

# Financial institutions to sacrifice profits

Cabinet says move will bring down borrowing costs for small businesses

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The State Council has scaled up financial support to businesses with measures to push financial institutions to sacrifice 1.5 trillion yuan (\$212.1 billion) in profits this year to bring down borrowing costs, a move analysts said will help more small firms survive the COVID-19 pandemic.

The Cabinet said after its executive meeting on Wednesday that enabling financial institutions to concede profits is a key measure to protect market players and stabilize the country's economic fundamentals.

It pledged to introduce measures to bring down loan and bond rates, make more loans available at concessional rates, defer loan repayments for smaller businesses, support the issuance of no-collateral loans to small and micro-sized companies, and cut fees charged by banks.

The government will keep liquidity ample by cutting the required reserve ratio, the amount of money banks have to set aside in reserve, and using its re-lending policy, which allows banks to borrow from the central bank, in an effort to solve businesses' financing difficulties, the Cabinet said in a statement.

It added that the goal this year is for new loans and aggregate financing to expand more than last year.

Premier Li Keqiang underscored at the meeting that financial institutions must share weal and woe with businesses in the face of an economic downturn.

"If businesses in the manufacturing and service sectors cannot survive the pandemic, banks will also see a sharp decline in their number of clients. How can they pay interest on deposits and gain profits if this happens?" he said.

Li called on the financial sector to adopt concrete steps to cut financing costs as profit margins for smaller businesses and large enterprises shrink.

He stressed that the performance of the aid package will ultimately be judged by whether the financing costs of businesses have been lowered and if loans have been made more easily available to smaller firms.

"We need to hear the voice from not only the financial sector but also third parties, especially market players," he said.

Wednesday's meeting highlighted the need to ensure the newly increased funds can be funneled to the manufacturing and service sectors, and especially smaller companies.

The capital funds of small and



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**Liu Ying**, researcher with the Chongyang Institute for Financial Studies at Renmin University of China

medium-sized banks will be replenished as appropriate, the Cabinet said, adding that banks must improve their internal evaluation and incentive mechanisms, and raise the weight given to inclusive finance in performance evaluations.

The Cabinet also pledged to adopt effective measures to deal with non-performing loans, saying that financial institutions must refrain from imposing unwarranted extra conditions on loan extensions.

Analysts with Haitong Securities said in a research note on Thursday that pushing the financial sector to sacrifice profits is an inevitable choice for the government to help smaller business survive a difficult

period given the limited room for further monetary easing.

The People's Bank of China, the central bank, has cut the required reserved ratio three times this year, releasing 1.75 trillion yuan in liquidity to fully support the economy.

Yan Xiang, a researcher with Guosen Securities, said the Cabinet meeting conveyed a message on monetary easing that is intended to further cut the financing cost of all businesses.

He estimated that banks will need to lower their loan interest rates by 1 percentage point this year to meet the target of 1.5 trillion yuan in sacrificed profits.

The move is also expected to

improve the net profits of listed companies in nonfinancial sectors by 125 billion yuan, he said.

Liu Ying, a researcher with the Chongyang Institute for Financial Studies at Renmin University of China, said banks must employ multipronged tools such as big data to bolster inclusive finance support to small and medium-sized enterprises.

"It is even more important for banks to use modern financial technologies to support businesses under the impact of the pandemic," she said.

Liu added that a stronger capital market must be developed to provide more direct financial support to businesses.

## POLICY RESPONSE

# Epidemic containment measures stepped up for couriers

By XU WEI

A number of State Council departments, including those responsible for postal services, reform and development, and copyright protection, have responded recently to issues of public concern.

## Health checks for delivery workers in COVID-19 battle

The State Post Bureau has urged the country's courier service providers to bolster epidemic containment measures and step up health checks of their workers to help prevent and control the spread of the COVID-19 pandemic.

In a notice published on June 16, the bureau called on the express delivery businesses to bolster safety measures in key areas, with steps to sterilize business venues and ramp up management of workers.

Businesses must offer safety education to workers and equip them with personal protection gear including masks, the bureau said.

It highlighted the need to ensure delivery services to communities that have been placed under lockdown and guarantee the supply of materials and packages to residents.



The whole express delivery sector must follow work protocols during the pandemic period and implement social distancing and regular sanitary measures, it added.

The notice followed an uptick in novel coronavirus cases in Beijing and several other provincial-level areas in recent weeks.

## Cuts to coal and steel capacity to meet targets

China will continue to phase out its excess coal and steel production capacity and ensure that targets set for the 13th Five Year Plan (2016-20) are met, a government notice said on Thursday.

