

Shanghai calls a halt to setup of commercial factoring firms

Description

News on Sohu has it that Shanghai local industry and commerce bureau (the agency in China in charge of company registry) has called a halt to setup of commercial factoring firms, following the suits of Beijing and Shenzhen, the other two major first-tiered cities in China.

Commercial factoring is indeed something newly imported from abroad into China economy. Most people don't even know the meaning of "baoli", the translation of factoring in Chinese language.

According to the news, commercial factoring firms have sprung up in a great number quickly after China Ministry of Commerce stepped up rules for setting up commercial factoring companies as a trial project back in 2012, which has spurred the commercial factoring business in China which has been taking off exponentially.

An expert in the industry predicted early 2014 that there would be 300-500 commercial factoring company to be established in 3-5 years. It turned out that at the end of 2014, there were more than 1200 commercial factoring firms in China.

The person named "Zhou Kang", said commercial factoring somehow fills the gap of small and medium sized enterprises' appetite for fund and the stark reality that most of them cannot reach out to the traditional financing such as banks.

Zhou Kang also indicated that China has a factoring market worth RMB 20 trillion with a huge potential to develop, big enough for banks and commercial factors to prosper.

The move by Shanghai government is an indication that China is worried about the liquidity that runs in a free manner without the same kind of degree of control over its banking sector.

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Author

admin