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DEVELOPMENT AND DIFFUSION OF SAVINGS AND SAVINGS BANKS IN CHINA: A HISTORICAL PERSPECTIVE

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1. Introduction: the Chinese concept of savings

Modern savings banking began 200 years ago in Scotland. It then spread to the United States, Europe, Japan and China. China has a long history of savings but it did not become institutionalised until the early 20th century.

The Chinese philosophy of savings emphasises safety. As Confucius said, “Ren wu yuanlei, biyou jinyou” (“A person is subject to either long-term concerns or short-term troubles”). In order to manage these concerns and troubles, Chinese usually save for emergencies. It is not easy to answer the question of how much China was challenged by the West in importing the ideas of modern savings. Does China have its own model of modern savings? According to documents found in Dunhuang, the earliest history of “yinhui” (savings club) can be traced back to the Tang Dynasty (618-907). Chinese organised different “hui” (clubs) for different purposes, including savings, insurance and mutual assistance for weddings, funerals, health care, etc. A proto-type of savings banks called “guifang” was also traced to the Tang Dynasty.¹ There were three features about these savings clubs: firstly, the club members were usually a group of people of similar background. They relied much upon personal trust. Secondly, money was paid in instalments, mostly on a half-year or yearly basis. Thirdly, depositors did expect a good rate of interest.² Why weren’t these private savings organisations institutionalised? Regional ties, kinship ties and personal trust may be the answer.

1 Lien-sheng Yang, *Money and Credit in China: A Short History* (Cambridge, MA: Harvard University Press, 1971), p. 80.

2 Victor Mok & Joseph Wu, “‘Yi Hui’ and ‘Yin Hui’: An Introductory Analysis,” in *Chung Chi Journal*, Vol. 11, No. 1 (April/May 1972), pp. 126-137.

Ordinary Chinese joined different types of savings societies instead of depositing money in banks. It was not until the end of the 19th century that China had its first modern bank, the Imperial Bank of China, which was based on the Western model. Savings then became institutionalised in the first decade of the 20th century when, in 1906, the first savings bank, Sin Chun Savings Bank of China, was established. In order to compete with savings societies, the bank emphasised how a savings bank operated like a savings institution whereas a saving society did not. Shun Hee Savings Bank commenced business in 1907 and was granted a license to issue currency in 1908. The bank took it as an opportunity to advertise how a savings bank was safer than a savings society. On the back of its five dollar note, a short story of savings and the savings banks entitled “Xinyi chuxu yinhang qianshuo” (A brief note on Shun Hee Savings Bank) was printed, which reads:

What is a savings bank? How can it help you? Say for an example, if a woman saves her money with a loan society, she will probably be cheated by the loan organiser and finally lose both the principal and interest. If she puts her money in the bank, she will never be cheated since banks are permanently safe. They are huge in capital and registered in the revenue and commerce ministries. There are so many advantages about banks. Whether you are a man or a woman, young or old, once you have saved your small sums of money with the bank, you will be able to withdraw a big sum when you need to spend money.

Everybody can save money. Businessmen can save several dollars in a month by having fewer dinner parties and by playing less mahjong. After a period of time, this saved money will be particularly helpful if you become jobless, and not being scolded by your family nor bothered by your wife. Artisans can save two or three dollars a month by playing fewer games and smoking less opium. After ten to twenty years, you can easily withdraw several hundred or a thousand dollars from the bank. Everybody can save, including a coolie, rickshaw puller and barber. With this savings, you can easily quit your job and run a business by yourself.

There are so many advantages about savings. Parents who are afraid of being short of money for your son's or daughter's marriage, please save one or two dollars on their behalf, the bank will take care of their wedding expenses. Old people who are afraid of running out of money to hold their funerals, or worried about their unreliable descendants, please urgently go to the bank and save some dollars on a monthly basis and even on a yearly basis. This is the only way the bank can help you. The bank will take care of everything for you.

