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**Abstract**

# Dual Incentives and Dual Asset Building: The Hutubi Rural Social Security Loan Program in China*

The Hutubi Rural Social Security Loan program is a policy innovation in a rural area of China by loaning savings in social security accounts back to peasants for them to purchase assets for agricultural and other development. In contrast to the nationwide recession in rural social security, this program has shown its success in proliferating rural social security funds and retaining social security participants. With a focus on the administrative data of the loan program, this study aims to provide an in-depth understanding of the loan program and examine how asset building is possible for the poor when institutional incentives are offered. The findings show that when proper policy incentives are provided, poor peasants can build assets. The Hutubi program may be a good model for other rural areas in China and other developing countries.

**Keywords: Asset building, Social security, Rural China, Microcredit, Savings, Institutional incentives**

* This study is the first part of a multi-method inquiry into the Hutubi Community social security policy innovation being conducted in a research partnership between the Center for Social Development (CSD) of Washington University in St. Louis and the Chinese Academy of Social Sciences (CASS). The authors express our gratitude to Yang Tuan and Zhang ShiFei of CASS. Li Zou of CSD facilitated field work for this study. The entire research team is indebted to Guo Xincai and his staff at the Hutubi social security office for their exceptional hospitality, openness, and assistance in data collection. Finally, this study is made possible through funding from the Levi-Strauss Foundation; the authors thank Sharon Tan and Daniel Lee for their support.

# Dual Incentives and Dual Asset Building: The Hutubi Rural Social Security Loan Program in China

Asset-based policy has received increasing attention worldwide as a promising direction for domestic policy development. Supplementing traditional income-support social programs, asset-based policy promotes household saving and asset accumulation. For example, in the United States, employer-sponsored retirement plans (such as 401k and 403b) and Individual Retirement Accounts (IRA) have been in practice to promote security after retirement; and the Individual Development Account (IDA) program has been implemented in more than 40 states to encourage low-income families to build assets (Warren & Edwards, 2006). In the United Kingdom, the universal Child Trust Fund, a savings and investment account for children, was initiated in 2005 (Loke & Sherraden, 2006). In Singapore, the Central Provident Fund, a comprehensive social security savings plan has become increasingly successful over several generations (Loke & Sherraden, 2006). In addition, asset building demonstration projects have spread to other countries, including Australia, Canada, Peru, and Uganda.

Despite similar goals of these programs—to encourage saving and asset accumulation, the incentives and institutional structure may vary in different social contexts. For instance, with an average match rate of about 2:1, participants of the IDAs program in the US accumulated approximately $700 per year in IDAs for purposes such as buying a first home, education, or a small business (Schreiner, Clancy & Sherraden, 2002). The Child Trust Fund in the UK allows children born on or after September 1, 2002 to receive a £250 voucher from the government to start an account, with an additional £250 for low-income families (U.K. Parliament, 2004). In addition to matching deposits and

government seed funds, institutional incentives can also include, but are not limited to: direct deposit, tax-free earnings, and achievable savings goals. As suggested by Beverly and Sherraden (1999), institutional factors of asset-based programs, including access, information, incentives, facilitation, expectations, restrictions, and security, may contribute to the success of the aforementioned policies. Empirical evidence from IDA programs supports this perspective (Schreiner & Sherraden, 2007).

To include low-income populations in asset building, it may be especially important to provide incentives because poor people tend to take current needs as a priority, and in the short run, saving has less marginal effect on their well-being. Inclusion of the poor in asset accumulation is a major challenge for the development of asset-based policy. This case study will explore how institutional mechanisms are built into the Hutubi Rural Social Security loan program, a local policy initiative in northwest China, and how the program has successfully promoted asset building in rural areas.

Hutubi is a remote county located 70 kilometers west of Urumqi in the Xinjiang Uygur Autonomous Region of northwest China. The county has 24 ethnic groups with a total population of 207,200, among which 31,000 live in rural areas. Most rural households in this county engage in farming and livestock raising. In 2004, the county's per capita annual net income for rural households was ¥5,510 (approximately US$689), significantly lower than its urban counterparts, ¥9,422 at the national level and ¥7,503 at the provincial level (National Bureau of Statistics of China, 2004).

