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The Hutubi Rural Social Security Loan Program in Xinjiang, China

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2008

CSD Working Papers
No. 08-21

Campus Box 1196 One Brookings Drive St. Louis, MO 63130-9906 • (314) 935.7433 • www.gwbweb.wustl.edu/csd

Washington University in St. Louis

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Introduction

The Hutubi Rural Social Security Loan Program in Xinjiang, China utilizes rural social security as legal collateral, which enables participants to borrow using their social security cards as collateral for their agricultural production or other life investments. Participants follow certain guidelines and take out loans through designated banks. The loan can be up to 90% of their social security amount, and the typical loan period is one year. Funding for the Social Security Loan Program comes from social security premiums and the loan interest goes back to the individual account. The banks receive 1.5% of the loan interest, so there is no risk for them. If farmers cannot repay their loans, they will be dropped from rural social security or repay the loan with the balance of their pension.

The Hutubi Rural Social Security Loan Program was piloted in 1998, when the Rural Social Security Fund was facing great pressure to counter inflation. Hutubi presented a successful example of the National Rural Social Security Program. By the end of 1997, there were four townships with a total of 10,046 farmers (16.1%) participating in the program. The fund reached a total of ¥14.76 million (nearly 2 million US dollars), amounting to ¥1,468/ person and accounting for 13.4% of the fiscal income in 2004. Since 1997, the interest rate in banks has decreased for eight consecutive years. The annual interest rate dropped from 9.18% in 1996 to 1.98% in 2002. At the same time, the national bond interest slipped to a point that was only slightly above regular savings interest. This meant that savings and purchases of national bonds were essentially unprofitable avenues for capital investment.

The county social security office, therefore, might fail its promise to farmers regarding the proliferation of the social security fund. The Hutubi social security program, involving 1/5 of the county's farmers, was faced with several problems, mainly that over ¥10 million could not grow, and that farmers were dropping out. To respond to these challenges, the Hutubi Rural Social Security Office stopped recruiting new participants into the Rural Social Security Program in early 1998, and started to pilot new methods to maintain or enhance program finances by adopting the Social Security Loan Program.

The Hutubi Rural Social Security Loan Program experienced three stages.

- The first involved small-scale piloting (July 1998-2001). In late 1998, in order to help farmers with their spring farming and to coordinate with the county government's call for

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restructuring industry, the Hutubi rural social security office selected six administrative villages in good economic situation in Wu Kong Tai and Da Fong townships, with loans limited to purchases of industrial materials to develop the dairy industry. The piloting work had a surprisingly positive outcome. From July 1998 to September 1998, the amount of loans in the two townships reached ¥500,000. Due to the initial lack of coordination between the social security offices and local financial institutions, the piloting work did not go smoothly as expected. For instance, penalties and suspensions occurred occasionally.

- The second stage was formal establishment, which occurred from the beginning of 2002 to the end of 2005. At the end of 2001, county representatives and the county government's multi-coordination team had urged the social security office to sign the Rural Social Security Fund and Loan Agreement with various participating banks, such as the Bank of Agriculture and Rural Cooperative Credit. The participating banks provided loans to farmers, and administered the Social Security Loan. At the beginning of 2002, the Hutubi county government and representatives confirmed this approach in an official document to help farmers take small loans to develop small livestock businesses. In December 2005, the Hutubi Rural Social Security Stipulations were officially released.

- The final stage began in October 2006. With full support from the county government and representatives, the Hutubi Social Security Office restarted the rural social security business that had been stagnant for eight years, and resumed collecting premiums in some townships. As of June 2007, the new and renewed premiums among Hutubi farmers had reached ¥1.8 million, and the average premium per person was ¥11,000, eight times the average in 1998.

Ten years of development have brought great accomplishments to the Hutubi Social Security Loan Program. It is estimated that, from January 2002 to July 2007, 1,937 households participated in the Loan Program, and 6,764 rural social security cards (77.8%) had been used as collateral. The loans reached ¥10.8 million, accounting for 84.4% of its total fund (¥12.8 million). For the past five years, about 99% of the families that took out loans were able to repay the loan on time; a few deferred their loans, but no one had their social security cards revoked due to the failure to repay.

As of the end of 2006, the fund reached a total of ¥13.2 million, including interest. The annual growth rate was about 8.1%, more than the government's promise of a 5% rate on individual accounts and 3.1% of the distribution rate. In addition, 1,012 seniors in the county that were 60 years old had already received their pension. Currently, the "Hutubi Model" Rural Social Security Loan Program is spreading to other rural areas, including Sichuan, Jiangxi, Inner Mongolia, and Anhui, and is increasingly recognized as an innovative approach to rural social security development.

This report attempts to answer the following three questions.

- Who participated in the Social Security Loan Program, and why? This question aims to identify potential participants in the program.
- What are the benefits of program participation, and what changes have occurred in the social security and rural financing system? In another words, what are the potential welfare benefits of the Social Security Loan Program?
- What are the mechanisms through which the Loan Program achieves the welfare benefits identified above?

The research hypothesis states that lower-to-middle income households with strong motivation to acquire wealth are most likely to take loans through the Social Security Loan Program. After they utilize the Loan Program, their immediate needs will be satisfied, household income will increase, community solidarity will improve, and the rural social security system will be more financially and politically sustainable. The key factor leading to the above-mentioned changes is that the Loan Program goes beyond consumption to allow for asset building. It creates an effective way for farmers to invest, and it clarifies the right to social security property by showing that individual accounts truly belong to farmers themselves. In a word, the Rural Social Security Program has increased the value of farmers' individual social security accounts, moving participants a step closer to a thriving and secure life.

This report is organized as follows. First, a brief introduction to the Hutubi Rural Social Security Loan Program is provided, including its approach, history and development. The main questions are proposed and the hypotheses are stated. This is followed by a description of the research design, which includes a survey and in-depth interviews. Third, main survey findings are discussed, which provide the basis for discussion. Finally, the report analyzes the Social Security Loan Program's mechanism and implications for future policy and research.

Research Methods

This research is an exploratory, descriptive study, and it aims to examine the Hutubi Rural Social Security Loan Program using a survey and participant interviews.

Research Design

Subjects. The survey targets the participants in the Hutubi Rural Social Security Loan Program. In total, 10,046 are participating in the program, but due to budget restraints, this study's sample size is limited to 450.

Sampling. The study adopts systematic random sampling, which is based on the same interval to randomize participants from the Loan Program list. Given the possibility that selected individuals will either not be home or will refuse to participate, 500 households were selected in total, 50 more than our targeted sample size.

Survey structure. The survey consists of five parts.

- The first part includes the demographics of participants and their family members, including their gender, age, ethnicity, education, occupation, and economic status.

- The second part, detailing the loan process and participant experiences, is limited to those actually taking the loans *(loan-taking households)*. Key variables include: previous three- loan time frames, loan amounts, loan duration, purpose of taking the loan, number of rural social security cards and sources, loan information sources, farmers' opinions of their old age security, loan purposes, the loan process, and willingness to take out a second loan.

- The third part of the survey explores the experiences of those who lend their social security cards to others *(card-lending households)*. This section includes questions about the loan process and card-lending experiences. Important variables include participants' previous three lending time frames, the number of loans made, loan amounts, repayment time frames, collateral, loan purposes, lenders' attitudes toward lending their cards to others, and factors contributing to their decision not to take a loan.

- The fourth part is for those who have neither taken out a loan nor loaned their cards to others *(no loan-taking, no card-lending households)*. Questions in this section explore the reasons why these households do not participate in the program.

- The fifth part consists of participants' business loan experiences and main household assets. Major indicators include: loan amounts, loan time frames, loan purposes (from 2004 to 2006), the number and price estimate for main production and life necessities, such as land, personal vehicles, farming equipment, color televisions, and refrigerators.

