inclusive finance.
- On April 15 and May 15, the People's Bank of China reduced the deposit reserve ratio by a total of 1% for Rural Credit Cooperatives, Rural Cooperative Bank, village banks and urban commercial banks operating only in provincial administration regions.
- On April 20, the People's Bank of China input CNY 1 trillion for re- discounting service of SMEs and cuts off the deposit reserve ratio of small and medium-sized finance institutions to support inclusively financing MSEs.
- On June 1, the People's Bank of China introduce a loan-extension supporting instrument for inclusive MSEs. In 2020, as a policy response to COVID-19, total CNY 7.3 trillion overdue loans are allowed to roll over. The average extension period is 12.8 months.
- On June 1, the People's Bank of China introduce another credit-loan supporting plan for inclusive MSEs. In 2020, total CNY 3.9 trillion inclusive loans are granted to MSEs. The amount increases by CNY 1.6 trillion over the previous year.
- On December 31, Chinese government announce emergent policy extensions of overdue bank loan and credit-loan support to remain effective in 2021.

To deal with the impact of COVID-19, the institutional infrastructure for inclusive finance is continuously improved in 2020. In past years, China strengthened the SMEs policy support. the National SME Development Fund Co., Ltd. was established, which is the first national parent fund dedicated to supporting the development of SMEs in China is formally established in 2020. Its registered capital is CNY 35.75

billion. This fund is aimed to support large scale of small business in the start-up period by backing sub-funds and directly investing in some high-quality projects. In 2020, the National Financing Guarantee Fund offer re-guarantee services, about CNY 70.91 billion, for 45.6 million SMEs. All these changes in SME financing infrastructures enhance Chinese capability to timely response to the impact of COVID-19.

Figure 33.1. Trends in SME and entrepreneurship finance in China



Source: See Table.33.5.

StatLink  <https://doi.org/10.1787/888934306775>

Table 33.5. Definitions and sources of indicators for China's Scoreboard

Indicator	Definition	Source
Debt		
Outstanding business loans, SMEs	Outstanding (stocks) of business loans granted to domestic SMEs by banks (including foreign banks) and financing agencies under the supervision of the People's Bank of China in the end of the year, in CNY	People's Bank of China
Outstanding business loans, total	Outstanding (stocks) of business loans granted to domestic firms by banks (including foreign banks) and financing agencies under the supervision of the People's Bank of China in the end of the year, in CNY	People's Bank of China
Share of SME outstanding loans	Calculated as percentage of SME outstanding loans in total outstanding business loans	People's Bank of China
Outstanding business loans, Small and Micro Enterprises	Outstanding (stocks) of business loans granted to domestic Small and Micro Enterprises by banks (including foreign banks) and financing agencies under the supervision of the People's Bank of China in the end of the year, in CNY	People's Bank of China
Share of outstanding loans, Small and Micro Enterprises	Calculated as percentage of Small and Micro Enterprises outstanding loans in total outstanding business loans	People's Bank of China
Share of short-term SME lending	The average ratio of short-term loans to the total amount of bank loans among surveyed SMEs, SME (%)	Demand-side survey
Non-performing loans, total	Outstanding (stocks) of all non-performing loans as defined by The People's Bank of China	People's Bank of China
Non-performing loans, SMEs	Outstanding (stocks) of SME non-performing loans to as defined by The People's Bank of China	People's Bank of China
Interest rate, SMEs	Average 1-year interest rate for bank loans of SMEs	Supply-side survey plus demand-side survey
Interest rate, large firms	Average 1-year interest rate for bank loans of larger companies	Supply-side survey plus demand-side survey
Interest rate spread	The difference of average 1-year interest rate for SME's loans and larger company's loans (in percentages)	Supply-side survey plus demand-side survey
Collateral, SMEs	Percentage of collateral-based loans of SMEs to the total amount of bank loan of SMEs	People's Bank of China
Collateral, Small and Micro Enterprises	Percentage of collateral-based loans of Small and Micro Enterprises to the total amount of bank loan of Small and Micro Enterprises	People's Bank of China
Percentage of SME loan applications	The share of SMEs that have applied bank loan in latest year	Demand-side survey
Rejection rate	The ratio of rejection to latest loan applications in latest month	Supply-side survey
Utilisation rate	1- the proportion of money that is deposited in bank account for reserve use in its latest bank loans of SMEs	Demand-side survey
Non-bank finance		
Venture and growth capital	Total amount of outstanding venture and growth capital invested in all stages, calculated in accumulative way. The stock of VC in this year =The stock of VC in previous year + the incremental VC in this year -the exit VC in this year	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Venture and growth capital (growth rate)	Total amount of venture and growth capital invested in growth stage, mature stage and restructure stage	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Venture and growth capital (incremental)	Total amount of incremental venture and growth capital invested in all stages in this year	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Venture and growth capital (incremental, growth rate)	the year-on-year growth of total amount of incremental venture and growth capital invested in all stages in this year	Chinese Academy of Science and Technology for Development, Ministry of Science and Technology of P.R.China
Leasing and hire purchases	Outstanding contract volume of all kinds of financing lease companies	China Financing Leasing Development Annual Report

Factoring and invoice discounting	Total turnover of factoring industry, in million Euro	International Factors Group SCRL
Other indicators		
Payment delays, B2B	The average number of days that a B2B company can collect delayed payment from clients after the contract deadline	Demand-side survey
Bankruptcies, SMEs	Average of SME bankruptcy (including shut-off) ratios in surveyed regions (%)	Demand-side survey
Bankruptcies, SMEs (growth rate)	the year-to-year growth rate of bankruptcies of SME	Demand-side survey

Notes

¹ In the past decade, the Chinese government put forward three ‘not-lower-than’, ‘Two Increases and Two Controls’ operating principles regarding bank lending to SMEs. In terms of the three ‘not-lower-than’ principles: i) the growth rate of SME loans should not be lower than that of total business loans; ii) the number of SMEs receiving loans should not be lower than the number of SMEs receiving loans in the previous year; iii) the percentage of SME loan applications accepted should not be lower than the percentage of SME loan applications accepted in the previous year. In terms of the ‘Two Increases’ principles: i) The year-on-year growth in SME loans with not more than CNY 10 million credit should not be lower than that of total business loans; ii) the number of SMEs with outstanding loan should not be lower than that of the previous year. The ‘Two Controls’ principles are: i) reasonably control the quality of SME loans assets and ii) reasonably control the comprehensive cost of SME loans, including interest rate and bank service charges related.

² It is estimated that the outstanding business loans of the formal banking system for Micro and Small businesses (MSEs) increased to CNY 42.7 trillion in 2020. However, the estimation of the proportion of total SMEs assets in shadow banking is difficult.

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