As part of Hutubi rural social security, which is based on saving by the household, the loan program allows peasants to mortgage their social security savings to obtain loans for the purposes of purchasing livestock and farming tools. Compared with saving solely for old age, the loan program provides additional incentives for peasants to invest in

productive assets, such as tools, equipment, and livestock (Siegel & Alwang, 1999). Through analysis of administrative data, this study explores how the loan mechanism was developed and its consequences for Hutubi rural social security and peasants.

## Background

### *Rural Social Security in China*

Peasants in Hutubi County, like those in other areas of rural China, did not have any form of social security program until 1992 (Béland & Yu, 2004; China Ministry of Civil Affairs, 1992). Different from the traditional pay-as-you-go social security system in most welfare states, China's rural social security is an asset-building program relying mainly on personal savings in individual social security accounts. The China Rural Social Security Scheme of 1992 allows peasants between 20 and 60 years of age to participate in rural social security by contributing a portion of their (after-tax) income to individual old-age accounts. Participation in rural social security is voluntary and individuals can withdraw at any time. Rural social security funds are raised mainly by individual contributions and supplemented by collective contributions if possible. Collective contributions are made by villages or rural enterprises, depending on the local economic situation, as matching funds for individual accounts. Collective entities (e.g., villages and rural enterprises) that make contributions receive tax credit. This policy is managed at the county level by the local rural social security office. Rural social security funds cannot be used for direct investment (e.g., investment in real estate or the stock market) (China Ministry of Civil Affairs, 1992). In most cases, the funds can only be saved in a bank account. Individuals are allowed to withdraw funds from their accounts when they reach 60 years of age or encounter emergencies, such as natural disasters.

Thus, rural social security aims to provide economic security to elderly people in rural areas. However, this policy has had shortcomings from its inception. First, individual contributions are too low to ensure economic security in old age. The individual contribution is set at an extremely low level of between ¥2-20 (US$0.25-2.5) per month (China Ministry of Civil Affairs, 1992). At this level, peasants can hardly accumulate even a minimal level of financial resources to meet economic needs in later life. For example, a 50-year-old individual who started contributing the maximum of ¥20 per month in 1994 would receive ¥50 per month beginning in 2004 (given the fixed bank savings interest rate[1]. That would be an annual social security income of ¥600, roughly equal to the 2004 rural poverty line (¥627) (Peng & Song, 2002). The benefit of rural social security is woefully low. Although the county government can adjust individual contributions depending on the local economic situation, the individual contributions set by the program cannot create much security for rural populations.

Second, structural incentives for asset accumulation do not seem to be very effective. Collective contributions to match savings is the major incentive provided by this policy. However, in reality the majority of program participants do not receive matching funds from collective entities (Wang & Zhang, 2006; Xu, 2006). This occurs only in rich rural communities on the south-east coast. In other words, the so-called matched collective contribution has no significant effect on rural social security participation in Hutubi County.

Third, rural social security funds are constrained from investment. Rural social security funds cannot be used for any form of direct investment. The only legitimate

[1] The individual contribution rate has increased substantially in few areas where rural social security has resumed since 2005. The new rate varies across the country.

ways to keep funds from depreciation in value are (1) to save as bank savings or (2) to purchase low-risk bonds or securities issued by the central government. The rapid economic growth in China in the last decade, however, has been accompanied by bank savings interest rates decreasing over time while the inflation rate has been increasing since 1996, which makes rural security funds vulnerable to depreciation (Peng & Song, 2002). In many places, interests earned by rural social security funds are not even sufficient to cover managerial expenses of the program.