Data Collection. It was more difficult to conduct a survey in the Hutubi rural area in Xingjiang than expected. The challenges were threefold. The first was the language barrier. Hutubi County is an area with many ethnic minorities: Uygurs, Kazakhs, and Hui comprise about half of the total number of participants. In particular, Uygurs and Kazakhs know limited Mandarin. Low levels of education among farmers and nomads presented a second challenge. 91.3% of participants have only completed middle school (9th Grade) or less. Lastly, selected study participants lived far from one another. Hutubi County is a vast territory and the large distances between study participants made transportation very difficult.

We have taken several measures to address the above-mentioned challenges and ensure the quality of the survey. First, we pre-tested and modified the questionnaire. Before pre-testing, the questionnaire was more complicated and lengthy. After consulting with the coordinator in the rural social security office, we made significant adjustments to the survey. We then selected 15 participant households and conducted a second pre-test, modifying the questionnaire according to the results. After fully understanding the local context, the research team decided to contract the survey out to the county rural social security office that did a similar survey with the Ministry of Labor and Social Security in 2005. The local office workers had been to the villages many times had a better understanding of the participants. The research team finalized the questionnaire, listed all sample participants, and conducted a one-day training session for the interviewers. The social security office selected well-educated and responsible interviewers familiar with the communities to assist with data collection. Given that other projects were going on at the same time, we extended the deadline for two months, from November 2006 to January 2007. When data collection was completed, the office workers verified each questionnaire, making corrections as needed.

A total of 450 questionnaires were completed, of which 427 were valid, resulting in a validity response rate of 94.8%. The survey involved four townships, 16 administrative villages, and 32 natural villages. The demographics of participants and their family members are shown in Table 1.

Interviews

Selection of interview participants. According to the participant list provided by the Hutubi Rural Social Security Office, the research team selected 20 farmers, consisting of three types of participants: loan-taking—those who take loans with the program; card-lending—those who lend their social security cards to others; and no loaning no lending—those who neither take loans nor lend cards to others.

Interview content. Semi-structured interviews allowed for flexibility in the specific questions asked. For example, with loan-taking participants, the primary questions asked included loan frequency, loan amount, purpose of making the loan, outcome of loan-taking, personal recommendations, and the willingness to make a second loan.

Interview and data organization. All interviews were conducted by the members of the research team and recorded. After completion of the interview, the interviewer would transcribe and modify the interview outline if questions arose during the interview. Twenty-three farmers were interviewed including eight loan-makers, six card-lenders, and nine no-loaning, no-lending participants. Participant details are summarized in Table 2.

Results

Loan-taking Participants

At least 57.3% of rural social security participant households joined the Loan Program. As shown in Table 3, at the time of the survey, there were 25.1% people that had made a loan and 32.2% had lent their social security cards to families, friends, or neighbors. About 42.7% of interviewees had neither utilized the Loan Program, nor lent their cards to others. Thus, 57.3% of interviewees directly or indirectly participated in the Rural Social Security Loan Program.

Further analysis shows that among loan-taking households, 21 households (19.8%) utilized the Loan Program twice, and three made loans three times. Among card-lending participants, 21 households (15.4%) lent their cards twice, while four stated their cards were borrowed three times. Some loan-taking households were also card-lenders. It shows that 14.1% of loan-taking households had also lent their cards to others within the past three years.

The average loan amount is ¥6,510; the average number of borrowed social security cards per household is 4.8; the average value for each borrowed social security card is ¥1,371. Among the 99 households with loan-taking experience, the number of borrowed social security cards is 470, and the total loan amount is ¥644,500. The average loan amount for each loan-taking household is ¥6,510; the number of borrowed social security cards is 4.8; the value for each borrowed social security card is ¥1,371 (Table 4).

Fifty-seven percent of social security cards and 49.7% of loan amounts came from families, friends, and neighbors. Using the example of the first-time user of the Loan Program, Table 4 shows that 99 loan-taking households used a total of 470 social security cards as collateral, of which 35.7% were from families and friends and 21.3% were from neighbors, equaling 57% in total. With regard to loan sources, the total loans from loan-taking households reached ¥644,500, 30.3% of which were from families and friends, and 19.4% were from neighbors, comprising 49.7% of total loan sources. From the perspective of households involved in the program, 227 families made loans; 30.4% were from families and friends, and 26% were from neighbors, totaling 56.7%. In other words, nearly 60% of borrowed social security cards were from families, friends, and neighbors; about 50% of loans were made possible by families, friends, and neighbors' social security cards. This certainly contributed to the success of the Loan Program.

This finding is indirectly confirmed by the statements of households that borrowed others' cards. As shown in Table 5, participants only borrowed social security cards from families, friends, and neighbors.

Development of the Loan Program in 2002. The Hutubi Rural Social Security Loan Program started in 1998. Over the past nine years, the program has been poorly developed, except during the initial three-year period. It was not until 2002 that the program began to experience sustained growth.

According to Table 6, there were 35 households in 2002 that utilized the Loan Program, which accounted for one third of first-time program participants. For the next four years, the percentage dropped slightly, but it remained above 10%. Since 2001, it has become more common for farmers to lend their social security cards to others. From 2002 to 2004, card-lending households made up 75.3% of the total program participants. Although instances of card-lending decreased between 2004 and 2005, the Loan Program has grown steadily since 2006.

Three factors have directly caused ups and downs in the Hutubi Rural Social Security Loan Program.

- At the beginning of 2002, the county government officially affirmed the approach of borrowing social security funds by using one's social security card as collateral, considering it an important way to adjust the industrial structure and raise funds. Having gained legitimacy, the Loan Program could now be made public. Thus, it was no surprise that the program made a huge leap forward in 2001.

- Second, after 2003 (particularly in 2004 and 2005), rural credit policy was relaxed and formalities were simplified, resulting in some Loan Program participants taking out business loans.

- Third, in October 2006, the Hutubi County Social Security Office resumed the rural social security program that had been stagnant for eight years, and started collecting premiums in some townships and villages. Because this research was conducted at the point when the Loan Program was about to develop aggressively, this phenomenon may not be reflected precisely in the data collected.

Obtaining financing for spring planting is the main reason that households take loans. Table 7 shows that among the 88 households that made a loan for the first time, 87.8% of them indicated that they used the loan for spring planting (e.g., purchasing fertilizer, seeds, and geomembranes); 8.2% made loans for livestock purchases; two households used their loans for farming machines; while only one household used the money for emergency purposes (e.g., medical expenses or children's education). Among households that took out loans twice or more, all stated that the loans were for spring planting.

Table 7 shows that among the 134 first-time card-lenders, 77.6% considered card-borrowers making a loan for the needs of spring planting, 10.4% for livestock purchases, 11.2% for farming equipment, and one percent for emergency purposes.

The average loan period was six to seven months. Among the 104 households who were first time loan-makers, 73.1% had a loan period not exceeding one year. Thirty-four percent of one-year loan households had a six-month loan period, accounting for 25% of total loan-taking households; 52.6% of one-year loan households had a seven-month loan period, accounting for 38.5% of total loan-taking households. In other words, the loan periods are mostly six to seven months long (Table 8).

This finding is also confirmed by the first card-returning timeframe. Among the 113 card-lending households, 63.2% people said that their cards were returned within a year, of which 22.6% of cards were retuned within six months and 61.9% were returned within seven months. The reason for a six- to seven-month loan period is simple: most households take loans to finance spring planting, and after their fall harvest, they are able to repay their loans. Households prepare for spring planting and farming between February and March, and the fall harvest generally ends in September and October.

About 80.8% of loan-taking households were able to repay their loans either on time or before the deadline. According to the repayment situations of first time loan-makers (n=104), 60.6% paid back on time, 20.2% paid back before the deadline, 18.3% deferred their repayment, and only one household has not paid back yet (Table 8).

Government advertisement and notifications by neighbors are the main sources of information about the Loan Program. Table 9 shows that among 100 interviewed loan-taking households, 64% found out about the program through government advertisement, and 29% through their neighbors. Television news, families and friends, and newspapers counted for the other 9%.

Nearly 60% of loan-taking households believe that their life after retirement would not be affected if they were unable to repay their loans. As shown in Table 10, 59% of the interviewed loan-taking households thought that their retirement life would not be negatively affected even not if they were not able to repay their loans; 28.2% felt a little worried; 11.5% felt very worried; and only one person expressed that he or she did not mind at all.

