Depositors reportedly gathered in a central eastern Chinese city to protest against mainland authorities over their inability to withdraw funds from small banks.

An estimated 1,000 depositors gathered at the Zhenzhou branch of the People’s Bank of China to stage a protest in an effort to recoup their savings from four small banks in the province of Henan.

In a video widely circulated online, the protestors in the city of about 10 million were beaten and dragged away by a mob of unidentified men in white shirts. Meanwhile, local police surrounded the protest but did appear to stop the ongoing violence in the video.

This is but one of a series of recent protests linked to cash crises at smaller banks in China this year, including one lender in the Anhui province. In June, a protest planned by hundreds of
bank depositors also in central China was thwarted after authorities turned the status on their health code apps to 'red', according to a «Reuters» report citing unnamed sources. This effectively prevents residents from legally accessing public transport, public spaces, like malls, and travel across the country.

**Government Response**

In addition to quelling protests, Chinese authorities have identified a criminal gang led by suspect Lu Yi as the alleged culprit behind the crisis. According to local police, the gang effectively controlled several rural banks through Henan Xincaifu Group, manipulating their executives, using online platforms and brokers to attract deposits before transferring funds via fictitious loans.

Separately, the China Banking and Insurance Regulatory Commission (CBIRC) also announced last Friday that customers from the four rural banks in Henan will be repaid in advance, starting with individuals with deposits of up to 50,000 yuan ($7,400). The CBIRC also named Henan Xincaifu Group in a probe as the private firm with stakes in four lenders found to have colluded with bank employees to illicitly attract funds online.

Confidence in smaller Chinese lenders has been shaken since 2019 when authorities made their seizure of Baoshang Bank – a first since 1998 – over «serious» credit risks. Meanwhile, China has also cut back on implicit guarantees to reduce moral hazards and improve the long-term stability of the financial system. The nation has nearly 4,000 small and medium-sized lenders that control a total of almost $14 trillion in assets.