Listen up, don't miss the chance!³

2. The introduction of foreign capital and the Chinese reaction

The first modern Chinese bank, the Imperial Bank of China (later renamed the Commercial Bank of China), did not come into existence until 1897. It was modelled on Hong Kong and Shanghai Bank (now called HSBC), established in Hong Kong in 1865. The first Chinese savings bank, Sin Chun Savings Bank of China, opened in 1906. The bank's founder, Zhou Tingbi, who organised a study mission to Japan in the early 20th century, had visited many Japanese banks and government officials. Sin Chun was said to have based it on the models of Tōkyō Chōchiku Ginkō (Tokyo Savings Bank) and Nippon Kangyō Ginkō (Industrial Bank of Japan).⁴ The introduction of foreign banks in China did not make a great impact on the local savings industry. For example, Oriental Bank Corporation came to China in 1847; Hong Kong and Shanghai Bank in 1865; both Banque de l'Indochine and Deutsch-Asiatic Bank in 1889; Yokohama Specie Bank in 1892; Russo-Asiatic Bank in 1896; and Citibank in 1902. All these foreign banks were more interested in government finance, industrial loans and foreign exchange, instead of competing with local Chinese banks in the less profitable savings business.⁵

3 Ma Fude (ed.), *Lao Shanghai huobi* (Currencies in old Shanghai) (Shanghai: Shanghai remin meishu chubanshe, 1998), p. 38.

4 Wang Zhishen, *Zhongguo zhi chuxu yinhang shi* (History of savings banks in China) (Shanghai: Hsin Hwa Savings Bank, 1934), pp. 1-2.

5 Pui-Tak Lee, "Luelun yibasanling zhi yijiusanling niandai huoyue yu Xianggang he Shanghai de yingzi yinhang" (A brief discussion of British banks in Hong Kong and Shanghai from the 1830s to the 1930s), in Shanghai Bank Museum and Hong Kong Museum of History (eds.), *The Development of Banks in Shanghai and Hong Kong* (Hong Kong: Hong Kong Museum of History, 2007), pp. 50-59.

The first real challenge by a foreign savings organisation in China was the International Savings Society (in French, la Société Internationale d'Épargne), founded by the Frenchman J. Beudin in Shanghai in 1912. The headquarters was located in the French Concession of Shanghai. The lottery savings programme launched by ISS rapidly spread in all major Chinese cities. There were three main types of lottery savings: a. Full Plan: with \$12 as monthly instalment; b. Half Plan: with \$6 as monthly instalment; c. Quarter Plan: with \$3 as monthly instalment. As Table 1 shows, after the mature period of 14 years, the full, half and quarter plan holder would receive \$2,000, \$1,000 and \$500, respectively. During these 14 years, drawings were held every month for depositors to receive the redemption amount before the end of the mature period.

Table 1: Savings plans offered by the International Savings Society (unit: CN\$)

Plans	Monthly instalment	Redemption amount
Full	12	2,000
Half	6	1,000
One quarter	3	500

Source: Regulations of the Lottery Savings, International Savings Society, 1927.

In 1935, it had accumulatively absorbed about 200 million dollars. As Table 2 demonstrates, ISS attracted many depositors and continuously generated a huge amount of profit. According to its annual business reports, ISS compiled its reserve by investing in various options, including municipal loans and debentures, Chinese government bonds, shares, real estate and loans to savings depositors. In 1918, ISS met with its competitor, the Sino-French Savings Society (in French, la Société Anonyme Chinoise de Capitalisation l'Épargne Franco-Chinoise), whose headquarters was located in Tianjin. However, eight years later, it was sold to its Chinese partners.

Table 2: International Savings Society (unit: CN\$)

Source: Shanghai Municipal Archives Q275-1-1820.

Year	Number of depositors	Investment capital	Profit
1928	80,659	30,566,937	290,000
1929	91,989	38,816,540	325,000
1930	106,669	51,794,640	340,053
1931	113,219	59,520,026	713,746
1932	115,979	66,566,886	743,484
1933	124,799	79,497,103	813,484

Figure 1: Subscription form of the International Savings Society.

International Savings Society
BULLETIN DE SOUSCRIPTION
 Siège Social: 7 Avenue Edouard VII, Shanghai.

Veuillez émettre..... Bon à primes

de (X) { \$ 2000 @ \$ 12 par mois
 \$ 1000 " " 6 " "
 \$ 500 " " 3 " "

(Circular stamp: 上海市档案馆 开放档案 复制专用章)

Nom et prénoms.....

demeurant à.....

à dater de.....