It appears that females were more worried than females. Table 10 shows that 70% of female respondents were either “very worried” or “a little worried,” compared to 40.7% of males.

More than half of loan-taking households believe that the Loan Program is more convenient than the local rural credit union. In Table 11, 57.5% of people considered the Loan Program more convenient than the rural credit union, 19.2% considered the rural credit union to be more convenient and 23.3% rated the Loan Program and the rural credit union about the same in terms of convenience. Women are more likely to think that the Loan Program is convenient.

Among loan-taking households, 73.8% say that the Loan Program has met their expectations. Among the 84 loan-taking households that were interviewed, 73.8% responded that the Loan Program has met their expectations, 21.4% said that it has not, and four respondents were not sure. Thus, the majority of loan-taking households believed that the Loan Program has met their expectations. Respectively, about one-third of female respondents stated that the program has not met their expectations compared to 17.5% males who stated that it had.

62.1% of loan-taking households stated that if they could have borrowed more social security cards, they would have taken out a bigger loan. Eighty-one percent of females agreed with this statement compared with only 24.9% of males.

Card-lending Participants

More than 80% of card-lending households said that they were willing to lend their social security cards to others. In Table 13, 84.8% of 125 first-time card-lending households said that they were willing to lend their cards to others, 11.2% hesitated, and four percent were unwilling to do so. Among the 15 second-time lenders, 80% said they were willing to lend their cards, and 20% felt reluctant. Among the four third-time lenders, all expressed their willingness. Thus, the majority of card-lenders were willing to lend their cards to others.

This result is confirmed by loan-taking households. The data shows that 85.7% of 15 households who not only had loans themselves, but also lent their cards to others, were willing to lend their cards. Only 14.3% hesitated to lend their cards.

Only 15.4% of card-lending households expressed unwillingness to lend again, if family, friends, and neighbors wanted to borrow their social security cards for the Loan Program. As shown in Table 14, among the 123 card-lending households, if their family, friends and neighbors wanted to borrow their social security cards again, 52% would say yes, 20.3% said it depended on who the borrower was, 11.4% said it depended on the purpose of borrowing the cards, and only 15.4% said "definitely not." It is evident that most card-lending households would agree if their family, friends, and neighbors want to borrow their cards for the Loan Program.

Further analysis shows that there is a large discrepancy between female and male attitudes toward card lending. Seventy-three point eight percent of males answered either "agree" or "disagree to the question," while 60.9% of the females focused on the answers "who is the borrower" and "what are they borrowing for."

When lending their cards to others, card-lending households consider lending to their families first. As shown in Table 15, among the 120 interviewed card-lending households, 91.7% would first consider lending their cards to family members, 5.8% would consider friends first, and only 2.5% would first consider their neighbors.

Respectively, when it comes to lending their cards again, 10% of males would consider friends and neighbors, while females would only consider lending to their families.

The main reasons that card-lending households did not take loans themselves were that they had too few social security cards, their cards had limited value, and the loan amounts were not sufficient. Table 16 shows that among the 135 interviewed card-lending households, the top three reasons for them not taking loans were: too few social security cards, cards with limited value, and loan amount not sufficient (59.3%); lack of need for the loans (28.1%); and preference for bigger loans available at the local credit union (8.9%). Respectively, 73.9% of female respondents reported the first three reasons, higher than the percentage of males by 18.4%. Nearly one out of three men considered lack of need for the loans as the second major reason, which is 13.5% higher than the percentage of women. Therefore, when stating their reasons for not taking out loans, more women attributed it to the social security card itself, while men attributed it more to a lack of need.

No Loan-Taking, No Card-Lending Participants

The main reason that no loan-taking, no card-lending households did not take loans is that they had no need for a loan. Among the six factors for no loaning activity, fifty percent (n=90) chose lack of need for the loans. Fifty-one households (28.3%) chose Few cards, limited value, and loan amount not enough, 20 households (11.1%) didn't know about the loans, and 17 households (9.4%) thought that bigger loans were available at the local credit union. Men were more likely to emphasize their need to determine whether they will take loans, while women highlighted the negative aspects of the social security card.

The main reason that no loan-taking, no card-lending households did not lend their cards is that no one requested to borrow their cards. As shown in Table 18, among the eight factors for not lending, 125 no loan-taking, no card-lending households (69.4%) said that it was mainly because no one asked to borrow their card. Twenty-four (13.3%) households said they had been asked, but worried they would need the card in case of emergency. Twenty households (11.1%) said they had been asked, but could not lend their retirement money at will. Twelve households (6.7%) said they had been asked, but were concerned about the length of time the borrowers would take to repay the loan. There were 11 people (6.1%) who said they had been asked, but worried that the borrower was poor and would be unable to repay. Another 11 people (6.1%) said they had been asked, but worried that the borrower would do something risky with the loan. Only two participants chose the "other" response category. Respectively, 74.3% of males responded that the main reason for not lending cards is that no one had asked to borrow their card, 20.8% higher than female selection of this answer. By contrast, females were more likely to want to keep their cards in case of emergency, feel that they couldn't lend their cards out at will, and to have concerns about lending the card..Apparently, men put more emphasis on whether others needed to borrow their card, whereas women focused more on their own willingness to lend their cards.

More than 80% of participants responded that borrowing social security cards to increase their loan amounts was a good idea. Eighty-six percent of the 93 households that first made loans considered borrowing social security cards a good way to increase loan amounts, 10.8% considered it a means to help each other, and 3.2% responded that it is acceptable once in a while. Among the 125 participants who first lent their cards to others, 82.4% considered it a good method, 6.4% considered it a means to help each other, and 10.4% thought that it should only be adopted once in a while. Among the 153 no loan-taking, no card-lending participants, 83% considered it to be a good method, 5.2% considered it as a means to help each other, 5.9% thought that it should only be adopted occasionally, and 3.3% considered it a favor to others. Thus, regardless of whether respondents were loan-taking, card-lending, or no loan-taking, no card-lending participants, more than 80% of respondents considered this a good method of increasing loan amounts.

All Participants

From 2004 to 2006, more than three-fourths of participants made loans through local financial institutions. In the three-year time period from 2004-2006, 329 of 427 households borrowed money from local rural credit unions. Among them, loan-taking participants have the highest rate of borrowing from local institutions (89.6%), followed by card-lending participants (82.4%), and finally no loan-taking, no card-lending participants (65%).

From 2004 to 2006, the percentage of business loans and per-household loan amounts increased substantially among both loan-taking and card-lending households. In 2004, 80.2% of loan-taking households borrowed money from rural credit unions; in 2005, the percentage rose to 81.1%, and in 2006, 84% borrowed from credit unions. The average per-household loan amount was ¥12,706 in 2004, ¥16,558 in 2005, and ¥17,388 in 2006. Table 21 contains these details for card-lending and no loan-taking, no card-lending households as well. It is apparent that households who participated in the Social Security Loan Program between 2004 and 2006 were more likely to take out business loans and to have a larger per-household loan amount.

Loans made through financial institutions were almost entirely for financing spring planting. Between 2004 and 2006, the majority of households (more than 98%) made loans for their spring planting (e.g., for purchasing fertilizers, seeds, and farming equipment). Only a few households financed for purchasing livestock or for immediate needs (e.g., medical and education expenses).

Loan-makers typically come from middle and lower-middle income households, with a per-person net income of less than ¥6,000. Table 23 shows that among 104 loan-taking households, 58.7% considered their economic status to be middle class; 11.5% categorized themselves as lower-middle class, and 3.8% as poor, with the three totaling to 74%. In 2006, per-person annual net income was less than ¥3,000, for 11.5% of loan-taking households, and between ¥3,001 and ¥6,000 for 60.6% of households. These percentages are higher than those for card-lending households by 10.4% and no loan-taking, no card-lending households by 2.1%. Thus, per-person annual net income in 2006 among loan-taking households was typically less than ¥6,000, or less than the average income of farmers and nomads in Hutubi County in 2005, which was slightly greater than ¥6,000.