Thus, institutional incentives provided by rural social security are quite weak, and this has limited its effectiveness in encouraging peasants to save for their old-age security. Eventually, a peasant's commitment to rural social security depends on his/her concern about economic prospects and desire to balance current consumption and saving for later life. In the short history of rural social security, the absence of effective incentives has regretfully led to the sharp decline in the number of participants, dropping from over 80 million in 1998 to 54 million in 2003 (State Council of the People's Republic of China, 2004; Peng & Song, 2002). Afflicted by many challenges in management, most rural areas, including Hutubi County, stopped recruiting new participants into the rural social security program in 1999.

*Rural Social Security Loan Program in Hutubi*

The Hutubi rural social security loan program was initiated in 1998 by a local rural social security office, with the goal of addressing some of the above institutional flaws. In cooperation with local bank, the rural social security agency allows participants to use their own or others' social security savings as legal collateral to borrow loans up to 50% of their individual social security savings to purchase physical assets related to agricultural production, such as livestock, seeds, and agricultural tools, or other

productive uses (Hutubi County Bureau of Civil Affairs, 2005). This innovative loan program, on the one hand, expands the investment options of the rural social security fund and increases interest gains of the social security fund from mortgage loans; on the other hand, it creates an additional incentive—access to mortgage loans, and an additional goal for peasants—investments in agricultural assets or other investments such as children's education or building a house. The creator of the Hutubi program, Mr. Guo Xincai, has referred to this as taking "dead assets" and making them "alive."

Compared to the conventional access to loans by using land or a house as collateral or by applying for a group loan with at least four other families joining together, the innovative Hutubi loan program provides unique intuitional benefits for peasants to access and obtain small loans (Zhang, 2006). In most rural areas of China, peasants' needs for microcredit are barely met due to lack of well-established financial services. Hence, this new form of loan has been acclaimed by Hutubi peasants because it meets their financial needs.

To sum up, the loan program, which is based on the existing social security policy, has created a scenario with *dual incentives and dual asset building* (Figure 1): secure savings and matching contributions provide primary incentives for peasants to build assets for old age, and the availability of loans has created a secondary incentive, allowing peasants to borrow for agricultural and other development, which can lead to further asset building.

This study provides a closer examination of the administrative data of the Hutubi rural social security loan program through descriptive statistics on the loans and then a focus on the success of the policy innovation.

## Data

The Hutubi rural social security loan program administrative data were obtained by a research team from Washington University's Center for Social Development in the summer of 2006. The data provide detailed information about each loan since 1998, including the borrower's demographics, the loan amount, the interest rate, and the expected and actual loan term.

The data cover 1,286 cases of mortgage loans between 1998 and 2006. In this program, mortgage loan refers to the money borrowed by a rural social security participant, with the social security savings being mortgaged. Each loan does not exceed 50% of the total balance (the rate was increased to 70% in 2005). The borrower may also use social security savings of their relatives, neighbors, or friends for the purpose of a mortgage loan. In reviewing the data, we decided to exclude 23 mortgage loan cases, in which the borrower is not an individual but an agency or a company. Consequently, the analysis uses a final sample of 1,263.

## Program Statistics

*Demographic Characteristics*

Most of the borrowers are male (n=1,080, 85.62%); only 14.4% (n=181) are female (Table 1). This can possibly be explained by the fact that most households in China are headed by males. Ethnicity breakdown shows that over 90% of borrowers are Han and less than 8% are from the three major minority groups in the local area: Hui (3.6%), Wei Wu Er (1.8%), and Ha Sa Ke (2.2%). The percentage of minority participants is lower than the overall share of ethnic minority populations in the Hutubi County (22.4%) (Xinjiang Bureau of Statistics, 2005). Borrowers are from the four sub-counties (Zhen) of

the Hutubi County—Da Feng Zhen, Yuan Hu Cun Zhen, Wu Gong Tai Zhen, and Er Shi Li Dian Zhen.

[Insert Table 1 about here]

The distribution of borrowers' current age (as of 2006) is as follows: 4.6% (n=57) of borrowers are between 20 and 29 years old; 29.7% (n=367) are between 30 and 39; respondents between 40 and 49 have the highest percentage (n=451, 36.5%); less than 10% of borrowers (n=87, 7%) of are 60 years and above. This age distribution is slightly different from that at which the loan was borrowed. Two borrowers were below 20 years old when they took the loan. Twelve percent of borrowers (n=148) received the loan when their ages were between 20 and 29. This percentage is much higher than that in the current age distribution.