Primes Payables (X) { Mensuellement
 Trimestriellement
 Semestriellement
 Annuellement
 à Prime Unique

Remarques :.....

A..... le..... 19.....

Signature du Souscripteur.

(X) Prière de rayer les montants et indications inutilisés.
 N.B. L'envoi de ce bulletin, dûment rempli accompagné du montant couvrant la 1ère prime, le tout adressé au Siège Social ou à une de nos Agences est la seule formalité exigée pour l'émission de nos bons.

Source: Shanghai Municipal Archives Q185-3-23380.

Since lottery savings was a profitable business, Chinese merchants took every chance to compete with their rivals. Firstly, in 1921, Huang Chujiu (1872-1931) opened the Shanghai Day & Night Bank inside his amusement park in Shanghai, "Dashijie" (Big Big World), which was built in 1917. This bank was regarded as revolutionary, because park visitors were primarily wage workers and could easily save their money after work. In return, the bank promoted the park by giving its depositors free admission tickets. As shown in Table 3, savings plan holders received tickets according to the amount and duration of the savings. In addition, Huang invited the famous painter Xie Zhiguang to design a calendar poster with the famous picture "Meinu chuyu tu" (in English, "A beautiful woman after bath"). Secondly, in order to counterbalance the ever expanding ISS and the Sino-French Savings Society, four major Chinese commercial banks united to form the Joint Savings Society of the Yien Yieh, Kincheng, Continental, China & South Sea Banks, in 1923. Lottery savings as initiated by ISS and Sino-French Savings Society was welcomed by Chinese for two reasons: a. wealth accumulated quickly; b. bonus incentives. Nevertheless, they were ideologically disgraced as "imperialistic exploitation" by a nationalistic view to resist foreign capital, particularly in the early 1930s when China's capital market was in chaos. Criticism of ISS and the Sino-French Savings Society was directed mainly at the fixed redemption period. Within the period, depositors could only withdraw from the plan, and not redeem money.⁶

Table 3: Terms of the savings plans offered by the Shanghai Day & Night Bank in 1920s (unit: CN\$)

Plans	Amount of savings	Duration	Interest	Bonus of BBW admission ticket
A	100 (one-off)	1 month (starting)	10% monthly	2 per month
B	5 per month	3 yrs/6yrs/9yrs	30/ 166/ 452	3 per month
C	50 (one-off)	1 yr/2yrs/3 yrs	-	3/6/7 per month
D	500 (one-off)	1 yr/2yrs/3 yrs/5yrs	50/120/200/400	20 per month

⁶ Cases of grievances and complaints can be seen from Wang Zhishen, *Wo de chuxu jihua* (My savings plan) (Shanghai: Hsin Hwa Savings Bank, 1934), pp. 63-64; 115-116; 118-119.

The boom years of modern Chinese banking were the 1920s and 1930s. Savings banking was no exception. Chinese savings banks competed with each other to collect savings from city households and invest it in the capital market. During 1928-1934, Chinese bankers made huge profits from speculating in government bonds, foreign exchange, gold and real properties. In order to promote savings, a wide range of publicity methods were used to propagate “savings” ideas among the middle and lower classes, such as advertising through mass media, song composition competitions and distributing practical gifts. Coincidentally, China’s urbanisation and progress in public transport development, together with the rise of the middle class, leisure and feminism, all contributed to the rapid expansion of savings banking. The first women’s savings bank was opened in Beijing in 1921. Three years later, the Women’s Commercial & Savings Bank commenced business in Shanghai. Branching out was the most successful strategy for many savings banks. For example, by 1934, Shanghai Commercial & Savings Bank (SCSB) successfully established about 100 branches, including in Hong Kong. Assisted by the bank’s subordinate, the China Travel Service, which was set up in 1927, SCSB penetrated both coastal and interior regions. Nevertheless, government intervention was necessary to help the banking industry grow.

3. Institutional development of savings banks: the case of Shanghai Commercial & Savings Bank

The SCSB commenced business on 3 June 1915. It was established with capital of CN\$75,000 and a staff of seven. It launched the “one dollar deposit account” campaign, which the powerful native banks saw as a joke. They did not believe this newly established and so-called new style of business would one day become the leading Chinese private bank. But the bank’s growth was phenomenal. It was regarded as a business miracle in Chinese banking circles, created by an untiring organiser and disciplinarian leader. The bank opened branch after branch, not only in Shanghai but in other major cities.