Compared to card-lending and no loan-taking, no card-lending households, loan-taking households have larger amounts of farming land. As shown in Table 25, loan-taking households have an average of 64.2 acres of farming land, which is 0.32 acres more than card-lending households, and 10.2 acres more than no loan-taking, no card-lending households.

Loan-taking households have higher levels of household assets than card-lending and no loan-taking, no card-lending households. As shown in Table 26, the average value of household assets for loan-taking households in Hutubi County is ¥98,948, which is higher than that of card-lending households by ¥7,376 and no loan-taking, no card-lending households by ¥29,744. Not including expected profits from planting, loan-taking households still have the highest level in the value of major production materials and durable goods. The average value of major production materials and durable goods for loan-taking households is ¥50,586, higher than card-lending and no loan-taking, no card-lending households by ¥18,393 and ¥17,685 respectively.

Loan-taking households own more automobiles, large-sized and small-sized pieces of farming equipment, and cows than card-lending and no loan-taking, no card-lending households. Every 100 loan-taking households own 9.4 automobiles, higher than the card-lending and no loan-taking, no card-lending households by 2.6 and 1.4 vehicles, respectively. Every 100 loan-taking households own 13.2 large-sized agriculture machines, higher than the card-lending and no loan-taking, no card-lending households by 1.2 and 0.5 vehicles, respectively. Every 100 loan-taking households own 93.4 small-sized agriculture machines, higher than the card-lending and no loan-taking, no card-lending households by 10.7 and 13 vehicles, respectively. Every 100 loan-taking households own 14.2 cows, higher than the card-lending and no loan-taking, no card-lending households by 1.4 and 5.3 cows, respectively.

Conclusion and Discussion

Loan-taking Households are typically in the group with lower-to-middle income and are more motivated to gain wealth. There are two notable characteristics about the 106 first time loan-taking households. First, they have more farming land (through state land lease), although the farming lands are essentially allocated according to household size. As shown in Table 25, the average household size for loan-makers (3.8 people) is slightly larger than that of card-lending and no loan-taking, no card-lending households by 0.2 and 0.3 people, respectively. However, the average land size (64.2 acres) is higher, by 0.3 and 10.2 acres, respectively. One possible explanation is that compared to card-lending and no loan-taking, no card-lending households, loan-makers contracted more land from others in addition to their own share, indicating a strong motivation to reduce poverty and accumulate wealth. Second, they are mostly part of the middle or lower-middle income groups.

Two reasons explain why loan-taking participants are mostly those with a stronger motive to gain wealth and those who are in the middle or lower-to-middle income groups.

First, with more land, they have a greater need for loans. As a result, they would need to utilize all possible financing sources, including the Loan Program. Data show that cotton planting is a primary agricultural product in Hutubi. In 2005, Hutubi's cotton-planting area spanned 320,000 acres, comprising 52.5% of all farming land. According to interview results, cotton planting is an industry of high input, high yields, and high profit. About ¥200-300 of input is required per acre for fertilizers, seeds, geomembranes, and the use of farming equipment during the planting season. This amount excludes the post-management expenses of maintenance and harvesting. In terms of profits, given a year without any natural disasters or price fluctuations, the average net income per acre is ¥400-¥500. Therefore, on a general basis, the more land a farmer has, the more input is necessary at the initial stage and the greater their need for loans will be. Additionally, high profits from cotton planting imply a farmer's ability to repay, which in turn increases his motivation to take out loans. Loan-taking households will utilize all means available to finance spring planting. They borrow money from local financial institutions, mainly rural credit unions. They also utilize the Loan Program as a new means of obtaining funding. Survey results confirm that most loan-taking households finance their spring planting using multiple sources. For instance, in 2006, 84% of loan-taking households borrowed money from local financial institutions, in addition to the Loan Program, resulting in an average per-household loan amount of ¥17,388. Almost all loans were used for spring planting of that year.

Second, adverse economic situations restricted the ability of loan-taking households to access loans, but the Social Security Loan Program can solve this problem and meet their needs. Households in the Hutubi rural area essentially have two options to finance their spring planting, other than the Loan Program: taking loans from designated business institutions or from high-interest private lenders. The advantage of business loans lies in the availability of larger loans, which can be as high as tens or hundreds of thousands of Yuan. This appeals greatly to households with large farms. However, business loans also emphasize credit and most people do not have insufficient credit. When a bank assesses households' ability to repay, loan applicants in most cases are denied loans because of their current economic situation. The result is that they are not eligible for large loans from financial institutions. Thus, the households need to utilize the Loan Program to obtain enough capital.

Moreover, some households have complaints about the business loan procedure. One such requirement is group lending introduced by the rural credit union, meaning that five households with good credit can vouch for each other in order to obtain up to a ¥20,000 loan for each household. Although it relaxes loan restrictions to some extent, it is still difficult to find five households with strong credit history. Even if they are found, some loan-taking households are unwilling to participate in the group for fear of the risks associated with group loans. If any of the participating households is unable to repay, the credit union would then stop loaning to all the households. Consequently, many people would prefer the Loan Program for financing. Furthermore, some households have bad credit with designated financial institutions and are thus ineligible for business loans. In these cases, the Loan Program becomes their only option.

The Social Security Loan Program has several advantages. It is convenient and fast. Survey results show that 57.5% of loan-taking households considered the Loan Program more convenient than the rural credit union. It can also relieve households' concerns about where to obtain loans. Interview results show that the Hutubi program participants viewed "no debt in the household" as an honor, the same as households in other parts of China. Loans from businesses, private sources, or the Social Security Loan Program may indicate an adverse economic situation and might be the last thing that people will do. By contrast, the Loan Program creates more mental security than business loans do, because it is their own or borrowed social security cards that serve as collateral. Because they use their own possessions, there are fewer negative feelings associated with getting loans and thus borrowers might have a heightened level of mental security. The following are statements made by respondents regarding the Loan Program. The responses have been separated into individual case studies:

> I am willing to make a loan with the Department of Civil Affairs; they are convenient at anytime. You only need to carry your social security card to make a loan when the office is open. It doesn't take much time (to get a loan). But with the bank it's another story. You make a trip there and they will examine your application tomorrow and notify you when you have been approved. It takes three days to make a loan. If you couldn't make it, the Social Security Loan Program is always a nice back-up. If I make a loan for ¥5,000 or ¥6,000, I leave my card with them and then I don't need to worry about a thing. As soon as I repay, I can take my card back and that's it. Another good thing is that the Loan Program has about the same interest rate as that of the bank, which is really nice. (Case 1).

> In the bank they require "five households as a group" and if you are missing one, the other four households can't make a loan at all. It's quite convenient to use my own social security card. I present my card and I get the loan. (Case 2).

> There is a cap for credit cooperative loans. It depends on your farming situation and your monthly expenses. Credit cooperatives mean that you don't get a loan if you don't have credit; you get a loan if you have credit. Therefore everything is about your credit. (Case 4).

> The bank is different from the Department of Civil Affairs. With the Department, you get a loan if you present your social security card. Last time, we went there, presented our card, and got the loan. With the bank, you can't do that, because you need to have five households. If there is any one that doesn't repay, the bank won't loan to us at all. Moreover, if I make a loan with the Department, I can repay it at the end of October. With the bank, I borrow in April and repay it by the end of September. There will be a penalty if I don't repay by the 30th. I can repay my debt with the Department until October 20th. With this one month, there is the same interest for loans at the Department and at the bank. I prefer the former because I have one extra month to repay the money. I have my own ways and I can even borrow money to repay the debt. (Case 5).

> I have 80 acres of land and need ¥15,000 to finance it. If it requires five households, it's quite a hassle. I plan to use my card for the loan next year. "Five households as a group" is too much trouble. (Case 7).

> We used to be so poor, having so little credit that the bank wouldn't even lend us money. That's why we borrowed some cards to get a loan with the Loan Program. After a few years, we have become better off, and the bank is willing to lend us money. Now I don't need to borrow from the Loan Program. (Case 18).