*Loan Information*

*Loan amount*. The average amount of loan is ¥6,072 (SD=¥5,993), and the median is ¥4,500 (Table 2). Given the county's per capita annual net income of rural Households of ¥5,510 in 2004, with the loan program, borrowers may receive a loan with the amount almost equivalent to their annual per capita net income.

[Insert Table 2 about here]

*Interest rate*. A loan's interest rate is the same as a bank loan interest rate. Between 1998 and 2006, the interest rate for mortgage loan ranged between 0.53% and 0.81%. About 46% (575) of cases have the interest rate of 0.70%. The amount of interest[2] paid ranges from ¥9 to ¥5,974.

The ratio between the amount of interest paid and the amount of loan suggests cost-benefit analysis for borrowers. The average of this ratio turns out to be 0.116

(SD=0.088) and the median is 0.093, which indicate that a typical borrower has to pay about 10% of the loan as interest.

*Clearance*. The average expected loan term is 639 days (SD =459), longer than the average of the actual loan term (484 days), the number of days between the date of receiving the loan and the date of returning the all the loan plus the interest. In other words, most of loans were returned prior to expected returned dates. As of July 31, 2006, 972 mortgage loan cases (77%) had been returned. If we exclude mortgage loan cases in 2006[3], the return rate is much higher (96%). Among the returned cases, nearly 71% were returned prior to the expected return date indicated on the loan contract. It took 279 borrowers (29%) a longer than expected term to return loans, at the cost of paying more interest at a higher (punitive) interest rate.

*Social security accounts.* On average, each loan has 5.47 social security savings accounts involved as mortgages. This suggests that most borrowers used social security savings other than their own. It is perhaps not surprising that the number of social security savings accounts and the amount of loan are highly correlated ($r=0.71$, $p<0.001$). More information will be available as we divide the amount of the loan by the number of savings accounts. The mean of this new variable is ¥1,281 (SD=¥1,081), and the median is ¥1,077, which indicates on average how much a borrower can borrow from each mortgaged social security savings account.

## Dual Incentives and Dual Asset Building: A Closer Look

The administrative data, combined with some other information, allows us to closely see the successful outcomes of the dual incentive and dual asset building

[2] The amount of interest is calculated by loan amount * interest rate/30 * number of days.
[3] The reasons to exclude mortgage loan cases in 2006 is that most loans will not be returned until the fall (after harvests).

structure. We will examine trends in the social security funds, number of participants, savings in the individual account, loan for assets leading to production, and number of loans processed over the years.

*Social Security Fund Increased*

While rural social security has been in recession nationwide during the past eight years, the Hutubi Rural Social Security Fund has grown at a rate of 7% each year, from ¥12 million (about US$1.5 million) in early 1998 into ¥24 million (about US$3 million) by the end of 2005, "outperforming the meager bank interest rate of 2.25%" (Bai, 2005). By 2005, the fund has already doubled through compound interest (Bai, 2005). As shown in Table 3, during the three years of suspension of the loan program (1999-2001), the increase rate of the rural social security fund was less than during the other years. In other words, the loan program successfully generated interest gains that increase social security funds against inflation and contribute to long-term stability.

[Insert Table 3 about here]

*Retention of Participants*

As mentioned above, between 1998 and 2003, the rural social security roll in the nation dropped from 80 million to 54 million (CASS, 2000; Tang, 2001). In 1997, a year before the loan program was initiated in Hutubi, the total number of participants in rural social security decreased by nearly 15% from over 10,000 to about 8,600. In the subsequent eight years, however, the number of participants remained steady at 8,600. This may indicate that creation of the loan program has become an effective way to retain participants[4].

[4] Because of the suspension of the program, the total number of participants did not increase until 2005.