SCSB accounts showed steady progress in terms of capital, deposits and net profits. Within a period of 12 years, the bank accumulated a profit of CN\$3,550,443. By 1932, the bank's net profit was ten times greater than it had been in 1915. Table 4 demonstrates that the Bank of China, the Bank of Communications and the Central Bank of China were the leading Chinese banks. Nevertheless, they were either government or semi-government banks. The business achieved by SCSB was comparatively outstanding.⁷

Table 4: Comparison of leading Chinese bank assets, deposits, income and net profit in 1932 (unit: CN\$1,000)

Banks	Assets	Deposits	Income	Net profit
Bank of China	804,993.0	557,197.0	11,288.7	1,848.0
Bank of Communications	326,391.1	214,339.4	4,577.6	451.2
Central Bank of China	249,287.0	168,539.0	14,678.7	11,962.0
Shanghai Commercial & Savings Bank	166,836.6	129,428.7	3,268.6	865.0
Kincheng Banking Corporation	116,342.1	105,910.5	2,067.3	831.0
China & South Sea Bank	106,326.0	96,130.8	1,677.0	937.0
National Commercial Bank	95,402.3	77,265.9	2,007.3	552.5
Yien Yieh Commercial Bank	93,673.2	80,301.1	1,460.1	656.0
Continental Bank	86,412.0	75,805.0	1,563.8	512.8
Chekiang Industrial Bank	48,912.7	39,272.0	1,520.5	503.6

Source: *Institute of Economics, Bank of China (ed.), Zhongguo zhongyiu yinhang yinye gaikuang yanjiu (An analysis of the accounts of the prominent Chinese banks) (Shanghai: Bank of China, 1933), pp. 3; 8-8; 11.*

SCSB's motto was: "To serve society, to assist commerce and industry, and to develop foreign trade". The concept of "service" was central to the bank's image, business operations and principles. It was one of the first Chinese banks to initiate the "one dollar deposit accounts", and also pioneered issuing small loans to individuals without collateral. The savings department was one of the three departments established by the bank in 1916.

7 Pui-Tak Lee, "Chinese Financial Entrepreneurship: The Case of K.P. Chen," in *Journal of Asian Business*, Vol. 14, No. 1 (July 1998), pp. 23-40.

The other two were the trust fund and the commercial banking departments. A series of savings schemes was introduced in the late 1910s. Banking offices were established in most of the universities and colleges in Shanghai in order to promote student savings. SCSB even collected tuition fees from universities, set up model banks in schools, and organised student savings societies. As a result, more than 20,000 students from 109 schools joined savings societies, which they themselves managed under SCSB sponsorship. It offered a higher interest rate to attract more savings and pursued special savings objectives such as “educational savings”, “travel savings” and “baby savings”. “Corporate savings” were also widely introduced to companies where employees were urged to keep their savings account in the bank. Table 5 shows that fixed savings, along with current savings, increased steadily beginning in 1915, when SCSB commenced business. Beginning in 1919, current savings rapidly surpassed fixed deposits as the major portion of total deposits. In order to gain public trust and create an image of accountability, the bank separated the savings department into an independent account in 1926. Moreover, four years later, the savings department annually disclosed all its assets and liabilities via the newspapers.⁸

Figure 2 shows a SCSB poster emphasising “serving society and assisting industry and commerce”. The three small signs read: “smoothing finance”; “encouraging savings”; and “promoting travel”. A man beats two men – one represents international economic intrusion and the other excess profit and economic speculation – with a big stick.

The boom years of railway construction in the late 1910s helped SCSB open branches. Usually, the bank opened branches at railway stations or railway junctions, locations of Chinese industries and so on. As mentioned above, beginning in 1919, the amount of current savings surpassed fixed savings as the major proportion of bank deposits. A network of branches in the cities helped SCSB absorb capital through savings and made loans to city dwellers and small industrialists.

8 See *Haiguang*, Vol. 2, No. 10 (October 1930), quoted from Institute of Finance, People's Bank of China Shanghai Branch (comp.), *Shanghai shangye chuxu yinhang shiliao* (Source materials for the SCSB) (Shanghai: Shanghai remin chubanshe, 1990), p. 431.