> Some people have really adverse economic situations and can't borrow money from the bank. It is very true that banks are not open for the poor. This Loan Program is awesome because once you have some cards, you can borrow some money from it. (Case 20).

The Social Security Loan Program has Multiple Welfare Effects

The Loan Program broadens the available financing channels for lower-middle income households and relieves their immediate financial needs for spring planting. For the majority of farmers in China, spring planting is the most critical event in a year; it determines the quality of their livelihood and is the main opportunity for them to generate income. In order to succeed in spring planting, farmers must raise sufficient funds. This is especially important for cotton farmers with larger farms. As shown in the above-mentioned analysis, loan-taking households tend to have a relatively higher need for loans, but in many cases they are not eligible for business loans because of insufficient credit. The development of the Social Security Loan Program creates a new way to finance these households and meet their immediate needs for spring planting. According to the Hutubi Social Security Office, from January 2002 to July 2007, 1,937 households in the county participated in the Social Security Loan Program, with loan amounts totaling ¥10.8 million, taking up 84.4% of their entire premiums of ¥12.80 million. The survey also shows that among the 99 loan-taking households, the loan amounts reached ¥644,500 with the average loan to be ¥6,510. Up to 73.8% of loan-taking households believed that the Loan Program had helped them reach their financial goals.

The Loan Program expedites wealth accumulation in lower-middle income households, thus reducing poverty in the region. The Social Security participants in Hutubi County all benefited from the Social Security Loan Program. As shown in Table 28, for the last nine years of the program (1998 to 2006), the annual growth rate for the County's Rural Social Security Fund reached 8.1% , higher than the government's promise of a 5% rate. (The interest earned after 2002 was mostly from the Social Security Loan Program). It is not only higher than the average value increase in the National Social Security Fund, but also higher than the bank and national bond interest rate. Apparently, the participants have benefited from the Social Security Loan Program.

The wealth of loan-taking households also increased substantially through the Social Security Loan Program. Loan-making households in Hutubi have average asset holdings of ¥98,948, higher than that of card-lending and no loan-taking, no card-lending households. Even when subtracting profits made from farming, the estimate of major production materials and durable goods owned by loan-taking households is the highest among the three types of households. Moreover, increased assets for loan-taking households can provide an important safety net that allows for future expansion as well as sustained income for families. The major reason why the wealth of loan-taking households is the highest among the three types of households is that they have larger quantities of automobiles, small-sized and large-sized farming equipment, and livestock. For example, every 100 loan-taking households own 9.4 automobiles, higher than the card-lending and no loan-taking, no card-lending households by 2.6 and 1.4 vehicles, respectively. Every 100 loan-taking households own 13.2 large-sized pieces of farming equipment, higher than the card-lending and no loan-taking, no card-lending households. Every 100 loan-taking households own 93.4 small-sized pieces of farming equipment, higher than the card-lending and no loan-taking, no card-lending households by 10.7 and 13 vehicles, respectively. Every 100 loan-taking households own 14.2 cows, higher than the card-lending and no loan-taking, no card-lending households by 1.4 and 5.3 cows, respectively.

High quantities of these items have implications. First, automobiles, large-sized and small-sized farming equipment, and cows are all expensive assets in rural areas of China, and poorer households generally cannot afford them. Our survey shows that the average cost for an automobile is ¥90,000; a large-sized farming machine is ¥100,000; a small-sized farming machine is ¥10,000; and a cow is ¥7,500. If a household possesses one of the above-mentioned items, it will contribute greatly to their asset accumulation. They would not have to borrow farming equipment from others, thus saving on rental expenses. Also, purchasing a complete set of production materials for spring planting will provide a solid foundation for income growth in the future.

The Loan Program has raised participants' awareness of the importance of asset building, increased their sense of accountability, improved financial literacy, and increased harmony within families and communities. Because loan-makers can borrow against their own social security cards, as well as use others', the cards can be circulated among program participants. This has a profound impact on family relationships, community relationships, and local economic development. The circulation of social security cards between family, friends and neighbors has helped to reinstate, rebuild, and strengthen their interpersonal relations and social networks.

Second, borrowing and circulating social security cards involves the card-holder's pension and retirement plans. Therefore, most cardholders take the loan decision seriously by evaluating risks, and ensuring potential borrowers' repayment ability before they lend their cards out. During the process, cardholders no longer view their social security cards as proof of their future pension; instead, it is an asset that they can use to finance farming, just like a bank deposit book. In order not to lose credibility, especially with family and friends, borrowers handle the cards carefully and plan for their farming. Therefore, their asset awareness, sense of mutual assistance and credibility, and financial literacy are developed and strengthened. Most importantly, the borrowing and circulation of social security cards serves the purpose of self-orientation to a certain extent. The initial loan amount is not very big, and a bigger loan amount requires more social security cards. This raises the cost for well-off households (Zhang, 2007).

Survey results have confirmed the above-mentioned mechanism. At least 57.3% of households have either directly or indirectly participated in the Social Security Loan Program. The average number of social security cards used as collateral per loan-taking household is 4.8. Fifty-seven percent of collateral social security cards and 49.7% of collateral loan amounts came from the families, friends, and neighbors of loan-taking households. More than 80% of households were able to repay their loans on or before the deadline, and only one household has yet to repay their loan. From the perspective of the economic status of the loan-taking households, those who have utilized the program tend to be lower-middle class and middle class households with a stronger motivation to relieve their own poverty. These results were found not only in interviews, but have also been substantiated by the Hutubi Rural Social Security Office. According to the Social Security Office, from January 2002 to July 2007, there were 1,937 households that took loans through the Loan Program, using an estimated 6,764 collateral social security cards. This accounted for 77.8% of 8,695 participants (Table 29). Over the past five years, 99% of loan-taking households have repaid their loan interest on time, few have deferred their repayment, and no one has had their social security card revoked or pension deducted due to failure to repay.

> If you use your social security card as collateral and fail to repay, they will revoke your card, so we need to be extra careful. If you lend your card to others and they can't repay, you can't take your card back, eitherl. So I will have to consider seriously and make sure that they can repay before I lend them my card (Case 3).
>
> The reason that they lent their cards to me is that they trust me (Case 5).
>
> Because I borrowed my neighbor's card, I have to repay on time. Keeping my word makes it easier for me to borrow again next time (Case 17).
>
> Mr. Yen borrowed cards from others, but we dare not. If he can't repay by this year, other people's pensions will be at risk. Mr. Yen has his financial sources, but we don't, and we can't afford ruining others' social security, because I can't repay in the fall. This is money for future retirement. So if someone wants to borrow my card, it depends on our relationship. Yen and I are from the same village and we have a pretty amiable relationship. If it is someone else, the risk is higher and he might be afraid to handle dozens of cards at the same time (Case 20).

A steady increase in rural social security funds has been secured and the system has been made financially and politically sustainable. For a long time, there have been two major predicaments facing the Chinese rural social security program: weak policy appeal and slow gains in its value. The survival and development of the Chinese rural social security program has relied heavily on governmental support and financial investment. This research shows that adding the Social Security

Loan Program to the current social security system can solve these predicaments. The Loan Program has three achievements. First, the Loan Program addresses the slow value gains in social security funds. Because the Hutubi Social Security Loan Program divides a large amount of premium funds into small segments for loan farmers, the money becomes flexible and risk of losses due to inflation is lowered. By the end of 2006, the interest gains together with the ¥12.8 million premiums collected in late 1997 reached ¥13.2 million. The growth came from premium funds collected as well as the interest gains from the Social Security loans. The average annual growth rate was 8.1% for 12 years, more than the government's promise of a 5% and a 3.1% distribution rate (Table 28).

The Loan Program also increases the policy appeal of the rural social security scheme by lowering risks and meeting some participants' emergency needs. Because of this, households may participate more proactively in the rural social security program. Results show that some participants expressed that they will continue participating if the Loan Program continues, and many nonparticipating households have asked the rural social security office when the rural social security program will be reinstated, indicating that they intend to become part of the program. In October 2006, with the support of the Division of Rural Social Security, Ministry of Labor and Social Security, Hutubi County resumed premium collection in some townships and villages. As of July 2007, the new and renewed premiums received from households had reached approximately ¥1.8 million, with an average premium of ¥11,000 per person, eight times what was paid annually before 1998.