*Savings in Individual Social Security Accounts Increased*

While this information is not directly available from the administrative data, the increase in individual social security savings accounts may be reflected in the loan information. Essentially, the total amount of loan available to a borrower depends on the number of social security accounts mortgaged and the amount of saving in each account. In other words, the ratio between the amount of loan and the number of mortgaged accounts by year can provide an estimation of savings in a typical individual account. The data (Figure 2) show that this ratio increases from ¥623 in 1998, to ¥974 in 2002, to ¥1,530 in 2003, and to ¥1,561 in 2004, indicating that the average amount of savings in individual accounts is increasing over the years. By this measure, savings in a typical account in 2004 is nearly 2.5 times that in 1998.

[Insert Figure 2 about here]

*Peasants' Physical Assets Increased*

Peasants take out loans mainly for purchasing physical assets related to agricultural/pastoral production (97.7%). A majority (56.8%) of peasants used the loan to purchase livestock (cows and sheep); other investments include seeds (38.4%), electrical farming equipments (1%), small business (0.9%), and transportation tools (0.6%) (Zhang, 2006). When loans are used for agricultural and/or pastoral production, it can be expected that household assets will increase. For example, a peasant who borrows ¥16,000 to purchase two cows can expect to have a monthly income of ¥1,000 or even more.

As mortgage loans are mostly used for agricultural/pastoral purposes, the data show a strong seasonal pattern in the loan start and return dates each year. Generally speaking, the loan start dates concentrate in the planting season (March, April, May) while the loan

return dates concentrate in the harvest season (September, October, November) (Figures 3 & 4).

[Insert Figures 3 and 4 about here]

*Number of Loans Increased*

As shown in Table 4, the number of mortgage loans varies across years. Over 50% of mortgage loans (n=656) were issued in 2002 and about 20% (n=258) in 2006. No information is available for 1999, 2000, and 2001 because the mortgage loan program was suspended in these years due to procedural controversies between government entities in the local area. Fewer than 100 mortgage loans were taken in 1998 and 2004. With the procedural and policy issues resolved, 2002 witnessed a significant increase in the total amounts of loans, loan interest, and number of social security accounts, exceeding all the other years (see Table 5).

[Insert Tables 4 & 5 about here]

## Discussion

The Hutubi rural social security loan practice by the local government has drawn considerable interest from policy makers. Authorized by China Ministry of Labor and Social Security, Hutubi resumed its rural social security program in 2005 by recruiting new participants. In the meantime, it has become exemplary for other underdeveloped rural areas in developing social security. In carefully reflecting on the Hutubi practice, implications and limitations can be identified.

*Policy Implications*

*Microcredit scheme in poor rural areas*. In many developing countries, the lack of well-established financial services and microcredit has limited peasants' access to loans for poverty alleviation. The Hutubi rural social security loan program suggests that

access to loans, mortgaging social security accounts, loaning, using the capital for production investments, and paying back loans can provide a practical avenue for peasants to improve their circumstances and also build credit. This gives peasants the possibility to access other financial services.

*The poor and financial skills*. Evidence indicates a positive relationship between financial skills and asset building (Zhan & Schreiner, 2005). For most rural populations, limited financial opportunities in rural areas may have formed insurmountable institutional barriers for the poor to build financial skills. The loan program, although not intended as formal financial education, can help individuals through loaning practice to improve financial skills and better understand the financial system.

*Effects of assets on risk taking*. In most cases, investment in physical assets for production can lead to better economic well-being, though investment is simultaneously a risk to some extent. With the loan program, peasants obtain loans for agricultural or pastoral investment. Savings together with loans provide a foundation for risk taking, which can move peasants toward greater economic benefits.

*Social network.* The importance of social networks is implicitly reflected in the loan program in that it allows peasants to use social security accounts of family members, relatives, and friends for loans. Social networks expand an individual's access to financial resources on the one hand, and on the other hand pose social pressure on this individual to make proper use of the loan and return the loan to restore the social security account. Unfortunately, the current data do not have information that would illuminate credit development, financial self-education, and the role of social networks.