Table 5: SCSB fixed savings and current savings, 1915-1937 (unit: CN\$)

Year	Fixed savings	Current savings	Total	%A	%B
1915	13,219 (70)	5,665 (30)	18,884	-	3.3
1916	31,558 (70)	13,538 (30)	45,126	+139.0	3.1
1917	63,224 (60)	42,150 (40)	105,374	+133.5	5.1
1918	428,001 (65)	235,662 (35)	663,663	+529.8	20.5
1919	12,834 (4)	339,425 (96)	352,259	-46.9	5.7
1920	40,482 (5)	798,421 (95)	838,903	+138.1	8.3
1921	175,874 (15)	990,846 (85)	1,166,720	+39.1	9.1
1922	303,516 (18)	1,407,709 (82)	1,711,225	+46.7	14.5
1923	527,340 (22)	1,831,818 (78)	2,359,158	+37.9	15.3
1924	753,344 (27)	2,018,306 (73)	2,771,650	+17.5	16.8
1925	1,104,184 (25)	3,367,926 (75)	4,472,110	+61.4	19.5
1926	1,062,095 (20)	4,236,616 (80)	5,298,711	+18.5	16.7
1927	1,107,706 (18)	5,007,071 (82)	6,114,777	+15.4	20.1
1928	1,338,145 (16)	7,150,717 (84)	8,448,862	+38.8	19.2
1929	1,756,520 (16)	9,519,404 (84)	11,275,924	+32.8	19.0
1930	3,091,886 (18)	13,862,077 (82)	16,953,963	+50.4	20.4
1931	4,493,023 (23)	15,292,220 (77)	19,785,243	+16.7	23.6
1932	5,884,276 (22)	20,809,210 (78)	26,653,486	+34.7	23.6
1933	7,441,898 (22)	25,860,956 (78)	33,302,854	+24.9	26.0
1934	8,977,363 (23)	29,462,056 (77)	38,439,419	+15.4	24.3
1935	10,528,000 (33)	20,981,937 (67)	31,509,937	-19.1	23.9
1936	13,348,565 (34)	25,478,592 (66)	38,827,157	+23.2	25.2
1937*	15,671,488 (35)	29,764,841 (65)	45,436,329	+17.0	23.1

Notes: *half-year, from January to June; %A is the increment compared with last year; %B is the share in the total deposit.

Sources: Miscellaneous balance sheets, the 23rd business report and annual business report of 1927-1937, Institute of Finance, People's Bank of China Shanghai Branch (comp.), Shanghai shangye chuxu yinhang shiliao (Source materials for the SCSB) (Shanghai: Shanghai remin chubanshe, 1990), pp. 262-3; 448.



Figure 2: SCSB poster

Source: *Shanghai Municipal Archives (comp.), Chen Guangfu rijì (Diary of Chen Guangfu) (Shanghai: Shanghai shudian chubanshe, 2002), p. 187.*

The rise of the middle class and the proliferation of smaller families in cities helped savings institutions promote savings. The middle class were fixed-income earners, thus they were concerned about monthly expenditure. Women's status in China was promoted after the 1919 May Fourth Movement. The concept of women's rights was applied to savings banking. In 1921, the first Chinese women's bank opened in Beijing. Three years later, Shanghai Women's Commercial & Savings Bank was established.⁹

Li Jinhui (1891-1967), born and raised in Hunan, was called the father of Chinese popular music. Extremely popular among the grass roots, he was commissioned by the Shanghai Silk Industry Commercial & Savings Bank in 1935 to compile the first "Jiande geji" (thrifty songs anthology). In order to promote savings, the bank asked him to oversee an open competition to compose thrifty songs. The competition's impact was great. The values "hard-working", "thrifty" and "savings" spread all over Shanghai and nearby counties. Among the 101 songs in the anthology, 39 were composed by Li himself.¹⁰

9 Wang Zhishen, *Zhongguo zhi chuxu yinhang shi* (History of savings banks in China), pp. 172-173.

10 Weigao Qiaozi, "Cong Li Jinhui bian de 'Jiande geji' laikan 1930 niandai Shanghai" (1930s Shanghai as viewed from the "collection of thrifty songs" compiled by Li Jinhui), in *Journal of Tianjin Conservatory of Music (Sound of Nature)*, No. 2 (2008), pp. 10-24.