The Loan Program also dispels the myth that a rural social security scheme can only be developed with governmental support. For many years, rural social security has been blamed for its failure to counter depreciation. After nearly ten years of exploration and implementation, the Hutubi Social Security Loan Program has developed a mechanism that not only meets the needs of households by taking advantage of their self-protective mentality toward asset development, but also sustains the Loan Program by lowering inflation risks, enhancing the value of the funds and providing secure loans. Eventually this leads to benefits for farmers, a sustained rural social security program, reduced financial burdens for the local government, and strengthened relationships between the government and farmers.

Analysis of the Policy Mechanism in the Loan Program

Under the current system, rural social security is a kind of intergenerational redistribution of income, and the individual account is a means of supplemental income for farmers when they reach old age. Thus, the goal of the rural social security program is to ensure a minimum income for senior farmers. The design is aggressive in alleviating poverty among the elderly, but it has its limitations. From the life-cycle perspective, rural social security meets senior farmers' needs, but it does not benefit them earlier in life. A great deal of empirical research has indicated that pension security is not a priority for farmers given the current rural social and economic situation. In fact, a rural household family has many needs, such as household development and farming, child education, and health, which makes it difficult to even consider saving for old age (Cui, 2005). It is nearly impossible to convince farmers with limited income to invest in their future if there is no mechanism in the rural social security system to allow farmers to use the security money for their current needs. The original policy design of the rural social security system does not support the production and investment function that many farmers require. Farmers would like to maximize every penny and turn it into a long-term asset.

The Social Security Loan Program breaks the redistribution-consumption orientation and turns it from a single-purpose pension account into a comprehensive development account. It not only provides pension security, but also encourages farmers to invest their individual accounts to finance immediate production and living needs. Therefore, farmers have greater motivation to participate in the social security program given the promise of being allowed to use their own money for various investment purposes.

The fact that an individual pension account belongs to the farmer is an important characteristic of the rural social security system. Participants theoretically have absolute control over their accounts, such as making free transfers and investment choices. In reality, however, they have only limited control until they reach a certain age (60 years). Except in some situations, such as death, participants only have the obligation to pay premiums and have no substantial control over investment choices. In other words, they only nominally own their pension account and funds. The problem is confounded by the design of a completely accumulative basic endowment insurance system, in which younger participants would not be able to enjoy the benefits until decades later (Yang, Zhao, & Han, 2004). Over a relatively long period of time, the funds in farmers' social security accounts are basically inactive; this is hardly acceptable to poorer farmers, and could further weaken their motivation to participate in the program, which can in turn harm the program's policy appeal. The fact that the current rural social security system covers only ten percent of the rural population is quite self-explanatory (Lu, 2004).

The Social Security Loan Program returns the property right that originally belonged to farmers. They can retrieve most of the funds in their individual social security accounts for emergency purposes. This embodies the idea that individual social security accounts truly belong to farmers themselves, which not only gives them a sense of control but also helps improve their financial literacy.

The current design stipulates that rural social security funds can only be deposited into a bank or used to purchase national bonds. In reality, due to insufficient staff and funds, the rural social security office at the county level only uses the bank deposit option. There are two major risks of doing this. One is the risk of the bank itself. There is much evidence to show that the bank might not be able to secure the funds, which leaves the fund at risk. The second problem is derived from banking operations. Rural communities have limited funds and low risk-bearing capacity. In a free market, banks usually place rural social security funds in other regions or townships, leading to a displacement of funds by the banking system from rural to urban communities. The Social Security Loan Program takes farmers' funds and lends them back to farmers, allowing them to directly participate in fund management and operation. It helps with the circulation of funds within the community, while also ensuring that they do not leave the rural areas. Most importantly, it is a springboard for rural families to build financial assets and bring prosperity to rural communities (Sherraden & Zou, 2007).

Implications

The Rural Social Security Loan Program may well become a new engine to reform and improve China's rural social security system. Since the current system is based primarily on income redistribution and is consumption-oriented, the investment function is largely overlooked, and the system fails ensure farmers a long-term security. Nor is it able to help farmers develop assets. As a result, farmers feel discouraged from participating in the program and its policy appeal is greatly reduced. The implementation of the Hutubi Social Security Loan Program shows that adding the Loan Program to the current rural social security system enables farmers to participate in managing their individual social security accounts. It indicates a new outlook for China's social security programs.

The Rural Social Security Loan Program also breaks new ground by establishing social security for land-expropriated farmers and farmer-workers. By a conservative estimate, there are about 40 million land-expropriated farmers and 200 million farming workers in China. Their social security has come to the attention of the central government. For example, the Ministry of Labor and Social Security has made it a priority to build social security for land-expropriated farmers and farming workers. Recently, the State Council issued policies and requested a pilot study of rural social security characterized by low expenses, comprehensive coverage, transferability, and linkage with the existing social security system. The pilot Loan Program conforms to this approach. It represents a new train of thought for developing social security for millions of land-expropriated farmers and farming workers.

Finally, the Rural Social Security Loan Program can be an effective approach to building a new socialist countryside, which is a concept guiding China's rural development. At present, the project involves five critical tasks: developing modern agriculture, increasing farmers' income, improving the landscape of the countryside, educating the rural populations, and propelling comprehensive reform in rural areas. The Hutubi Social Security Loan Program has reflected these efforts by meeting farmers' needs for life and development, increasing households' income, improving the relationship between the general public and government officials, cultivating accountability among villagers, and advancing local economic development. Therefore, research on the Social Security Loan Program, with the aim of making it an effective strategy to develop rural areas, could go a long way toward building a new socialist countryside.

Policy Implications

Reconsider rural social security and make asset accumulation a policy goal. Social policy development around the globe shows that a number of countries are shifting their focus from redistribution-consumption oriented social policies toward production and investment-oriented policies. Both theoretical and empirical evidence shows that asset building has special effects on strengthening human capital, improving individual and community assets, and reducing socio-economic barriers (Mei, 2006; Taylor-Gooby, 2007). Over a decade of research on China's rural social security demonstrates that farmers are more concerned about poverty as a result of insufficient assets as opposed to insufficient income in old age.

The existing rural social security system has unique advantages in helping farmers accumulate assets. The current accumulative endowment insurance system is a policy mechanism that essentially encourages farmers to accumulate assets. As long as the supporting policy is well designed, this mechanism could be turned into an approach to help farmers accumulate assets.

Allow individual social security accounts to have more developmental functions. To achieve this goal, the key is to give farmers real control over their own accounts. That said, farmers certainly need financial education and training to be able to manage their accounts. In addition, the government should provide guidelines for investment, so that the goal of pension security will be guaranteed.

Improve the Rural Social Security Loan Program's supporting policy. Survey results show that loan-taking households in Hutubi County mainly adopt a combined model. They view business loans as primary and the Loan Program as supplementary, although most loan-taking households are willing to finance only through the Loan Program. An important reason for this is that participants have few social security cards of limited value and insufficient loans. Therefore, resuming the rural social security program, encouraging participation, and increasing premiums would be helpful for program expansion.

To maximize the welfare effects of the Social Security Loan Program, farmers who were already admitted to the rural social security system should be willing to take out loans with their social security cards. In other words, only when the fund in individual social security accounts reaches a certain level will he or she be more willing to borrow money against social security cards. In order to accumulate funds within a shorter period of time, one strategy is to encourage farmers' participation by paying premiums all at once, or several times with larger amounts. The current approach of yearly and consecutive payments should be rethought. The local government needs to do a better job clarifying the benefits of the loan program to existing and potential participants.

Further Questions

Unlike other types of loans, the biggest risk for the Rural Social Security Loan Program is not financial, but political. When farmers fail to repay their loans on time, the rural social security institutions and banks can revoke their social security cards and make them drop out of the social security system. This, however, is not what the government expects to see, for fear of criticism from the general public. From my perspective, the risk associated with an individual's loan should not affect the entire system, since any family that gives up their pension due to unforeseen circumstances is making a rational choice and participation in the loan program is voluntary. Empirical evidence shows that some withdrawals are normal, and there are opportunities for the rural social security office to help these individuals back into the program. In cases of failure to repay due to natural disasters, the rural social security office will allow families to defer their loans. If premiums are not paid consecutively, it would not cause a major problem, because this only means the total amount in the individual account may not be as much as expected.