*Limitations*

Despite the apparent successes of the Hutubi rural social security loan program, its limitations should also be noted.

*Potential risk.* The current loan program has a high pay-back rate (96%) for several reasons. (1) The use of loan is strictly defined. In most cases, it has to be invested in physical assets for production. (2) Availability of loans is primarily based on an individual's social network, which imposes pressure for paying off the loan. (3) Peasants are well aware of the consequence of not repaying the loan—losing social security benefits in later life. Although the loan program is a low-risk policy for local administration, it could mean a high risk for individuals in a particular loan case. As far as individuals are concerned, those who borrow would lose social security benefits if they fail to repay the loans. In this regard, the loan program has elements conflicting with social security itself. Of course, if the loan program generates greater wealth among farmers, this implies security in old age.

*Loan as incentive*. In the Hutubi program, the loan has indeed become an effective incentive for peasants to join in rural social security and to build household assets. Note that all of this occurs where the rural financial system is underdeveloped, with existing financial services minimally accessible to most peasants. If this situation were changed with improvements in the financial system, the loan program as an incentive for asset building might be weakened to some degree.

*Equity issue*. In some countries, government seed funds and matching funds are made available to low-income participants in asset-building programs, such as the IDA program in the US and the Child Trust Fund in the UK. Compared with those policy features, the Hutubi loan program lacks a consideration of equity, because availability of

loans depends on an individual's own saving and/or social network. In other words, people who are extremely poor or have no social network are less likely to benefit from the loan program.

## Conclusion

The Hutubi rural social security loan program is apparently successful in developing policy incentives to encourage asset building in a rural area of China. Incentives tailored to local situations can serve the local people very well. Structural incentives, when appropriately designed and practically implemented, can encourage the poor to build assets. In the rural context of Hutubi, matching funds are not feasible because of the limited financial capacity of the local government; tax benefits are not feasible either because this is not compatible with the existing tax system. But, access to small loans and rudimentary financial services fit peasants' financial needs. Like Hutubi, most rural areas of the developing world have limited financial services for peasants. The Hutubi loan program shows that asset building is possible when proper financial services are offered. This may be a good model for other rural areas in China and other developing countries.

## Appendix

Table 1: Demographic characteristics of borrowers

| Variable | Frequency | Percent (%) |
|---|---|---|
| Gender (n=1,261) | | |
| Male | 1080 | 85.7 |
| Female | 181 | 14.3 |
| Ethnicity (n=1,263) | | |
| Han | 1162 | 92.0 |
| Hui | 45 | 3.6 |
| Wei Wu Er | 23 | 1.8 |
| Ha Sa Ke | 28 | 2.2 |
| Others | 5 | 0.4 |
| Age as of 2006 (n=1,237) | | |
| 20-29 | 57 | 4.6 |
| 30-39 | 367 | 29.7 |
| 40-49 | 451 | 36.5 |
| 50-59 | 275 | 22.2 |
| >59 | 87 | 7.0 |
| Age at which loan was borrowed (n=1,237) | | |
| <20 | 2 | 0.2 |
| 20-29 | 148 | 12.0 |
| 30-39 | 389 | 31.5 |
| 40-49 | 439 | 35.5 |
| 50-59 | 213 | 17.2 |
| >59 | 46 | 3.7 |
| *Sub-County* | | |
| *Da Feng Zhen* | 341 | 27.0 |
| *Yuan Hu Cun Zhen* | 145 | 11.5 |
| *Wu Gong Tai Zhen* | 359 | 27.6 |
| *Er Shi Li Dian Zhen* | 425 | 33.7 |