4. State intervention

After China was unified in 1927, the central government tried to launch a series of monetary reforms including the setting up of the Central Bank of China in 1928; implementation of new banking laws in 1928 and 1934; enforcing postal savings in 1929; abolishing lottery savings in 1934; nationalising both the Bank of China and the Bank of Communications in 1935; and launching the new currency “fabi” in 1935. The purpose of the reform was to strengthen control over financial resources in order to cover the government deficit caused by huge military expenditure. As compared with the Beiyang government (1912-1927), the Republican government (1927-1949) intervened more in the banking industry.

Chinese postal savings was modelled on Austria's system. In 1908, China sent a mission to Austria to study the postal savings industry of Europe, but it was not until 1918 that China issued its first postal savings ordinance. As indicated by Table 6, during 1929-1931, there were drastic changes to postal savings agencies in China. Firstly, administration was completely separated from the post office in 1929. Secondly, both the number and the amount of savings increased. The number of postal savings agencies increased from 206 to 399 in 1930 and from 399 to 566 in 1931. The amount of savings increased by six million in 1930 and by ten million in 1931.¹¹ However, private savings societies were still the major competitor of postal savings agencies.

In June 1934, an American-trained Chinese economist, Ma Yinchu (1882-1982),¹² helped the government draft the “savings bank laws”, which were then passed in the Executive Yuan. According to this newly implemented law, lottery savings would not be allowed. Postal savings reform was one of the Republican government's policies to impose financial and monetary control over the country. From 1942, the Central Bank of China took over responsibility from private banks for printing currency.

11 Wang Zhishen, *Zhongguo zhi chuxu yinhang shi* (History of savings banks in China), pp. 217-232.

12 Ma graduated from Columbia University in 1914; his doctoral thesis was entitled “The Public Finance of New York City.”

Table 6: Amount of savings and number of postal savings banks (unit: CN\$)

Year	Number of postal savings banks	Amount of savings
1919	81	108,626.05
1920	219	754,029.65
1921	334	2,132,249.33
1922	334	3,444,929.71
1923	358	4,649,279.12
1924	340	5,815,408.76
1925	340	7,747,127.03
1926	345	9,515,521.83
1927	263	8,268,595.03
1928	206	8,747,047.56
1929	206	11,436,934.00
1930	399	17,899,215.49
1931	566	27,822,074.32
1932	583	25,808,851.67
1933*	586	25,397,057.71

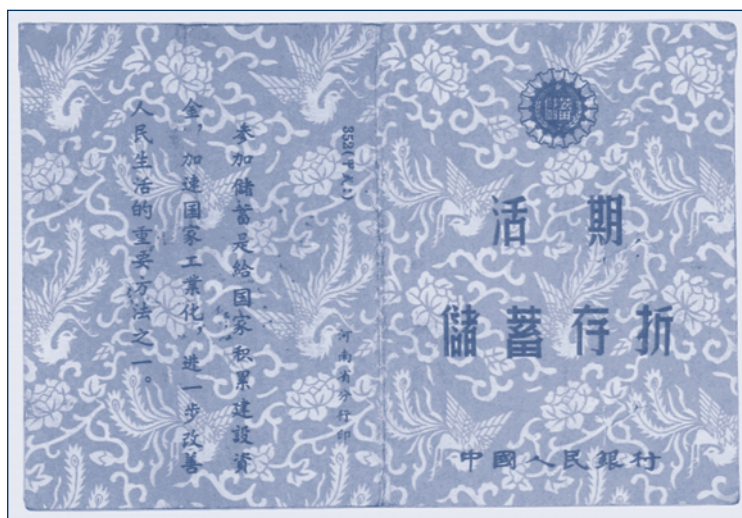
Note: until June 1933.

Source: Wang Zhishen, Zhongguo zhi chuxu yinhang shi (History of savings banks in China), (Shanghai: Hsin Hwa Savings Bank, 1934), pp. 229; 232-233.