The notice, jointly issued by the National Development and Reform Commission and five other departments, said the country will move forward with the supply-side structural reform of the steel sector,

accelerate the shedding of overcapacity and encourage the green and innovative development of the sector.

The government will prohibit any increase in steel production capacity and prevent the reopening of production lines for substandard products, the notice said.

Authorities must close coal mines that do not meet the country's safety and environmental standards, and others should be cleaned up and cut inefficient production capacity, the notice said.

The number of coal mines should be reduced to 5,000 or less — down from 5,300 at the end of last year — and production by large mines should account for 96 percent of the country's total output, the notice said.

It also cautioned against planning new coal mines in national parks, reserves, tourist attractions and near protected water resources.

## Campaign targets online copyright infringements

China has launched a nationwide campaign targeting copyright infringement and piracy on livestreaming and e-commerce platforms and on social media networks.

The campaign, jointly launched by the National Copyright Administration and three other departments, will punish copyright infringements related to audiovisual works, including films, short videos, and those transmitted through streaming media.

E-commerce platforms will also come under scrutiny, the statement said, with harsh measures to be taken to curb online sales of pirated books, audiovisual products, electronic publications and other products.

Regulators will also focus on fighting copyright infringements on social networking platforms, and in the field of online education and training.

The crackdown, running from this month to October, is the 16th national campaign targeting online copyright infringement since 2005.

## More efforts needed on renovation of rural toilets

A government notice published on Friday called for greater efforts to encourage more farmers to renovate their toilets as part of the country's broader effort to improve the living environment in rural areas.

The notice, jointly released by

the Ministry of Agriculture and Rural Affairs and two other departments, said authorities must fully respect the wishes of farmers as they move forward with toilet renovation projects in rural areas.

Authorities must minimize the impact of such projects on the normal life of farmers, it added, and come up with the right technological standards for rural toilets while avoiding sweeping approaches.

Local governments must ensure proper maintenance arrangements are in place after renovation projects are completed, the notice said, adding that authorities must allocate appropriate funding to help maintain toilets.

It is important to ensure that toilet renovation projects are pushed forward in step with the development of rural sewage treatment systems, it added.



## Policy digest

### 310b yuan in fee cuts to benefit businesses

The State Council has pledged to reduce fees by 310 billion yuan (\$43.69 billion) this year to cut corporate burdens and protect jobs and businesses.

At its executive meeting on Wednesday, the Cabinet highlighted the importance of ensuring the full implementation of fee reduction measures already rolled out, such as the lowering of electricity prices for businesses by 5 percent and cutting the average price of broadband services by 15 percent this year.

Other measures include waiving airlines' contributions to the Civil Aviation Development Fund, as well as port construction fees levied on importers and exporters, the Cabinet said in a statement.

It also vowed resolute action to ban unreasonable taxes and charges. Tax authorities must refrain from increasing the burden on market players by levying retrospective taxes, the Cabinet said.

The government will move forward with administrative streamlining and bolster compliance oversight and services to create a market-oriented, law-based and internationalized business environment, it added.

A special campaign to overhaul illegal fees levied on businesses will be launched in key areas including imports and exports, corporate finance, public utilities, logistics, and intermediary services related to administrative approval.

The statement said the government will also work to improve mechanisms and systems to eliminate the breeding grounds for unreasonable charges on businesses.

### Funding of environment protection clarified



The division of fiscal duties related to environmental protection between the central government and local governments has been outlined in a reform plan published by the General Office of the State Council.

The plan, published on June 12, said central finance will be responsible for the funding of ecological and environmental protection plans at the national and cross-regional levels and in key regions, as well as the national plan on coping with climate change.

Local authorities must assume their responsibilities to fund environmental and ecological protection plans in their own regions, it said.

The central government will also fund the construction and maintenance of environment and ecology monitoring networks at the national level and the conducting of supervision and inspection campaigns focused on law enforcement and the implementation of related policies.

The plan said central finance will also cover expenditure on the evaluation and assessment of work on reducing emissions of key pollutants and projects to improve environmental quality. It will also fund the management of sewage outlets to rivers and seas, the oversight of trading of carbon emission rights, and the management and oversight of nuclear and radiation safety.

Central finance will also cover pollution prevention in international water bodies.

The plan said central and local financing will both contribute to pollution control and prevention related to radioactive materials, the containment of air pollution in key areas and water pollution treatment in key river basins, such as those of the Yangtze and Yellow rivers.

Local authorities must cover expenditure on pollution control and prevention with regard to soil, the agricultural sector and rural areas, solid waste, chemicals and groundwater, the plan said.