Table 2: Loan information

| Variable | N | Mean (SD) | | Median | Freq. | % |
|---|---|---|---|---|---|---|
| Amount of loan (¥) | 1,263 | 6,072.34 | (5992.61) | 4,500 | | |
| Amount of loan by year (¥) | 1,262 | | | | | |
| 1998 | | 7,870.83 | (7,790.88) | 5,000 | | |
| 2002 | | 5,561.13 | (4,919.70) | 4,000 | | |
| 2003 | | 7,772.83 | (1,1248.95 | 4,150 | | |
| 2004 | | 5,890.59 | ) | 5,000 | | |
| 2005 | | 6,895.65 | (3,968.92) | 4,000 | | |
| 2006 | | 6,187.60 | (7,962.17) | 4,550 | | |
| | | | (4,564.99) | | | |
| Interest rate (%) | 1,263 | 0.71403 | (.46870) | 0.6975 | | |
| Expected loan term (days) | 1,263 | 639 | (459) | 243 | | |
| Actual loan term (days) | 955 | 484 | (326) | 326 | | |
| Loan return status | 1,263 | | | | | |
| Returned | | | | | 972 | 76.96 |
| Not returned yet | | | | | 291 | 23.04 |
| Loan return status for 2006 cases | | | | | | |
| Returned | | | | | 4 | 1.55 |
| Not returned yet | | | | | 254 | 98.45 |
| Loan return status for cases in all years* | | | | | 968 | 96.32 |
| Returned | | | | | 37 | 3.68 |
| Not returned yet | | | | | | |
| When was the loan returned? | 956 | | | | | |
| On time | | | | | 13 | 1.36 |
| Early return | | | | | 664 | 69.46 |
| Delayed return | | | | | 279 | 29.18 |
| Amount of interest (¥) | 959 | 698.86 | (842.82) | 406.22 | | |
| Interest/amount ratio | 952 | 0.116 | (0.088) | 0.093 | | |
| Interest/amount ratio by return status | 954 | | | | | |
| On time | | 0.045 | (0.005) | 0.046 | | |
| Early return | | 0.129 | (0.115) | 0.126 | | |
| Delayed return | | 0.113 | (0.169) | 0.054 | | |
| Number of social security cards per loan | 1,194 | 5.43 | (4.70) | 4.00 | | |
| Amount per social security card per loan | 1,194 | 1,218.51 | (1,081.32) | 1,077.50 | | |

* Excluding 2006.

Table 3: Hutubi rural social security fund by year

| Year* | Total amount (in thousands ¥) | Annual interest (in thousands ¥) | Increase rate (%) |
|---|---|---|---|
| 1998 | 16,757.9 | 1,673.0 | 9.98 |
| 1999** | 16,959.6 | 1,106.1 | 6.52 |
| 2000** | 17,708.6 | 1,038.9 | 5.87 |
| 2001** | 18,473.2 | 898.6 | 4.86 |
| 2002 | 19,748.6 | 1,412.4 | 7.15 |
| 2003 | 20,729.7 | 1,168.4 | 5.64 |
| 2004 | 22,022.8 | 1,463.2 | 6.64 |
| 2005 | 23,629.0 | 1,639.4 | 7.40 |

* As of the end of each year.

** The loan program was suspended in these three years.

Table 4: Loans by year (N=1,263)

| Year | Frequency | Percent (%) |
|---|---|---|
| 1998 | 24 | 1.90 |
| 1999 | 1 | .08 |
| 2002 | 656 | 51.94 |
| 2003 | 92 | 7.28 |
| 2004 | 85 | 6.73 |
| 2005 | 147 | 11.64 |
| 2006 | 258 | 20.43 |

Table 5: Loans by year

| Year | Total loan amount (¥) | Total amount of interest (¥) | Increase rate (%) | Number of social security accounts used |
|---|---|---|---|---|
| 1998 | 142,100 | 22,724.4 | 16 | 102 |
| 2002 | 3,468,100 | 542,284.6 | 15.6 | 3,691 |
| 2003 | 715,100 | 47,399.1 | 6.6 | 258 |
| 2004 | 500,700 | 25,596.2 | 5.1 | 378 |
| 2005 | 1,027,160 | 45,977.4 | 4.5 | 743 |
| 2006 | 1,596,400 | N/A | N/A | 1,306 |
| Total* | 5,853,160 | 683,981.70 | 11.7 | 5,172 |

* Not including 2006.

