Expanding Access To Credit:  
China’s Experience Creating A Credit Registry System

Study Questions

Synopsis

One consequence of China’s sustained economic growth, accompanied by a rapidly expanding middle class, has been increasing demand by consumers for better access to loans. In the mid-2000s, the Chinese government responded by taking the initiative to create a credit information system (CIS). Officials understood that by providing banks and other domestic financial institutions better information about borrowers’ ability to repay loans, a CIS would increase banks’ willingness to lend. This case examines alternative strategies and models for implementing a CIS geared toward expanding consumer credit. It also evaluates some of the complex issues encountered by government officials responsible for overseeing the creation of that system. The case focuses particular attention on the critical role of officials in the central bank of China (PBOC) and their interactions with technical advisors from the World Bank’s International Finance Corporation, who were recommending a CIS model that differed from what the Central Bank believed was appropriate for conditions in China.

Study Questions

1. What is the main explanation for why fewer than 25% of households in many developing countries deposit their savings in a bank?

2. What specific reasons explain why banks and other financial institutions resist lending to consumers and SMEs in many developing countries, including Myanmar?

3. How does a well-functioning credit registry system (CRS) mitigate the risks and strengthen the incentives for banks to increase lending to ordinary citizens and SMEs?  
(For background please read Chapters 1 & 2 of IFC’s “Credit Bureau Knowledge Guide” in the reading packet.)

4. As the case explains, China had no previous experience with a CRS and created a system from scratch. What are the similarities and differences between China’s experience creating a CRS under the direction of Mr. Dai and the circumstances in Myanmar today?

5. Did Mr. Dai and his Chinese colleagues encounter specific political and policy challenges
that are similar to what Myanmar would likely experience in creating a CRS? For example, are the stakeholders who have a vested interest in the final CRS structure similar?

6. Why did the International Finance Corporation (IFC) advocate a private rather than a public model for the Chinese CRS, and why did Mr. Dai decide not to take the IFC advice? Based on your perception of the realities in Myanmar, which model would be most appropriate, and why?

7. If you were responsible for the design and implementation of a CRS in Myanmar, would you recommend the approach taken by Mr. Dai and put the Central Bank in charge? Is there another institution in Myanmar better suited for this responsibility?

8. What are the broader lessons learned from China’s experience creating a CRS that are relevant to Myanmar today?