The most detrimental impact was the failure of the “gold yuan” reform. In August 1948, the Republican government issued this new currency in order to suppress inflation. Gold, silver, foreign currency all had to be transformed into gold yuan. It only lasted for a couple of months; the gold yuan soon collapsed because of insufficient reserve support and overprinting. Hyperinflation greatly damaged the economy. As a last resort, the Republican government retreated to Taiwan. In 1949, before Shanghai fell into the hands of the communists, people withdrew money from the bank and transformed it into gold, silver, foreign currency or some form of valuables. Savings banking formally came to an end in this chaotic political situation.

Interestingly, after China became a socialist country, lottery savings was revived. In 1955, the new Chinese government launched the National Savings Campaign all over the country. The People's Bank of China opened thousands of "chuxusuo" (savings agency) in cities, prefectures, towns, villages and even in factories. Savings became an important channel to aggregate resources to promote industrial and agricultural modernisation. Obviously, the huge network of the savings agencies collected capital from all walks of life.

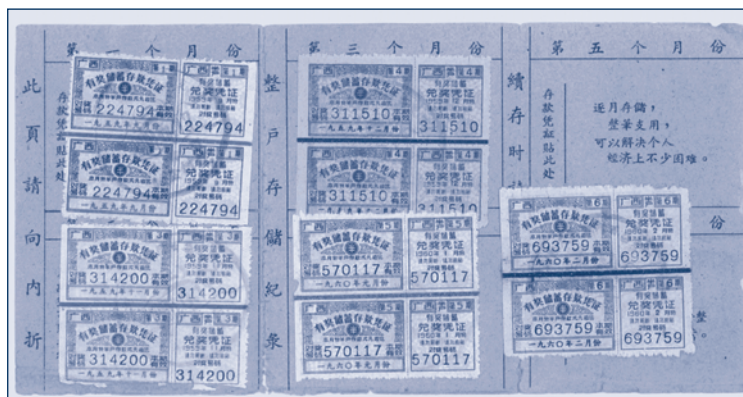
Figure 3: Passbook of the People's Bank of China in 1959.
Savings was promoted as a way to build the country.



Source: Author's private collection.

According to Chairman Mao, "qinjian" (being hardworking and thrifty) could help China become a strong and wealthy country. His words were widely quoted during the national savings movement. Factory workers welcomed lottery savings in the 1950s and 1980s, when televisions were given in exchange for opening accounts. Instalment savings and collective savings were the two most popular savings types among factory workers.

Figure 4: Lottery savings was promoted intensely in 1950s China and even during the Cultural Revolution.



Source: Author's private collection.

5. Concluding remarks

China has a long history of savings, which can date to the 7th century. Chinese organized different “hui” (clubs) in order to meet their financial needs for weddings, funerals, health care, etc. China began to organize savings banks based on the Western model in the 19th century, but the first one was the Sin Chun Savings Bank of China in 1906, which was based on the Japanese model. The first postal savings bank, which was based on the Austrian model, was set up in 1919. The Shanghai Commercial & Savings Bank, which commenced business in 1915, was based on the American model. Founder Chen Guangfu was a graduate of the Wharton School of Pennsylvania University and imported the concept of “service” from America. SCSB was regarded as the most successful private bank in the 1930s, as compared with the government banks such as the Central Bank of China, the Bank of China and the Bank of Communication.

In order to strengthen the government’s financial position, lottery savings was abolished in 1934, but without success. Together with lottery savings societies, general savings societies constituted about one-fourth of the country’s total savings. General savings societies did not support the new savings banks laws, which would eliminate them from the market.

Two French institutions, the International Savings Society and the Sino-French Savings Society, opened in China in 1912 and 1918, respectively, and attracted a huge number of Chinese depositors. Lottery as a technique for promoting savings proved successful in all parts of China. Huang Chujiu, the owner of the amusement park Big Big World, built the first 24-hour bank in Shanghai in 1917. Huang imitated lottery savings by giving admission tickets to his park as an incentive.

The Chinese psychology of “saving against risk” and “saving as incentive” has hardly changed. Even today, savings is a positive virtue welcomed by every Chinese. In regions where banking facilities are not available, private savings clubs functioned as lending institutions and can never be completely replaced. It is anticipated that competition between local and foreign savings banking institutions will take place when China opens up its market, as already happened in the 1920s and 1930s.