Figure 1: Dual incentives and dual asset building

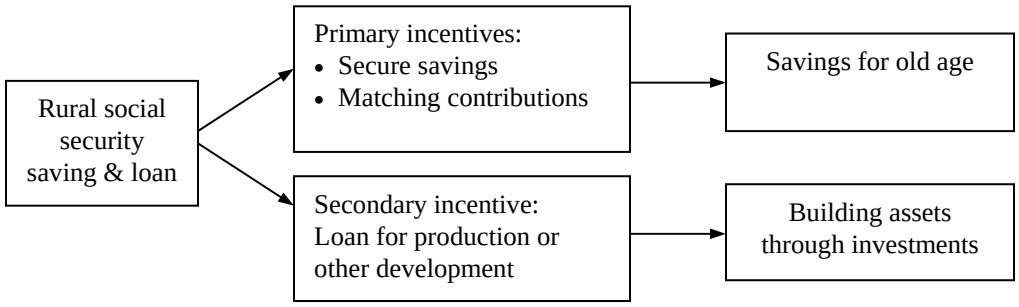


Figure 2: Average loan amount per social security account by year

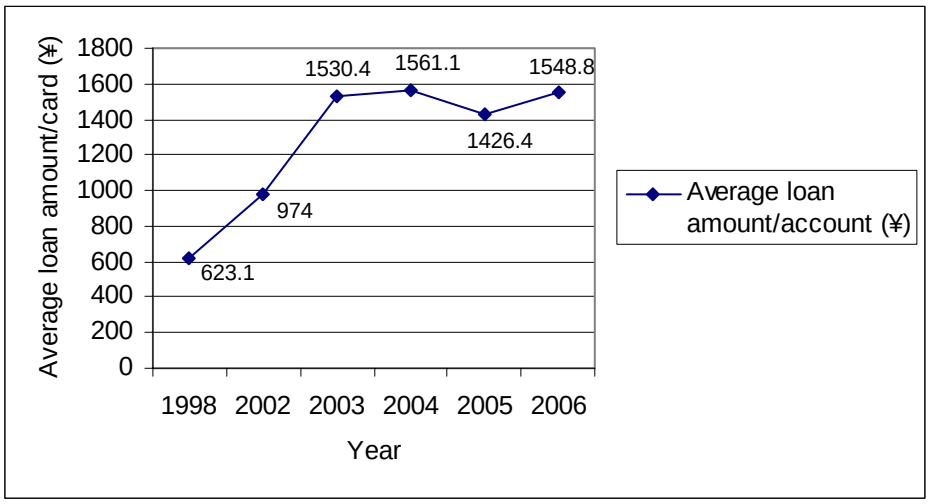



Figure 3: Loan start date by year

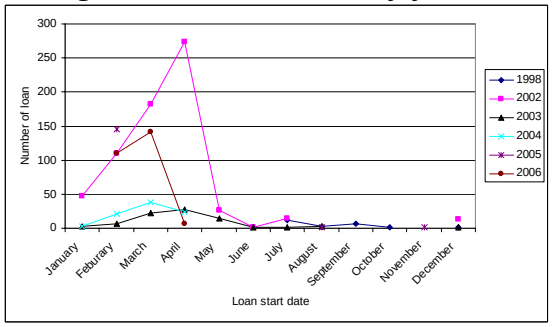
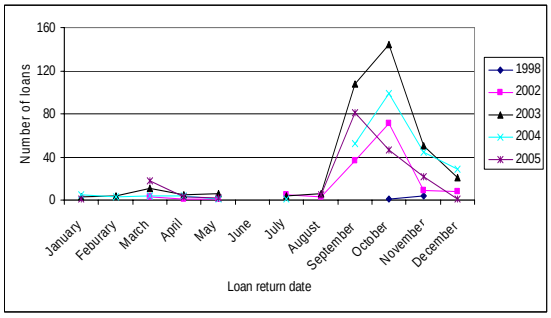



Figure 4: Loan return date by year



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