

Xiang Junbo: Enhancing the social responsibility of the banking system in China

Remarks by Mr Xiang Junbo, Deputy Governor of the People's Bank of China, at the Inauguration Ceremony of National Student Loans Extended to Students in Gansu Province, Gansu, 22 May 2007.

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It is of great significance to hold the inauguration ceremony of National Student Loans (NSL) today at Huining county which has glorious revolutionary tradition in Gansu province. I would like to express my warm congratulations on the inauguration of the program in Gansu province on behalf of the headquarters of the People's Bank of China (PBC). I would also like to take this opportunity to extend our sincere greetings to all the staff working in the banking sector of Gansu province and all those who have made great contributions to the work of student loans.

NSL policy is a great measure to enhance the support to students who have financial difficulties, an important content of building socialist harmonious society and a new attempt of supporting education by the financial sector under the socialist market economy to improve financial support to students in universities. The work of NSL relates to the benefit of many students and their parents, to the overall situation of state talent cultivation and to the stability of universities and society. Good performance of NSL is the requirement of the Communist Party of China (CPC) Central Committee and State Council, and is the social responsibility of banking system as well.

From 1999, under the leadership of the Communist Party of China (CPC) Central Committee and State Council, the PBC has studied and designed NSL policy with relevant agencies, improved its system constantly in practice, and positively pushed forward the work of it. Particularly in 2004, we made some adjustment and improvement of NSL policy, including the establishment of risk compensation and market operation regimes to enable risk sharing among the fiscal sector, universities and the banks; the establishment of NSL management centers both at the state and provincial (autonomous regions and municipalities directly under the Central Government) levels to increase the administration responsibilities of education authority and reduce the loan-post cost and risk of the banks; the adjustment of interest subsidy and repayment policies, and extension of loan repayment period. All these adjustment and improvement have sufficiently showed great importance attached to the education and the work of NSL from the government, and sufficiently respected the principle of reciprocity between duties and rights. It is beneficial to the healthy and sustainable development of NSL. Under the joint efforts of the financial sector and relevant agencies, the business of NSL has made much progress. The balance of NSL reached 15.37 billion yuan by the end of March 2007, compared to only above 4 million at the end of 1999. Almost 2 million students have benefited from the program.

At the same time, in order to further carry out key policies of promoting the construction of New Socialist Countryside and Harmonious Society, the PBC actively guided financial institutions to study further the business of student loans, increased financial product innovation, and actively explored and developed new pattern and types of student loans consistent with financial business practice with easier access to students from poor families. On 30 August 2006, the PBC issued Notice on Further Strengthening the Work of Student Loan Business, to guide the financial sector to actively extend loans to local students while carrying out the work of NSL. By March of 2007, 24 provinces (cities) nationwide have carried out the student loan business for local students, 13 provinces and cities have issued regulations on loan extended to local students, 11 provinces have provided interest subsidy by local fiscal agencies, and 6 provinces have put forward measures of risk compensation. All in all, the business of local student loans has developed from nowhere to grow steadily.

By the end of March 2007, the balance of student loans, which include the loans extended to local students, a valuable supplement to NSL and an important component of financial support from the banking system to students with financial difficulties, has reached 3.43 billion yuan.

This time, Gansu province has studied and established the Provisional Measures on National Student Loans for Students from Gansu Province, combining the policy measures of NSL together with the loan business for local students. These measures have positive implications in terms of project design, enabling adequate financing for fiscal interest subsidy and risk compensation of student loans under difficult fiscal situation, thus providing incentives for financial institutions to engage in local student loan business, a breakthrough in the building of a long lasting mechanism of local student loans. This sufficiently shows the great importance and determination attached by provincial Party Committee and government to the work of local student loan business. The pattern of combining NSL policy with local student loan business by Gansu Province is a pioneering innovation and valuable attempt to the expansion of student loan business. It is beneficial to the healthy development and effective enforcement of student loan business, helpful to address the issue of supporting students from poor families to attend school, and it can provoke more thoughts and even serve as a reference for further enforcement and improvement of the NSL policy.

To enforce and further improve the NSL policy is a target clearly specified at the sixth plenary session of the 16th CPC Central Committee and in this year's government work report. In the light of NSL policies and measures, further development of local student loans is an important step for the enforcement and improvement of NSL, an important component to establish and strengthen financial support system to students with financial difficulties, and also reflects the trend and future path for development of student loan business. I hope the PBC Lanzhou sub-branch can take it as a good opportunity to carry out the work of student loans, further strengthen communication and coordination with the educational and fiscal authorities, enhance research and investigation, sum up experience and lessons in time, improve continuously institutional building and risk prevention mechanisms, so as to establish step by step a systematic and complete policy system of local student loans, and explore a long-lasting system of local student loans, for the benefits of students and families with financial difficulties in Gansu province. Valuable theoretical explorations and practical experiences should be studied to help relevant government agencies design relevant policies aimed to promote local student loans in the whole country.

As a final note, I wish a healthy development of the financial sector in Gansu province and greater achievement of student loan work!