Specifically, the adoption of the social security loan program can overcome the systematic risk that the current rural social security system is facing. The growth of the rural social security fund is key to the success of the program. In contrast to the nationwide stagnation of rural social security, the Hutubi program has demonstrated its success in sustainable development.

Finally, there is a question having to do with the function of social security loans. The reform of China's rural financial institutions has resulted in significant changes in the social and economic context within which the social security loan system has developed. For example, rural financial institutions are making efforts to meet farmers' financial needs by simplifying loaning procedures. Additionally, commercial banks have the advantage of providing larger loans, which poses a challenge to the expansion of the social security loan business. The second challenge is that the amount in individual social security accounts is low in general (on average ¥1,469), which has restricted its investment function. As a result, it is necessary to reconsider the function of the social security loan program: should the loan amount increase to satisfy farmers' needs, or should it remain a supplement to business loans?

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Table 1: Demographics of Participants and Family Members

Personal Attributes	Interviewed Participants (N=427)	Interviewed Households (N=1562)	Personal Attributes	Interviewed Participants (N=427)	Interviewed Households (N=1562)
Gender			**Ethnicity**		
Male	79.1	50.6	Han	98.8	98.6
Female	20.9	49.4	Kazakhs	0.5	0.6
Education			Other	0.7	0.8
Middle School	91.3	78.4	**Occupation**		
High School	8.0	15.2	Farmer	95.5	61.2
College	0.7	6.5	Worker	0.7	6.0
Age			Student	---	21.6
25 and below	35.0	0.5	Small Business	1.0	1.7
26-64	60.4	96.2	Other	2.8	7.5
65 and above	4.6	3.3			

Table 2: Participant Details

No.	Gender	Age	Type	Loan/Lend Purpose	Business Loan
1	F	51	Loan & Lend	Purchase of fertilizer & seeds	Yes
2	M	46	No loan No lend	Purchase of automobiles, etc.	Yes
3	M	60	Card-lending	Purchase of cows	Yes
4	M	55	Card-lending	Spring planting	No
5	M	44	Loan-taking	Purchase of large-sized truck,	Yes
6	F	60	Loan & Lend	land-planting	Yes
7	F	---	No loan no lend	----	Yes
8	F	---	No loan no lend	----	No
9	F	---	No loan no lend	----	No
10	F	40	Card-lending	----	Yes
11	M	40	Card-lending	----	Yes
12	M	65	Loan-taking	Son's farming	No
13	M	57	No loan no lend	----	No
14	M	20	No loan no lend	----	Yes
15	F	51	No loan no lend	----	No
16	M	39	Loan-taking	Purchase of a small-sized tractor	Yes
17	F	31	Loan-taking	Purchase of middle-sized tractor	Yes
18	F	52	No loan no lend	----	No
19	F	51	Loan-taking	Purchase of cows	Yes
20	M	38	Card-lending	----	No
21	M	40	No loan no lend	----	Yes
22	M	60	Card-lending	----	Yes
23	M	32	Loan-taking	Purchase of a small truck	Yes

Table 3: Survey Participants

	Frequency	Percentage	Valid Percentage
Loan-taking Households	106	24.8	25.1
Card-lending Households	136	31.9	32.2
No loaning no lending Households	180	42.2	42.7
Missing	5	1.1	
Total	427	100	100

Table 4: Loan-Making Households

	Participants	Self	Sources from Family/Friend	Neighbors
Households participating in the Loan Program	227	99	69	59
Total number of borrowed cards	470	202	168	100
Total amount of loans (¥)	644,530	324,150	195,280	125,100
Number for borrowed social security cards	4.8*	2.0	2.4	1.7
Average loan for each household (¥)	6510**	3274	2830	2120
Average value for each borrowed card (¥)	1371	1604	1162	1251

* 470/99=4.8; ** 644530/99=6510

Table 5: Social Security Card-Lenders

	First Time Card-lender		Second Time Card-lender		Third Time Card-lender	
	N	%	N	%	N	%
Families	62	46.3	10	47.6	4	100
Friends	40	29.9	5	23.8	---	---
Neighbors	32	23.9	6	28.6	---	---
Total	134	100	21	100	4	100

Table 6: Households Making First Loans and Lending First Cards, 1998-2006

	First Loaning using Social Security Cards		First Lending of individual Social Security Cards	
	N	%	N	%
1998	18	17.0	4	2.9
1999	1	0.9	----	----
2000	3	2.8	2	1.4
2001	6	5.7	10	7.3
2002	35	33.0	40	29.3
2003	12	11.3	25	18.3
2004	10	9.4	38	27.7
2005	10	9.4	10	7.3
2006	11	10.3	8	5.8
Total	106	100	137	100

Table 7: Reasons for Taking a Loan

	First Time Loan-taking		First Time Card-lending	
	N	%	N	%
Spring planting and production (fertilizer, seeds, etc.)	86	87.8	104	77.6
Purchasing livestock (cows, sheep, etc.)	8	8.2	14	10.4
Purchasing agriculture machines (tractors, etc.)	2	2.0	15	11.2
Emergency purposes (e.g., medical emergency)	1	1.0	1	0.7
Others	1	1.0	---	---
Total	98	100	134	100

Table 8: Loan-Making and Repayment Timeframe

	First Time Loan-making		First Time Card-returning		First Repayment Timeframe for Households	N	%
	N	%	N	%			
12 months or less	76	73.1	84	63.2	Before the deadline	21	20.2
within: 6 months	26	25.0	19	14.3	within 12 months	16	15.4
7 months	40	38.5	52	39.1	On-time payment	63	60.6
13-24 months	9	8.7	22	16.5	Late payment	19	18.3
25-36 months	17	16.4	27	20.3	within:12 months	15	14.4
36 months and over	5	4.8	---	---	Haven't paid back yet	1	0.9
Total	104	100	133	100	Total	104	100

Table 9: Sources of Acquiring Loan Program Information

	Frequency	Percentage (%)
Government Publications	64	64.0
Neighbors	29	29.0
Family and Friends	3	3.0
Television	3	3.0
Newspapers	1	1.0
Others	---	---
Total	100	100

Table 10: Level of Concern among Loan-Making Households

Failure to repay loans on their Retirement Life	Percentage (%)	Gender	
		Male	Female
Very worried	11.5	10.3	15.0
A little worried	28.2	19.0	55.0
Not worried	59.0	69.0	30.0
Don't mind at all	1.3	1.7	----
Participants	78	58	20

Table 11: Convenience of the Loan Program and the Rural Credit Union

	Percentage (%)	Gender	
		Male	Female
Loan Program more convenient	57.5	53.8	66.7
Credit Union more convenient	19.2	21.2	14.3
About the same	23.3	25.0	19.0
Participants	73	52	21

Table 12: Participant Expectations

Whether the Program Has Met Participant Expectations	Percentage (%)	Gender	
		Male	Female
Expectations met	73.8	77.8	61.9
Expectations not met	21.4	17.5	33.3
Not sure	4.8	4.8	4.8
Participants	84	63	21

Table 13: Card-Lender Attitudes toward Lending Cards

	First time		Second time		Third time	
	N	%	N	%	N	%
Willing	106	84.8	12	80.0	4	100
Reluctant	14	11.2	3	20.0	---	---
Not willing	5	4.0	---	---	---	---
Total	125	100	15	100	4	100

Table 14: Attitude of Card-Lending Households Toward Lending Cards Again, by Gender

	Percentage (%)	Gender	
		Male	Female
Disagree	15.4	17.2	8.7
Agree	52.0	56.6	30.4
Depends on who the borrower is	20.3	17.2	34.8
Depends on what it is for	11.4	8.1	26.1
Others	0.8	1.0	----
Participants	123	102	21

