

Dates of Meeting:

20-03-1951 – 29-03-1951

Type of Meeting:

National Credit Cooperation Reporting Conference

Place of Meeting:

Beijing

Attendance:

15 representatives from North China, East China, Northeast China, Central South China, Southwest China, and Inner Mongolia, as well as 32 representatives from relevant units such as the People's Bank of China.

Major Agenda Items:

development of credit cooperation

Speeches/Reports:

In areas where land reform had been implemented, farmers' lives gradually improved due to the recovery of production. They demanded to store surplus grain and expand reproduction. However, some farmers, having only recently achieved liberation, had limited resources and found themselves without access to loans in case of unforeseen circumstances. Therefore, the planned development of rural credit cooperatives became a widespread and urgent demand among the vast majority of farmers. Under the leadership of the Party and government, banks and well-established supply and marketing cooperatives across the country organized pilot programs for rural credit cooperatives. According to incomplete statistics from the end of 1950 in North China, Northeast China, and East China, there were a total of 550 credit departments and 97 credit unions, with over 80% located in North China.

In organizing lending, the credit union's credit department promoted the policy of free lending, stipulated deposit and loan procedures, and guaranteed timely repayment, thus establishing credit and dispelling public concerns such as fear of "revealing wealth," fear of "lending money and not repaying it," fear of "good deposits being repaid badly," and fear of "the rich helping the poor." This stimulated private lending and reduced unreasonable interest rates (from 8% to 2-3% in some areas). Through organized methods, surplus grain and funds were absorbed at reasonable interest rates, and farmers were helped to accumulate capital by depositing agricultural products and repaying them with production tools and industrial goods, thereby restoring and developing their productivity. For borrowers, it was not merely a matter of debt and repayment, but rather assistance in production planning and monitoring of production use. Those facing production difficulties were encouraged to actively produce under the assistance and supervision of the cooperative, preventing a decline in productivity. In areas with such credit organizations, the wealthy felt secure in storing their surplus funds, facilitating the accumulation of production capital for expanded reproduction, while the poor had access to loans and were not forced to sell their land. This demonstrates that such credit cooperatives have played a certain role in organizing rural mutual aid funds, restoring and developing the rural economy, and preventing a decline in the income of some farmers.

In various regions, credit cooperatives were piloted, but some were indiscriminate in their operation, regardless of the recipient or purpose, with the sole aim of accumulating interest and turning them into rural "loan sharking shops." For example, in Song'ai Village, Yuci, Shanxi, private merchants accounted for 85% of deposits and 90% of loans, with interest rates as high as 18%. In Qi County, four county-level officials, in conjunction with thirty merchants, pooled together over 20,000 jin of millet, lending it out at a monthly interest rate of 5%, solely for profit sharing, which aroused dissatisfaction among farmers. These practices were clearly wrong. Furthermore, in Pingyuan Province, some institutions preferred to lend to those buying land but were unwilling to lend to those selling it. The Sang'erzhuang Credit Department only assisted households with livestock to buy mules, unwilling to lend to households without livestock to buy calves, mainly out of fear of not being able to recover the loans.

According to the report, in order to further develop rural credit cooperatives and address the common demands of farmers, the following issues must be clearly addressed.

I. Organize rural credit cooperatives separately and uniformly lead them under the leadership of banks. At present, most credit cooperatives are characterized by a small number of members, small share capital, infrequent and unbalanced deposit and loan business. During the autumn harvest and wheat harvest, there are more deposits than loans. During the spring and the lean season, there are more loans than deposits. There are more physical deposits than loans, less monetary deposits than

loans, and more deposits than loans in areas with good harvests than in areas with poor harvests. These contradictions cannot be overcome. When the credit department of the supply and marketing cooperative encounters a situation of less deposits than loans, it affects the capital turnover of the supply and marketing cooperative. When there are loans that cannot be recovered on time or bad debts occur[56], it affects the consolidation of the supply and marketing cooperative. In the Qin County Chengguan Credit Department, one-third of the loan customers fail to repay on time; the majority of the cooperatives recover on time, with the highest being only 90%. With the existing share capital of the supply and marketing cooperative, it is difficult to meet the supply and sales requirements of the members, let alone meet the borrowing requirements of the members. If a portion is managed, it will inevitably affect the business of the supply and marketing cooperative itself. Furthermore, the People's Bank of China has decided to establish branches at the district level, making it difficult to determine interest rate policies. If deposit rates are higher than bank rates, loans will be difficult to obtain; if rates are lower, no one will deposit. The Soviet experience shows that cooperatives failed in credit operations. Therefore, if the credit department is reorganized into a credit union, independently absorbing member capital, organizing a board of directors and supervisors, and uniformly led by the bank, combined with various state loans and the bank's current prize-winning savings, single-value savings, and livestock insurance businesses, the contradiction between low deposits and high loans, and vice versa, can be resolved. For areas with good harvests and poor harvests, bank allocations can be used for adjustments; for those who actively produce but encounter unexpected events and cannot recover their debts on time, the state can also provide a delay. This is beneficial for the recovery and development of the rural economy and the consolidation of credit union development. Moreover, since county-level banking institutions are now widespread and have decided to extend to the district level, the existing credit work of cooperatives will be difficult to continue. Therefore, the bank has agreed to assume the task of leading rural credit cooperatives.

II. After the credit union is established independently, the division of labor and cooperation between it and the supply and marketing cooperative in business needs to be clarified. All deposits, loans, deposits and loans shall be handled by the credit union; pre-purchases[96] and purchases on credit shall be handled by the supply and marketing cooperative. The credit union's sales of deposits and loans can be entrusted to the supply and marketing cooperative through contracts, so as to maintain the normal development of both the supply and marketing cooperative and the credit union.

III. The cooperative's credit business will remain unchanged at present, with no new developments planned. During the transition period, the credit department may accept agency banking services from banks, with the business relationship between the two parties defined by contract, and all debts and claims handled by the bank. However, to facilitate local mutual financial assistance, banks may stipulate that the cooperative can lend on behalf of the cooperative or use the funds for supply and sales business within a certain limit, with the responsibility for such lending still belonging to the bank. The cooperative is continuing to thoroughly summarize this experience in preparation for discussion and decision at the National Rural Finance Conference to be held by the People's Bank of China in May.

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Other Decisions and/or Actions:

Remarks: