

China | Chinese consumers

China's crazy reverse-credit cards

In the People's Republic you "pay now, buy later"

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It works like this. When you get a haircut or eat at a restaurant, the seller encourages you to pay in advance for multiple transactions. You might pay upfront for ten haircuts, or put 1,000 yuan (\$140) on a pre-paid card, and the business will, in return, give you extra credit to spend. Western credit culture encourages consumers to "buy now, pay later". In China, it is "pay now, buy later".

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The bonus the firm adds to the customer's deposit rises with the size of the initial outlay, and can be large. Customers putting down 10,000 yuan can receive an extra 2,000 yuan to spend in the store. If they use the money within a year, that amounts to an annual "interest" rate of 20%, paid in kind.