Table 15: People that Card-Lenders Choose to Lend to Again

	Percentage (%)	Gender	
		Male	Female
Family	91.7	89.9	100
Friends	5.8	7.1	----
Neighbors	2.5	3.0	----
Participants	120	99	21

Table 16: Reasons for Not Taking a Loan

	Percentage (%)	Gender	
		Male	Female
Few cards, limited value, and insufficient loans	59.3	55.5	73.9
We don't need the loans	28.1	30.9	17.4
Bigger loans are available at the rural credit union	8.9	10.0	4.3
Procedures are more complex with the Loan Program	1.5	0.9	4.3
Limited timeframe; spring loan with repayment in fall	1.5	1.8	----
I don't know if I can make a loan from my Social Security	0.7	0.9	----
Participants	135	110	25

Table 17: Why No Loan-Making, No Card-Lending Households Did Not Take Loans*

	Participants		Gender			
			Male		Female	
	N	%	N	%	N	%
I don't need the loans	90	50.0	69	50.7	21	48.8
Few cards, limited value, and insufficient loans	51	28.3	37	27.2	13	30.2
I didn't know that I could make a loan based on my Social Security card	20	11.1	16	11.8	3	7.0
Bigger loans are available at the rural credit union	17	9.4	14	10.3	3	7.0
Procedures are more complex with the Loan Program	6	3.3	4	2.9	2	4.7
Limited timeframe; spring loan with repayment in fall	---	---	---	---	---	---

* Multiple answers are allowed.

Table 18: Reasons for Not Taking a Loan (Multiple Choices)

	Participants		Gender			
			Male		Female	
	N	%	N	%	N	%
No one has borrowed my card	125	69.4	101	74.3	23	53.5
Some people have asked, but I worry in case of an emergency	24	13.3	14	10.3	10	23.3
Some people have asked, but I can't lend it to others at will	20	11.1	14	10.3	6	14.0
Some people have asked, but I have some concerns	12	6.7	8	5.9	3	7.0
Some people have asked, but I worry that they can't repay	11	6.1	8	5.9	3	7.0
Some people have asked, but I am worried	11	6.1	6	4.4	5	11.6
Some people have asked, but I don't want to do it	2	1.1	1	0.7	1	2.3
Others	2	1.1	2	1.5	---	---

Table 19: Attitudes Toward Increasing Loan Amounts by Borrowing Social Security Cards

	Loan-taking Participants		Card-lending Participants		No loan-taking, no card-lending Participants	
	N	%	N	%	N	%
It is a good method	80	86.0	103	82.4	127	83.0
It should only be adopted once in a	3	3.2	13	10.4	9	5.9
while	10	10.8	8	6.4	8	5.2
It can help others	---	---	---	---	5	3.3
It is a favor	---	---	1	0.8	4	2.6
Other						
Total	93	100	125	100	153	100

Table 20: Business Loans Taken by Participants, 2004-2006

	Loan-taking people	Percentage (%)
All households (N=427)	329	77.0
Loan-taking households (N=106)	95	89.6
Card-lending households (N=136)	112	82.4
No loan-taking, no card-lending households (N=180)	117	65.0

Table 21: Business Loans and Average Loan Amount, 2004-2006

Households	Percentage of Loan-taking Households (%)			Average Loan Amount (¥)		
	2004	2005	2006	2004	2005	2006
Loan-taking (N=106)	80.2	81.1	84.0	12706	16558	17388
Card-lending (N=136)	75.0	76.5	78.7	11676	14970	17942
No loaning no lending (N=180)	58.9	59.4	57.8	13387	16764	19385

Table 22: Purposes of Taking Loans Through Rural Credit Unions, 2004 and 2006

	2004		2005		2006	
	N	%	N	%	N	%
Spring planting (purchasing fertilizers, seeds, and farming equipment)	281	99.3	281	99.3	285	99.7
Purchasing livestock (cows and sheep)	1	0.4	1	0.4	1	0.3
Immediate needs (e.g., medical emergency)	1	0.4	1	0.4	---	---

Table 23: Self-Evaluation of Economic Status for Three Types of Households

	Loan-taking Households		Card-lending Households		No loaning no lending Households	
	N	%	N	%	N	%
Affluent	14	13.5	9	6.6	31	17.2
Upper-middle	13	12.5	43	31.6	28	15.6
Middle	61	58.7	68	50.0	95	52.8
Lower-middle	12	11.5	15	11.0	14	7.8
Poor	4	3.8	1	0.7	12	**6.7**
Total	104	100	136	100	180	100

Table 24: Per Person Net Income in 2006 by Type of Household

	Loan-taking Households		Card-lending Households		No loan-taking, no card-lending Households	
	N	%	N	%	N	%
Less than ¥3,000	12	11.5	9	6.6	34	19.2
¥3,001-¥6,000	63	60.6	75	55.1	90	50.8
¥6,000 and above	29	27.9	52	38.2	53	29.9
Total	104	100	136	100	177	100

Table 25: Average Household Size and Size of Farming Land, by Household Type

Types of Households	Number of Households	Average Household Size	Minimum	Maximum	Average Land Size	Standard Deviation
Loan-taking	106	3.8	1	200	64.21	40.3
Card-lending	133	3.6	4	200	63.89	33.68
No loan-taking, no card-lending	158	3.5	4	175	54.04	32.48

Table 26: Household Assets

Households	N	Total Estimate (¥)	Average Household Land Profit Estimate (¥)	Average Household Assets (¥)	Average Household Assets without Land Profits (¥)
Loan-taking	106	10,488,530	5,105,200	98,948	50,586
Card-lending	130	12,179,130	7,897,400	91,572	32,193
No loaning, no lending	158	10,934,267	5,735,850	69,204	32,901

Table 27: Quantities and Estimates of Production Materials Owned by Household Type

	Average Price (¥)	Quantities of Per Hundred Household		
		Loan-taking	Card-lending	No loaning no lending
Automobiles	90,100	9.4	6.8	7.0
Large-sized machines	98,260	13.2	12.0	12.7
Small-sized machines	10,803	93.4	82.7	80.4
Cows	7,500	14.2	12.8	8.9
Sheep	3,675	28.3	18.0	29.1
Air-conditioners	1,940	0.0	0.0	0.0
Refrigerators	1,583	61.3	77.4	77.2
Color TVs	1,484	100	101.5	107.0
Washing machines	497	72.6	87.2	77.2
Scooters	4,324	89.6	90.2	81.0

Table 28: Profits from the Hutubi Rural Social Security Loan Program Funds

Year	Program Participants	Compounded funds (¥10,000)	Interest revenue in the current year (¥10,000)	Profit rate in the current year (%)
1995	2937	161.01	3.08	11.89
1996	7434	726.40	72.50	11.10
1997	10049	1614.13	123.3	8.38
1998	9443	1697.91	122.00	8.27
1999	8883	1717.48	103.29	6.96
2000	8746	1791.12	102.17	6.68
2001	8704	1899.68	120.20	7.53
2002	8674	1975.91	89.90	5.41
2003	8652	2077.33	116.75	6.75
2004	8638	2206.11	145.27	8.07
2005	8606	2351.72	167.07	8.93
2006	8675	2452.96	156.58	7.66
2007/07/07	8695	----	----	----
Total			1322.11	Average: 8.14%

* Funds in each year= balance of last year's premiums+ this year's new premiums + this year's interest revenues + accumulated adjustment fees – premiums withdrawn – profit rate of all expenses = interest revenue in the current year/ (balance of last year's premiums + this year's new premiums)

Table 29: Uses of Hutubi Social Security Loans

Category	Loan Uses	Total Loan-taking Households	Total Collateral Social Security Cards	Percentage of Collateral Social Security Cards to Total Cards (%)
For Production	Spring Planting	1058	4477	66.19
Investment	Purchase of Sheep	713	1462	21.61
	Others	55	294	4.35
For Living	Tuition Expenses	45	213	3.15
Expenses	Others	66	318	4.70
	Total	1937	6764	77.8% of Total Program Participants
Data collected from January 2002 to July 2007				