

Analysis of Risk Management of Inclusive Finance Credit Business of Commercial Banks under the New Normal of the Economy: Taking HZ Rural Commercial Bank as an Example

Ke Tan*

City College of Huizhou, Huizhou Guangdong 516001, China

*Corresponding author: Ke Tan, hsjkkjzs@163.com

Copyright: © 2025 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

Abstract:

Finance is the core of modern economy. With the influence of economic globalization, financial risk has a more profound impact on political economy, social and people's livelihood, and spreads more rapidly. As the most active factor in the financial system of the country, commercial banks play a key role in stabilizing the financial market and promoting economic development. Inclusive finance is a major asset business of commercial banks, which plays an important role in helping enterprises rescue, rural revitalization, and assisting small and medium-sized enterprises ^[1]. This paper takes HZ Rural Commercial Bank as an example, based on the elaboration of the development status of the bank's inclusive financial credit business, analyzes the problems and deficiencies in the bank's current credit business risk management, especially in the post-loan management, and puts forward corresponding improvement and optimization measures.

Keywords:

Commercial bank
Inclusive finance
Credit risk control
Post-loan management

Online publication: February 7, 2025

1. Introduction

The concept of financial inclusion was introduced by the Consultative Group on Poverty Alleviation (CGAP) at the UN's Annual Conference on International Microfinance in 2005, and since then financial inclusion has become an important financial practice worldwide ^[2]. Inclusive finance is a new type of financial service model and a social and economic activity that embodies the concept of equality and humanistic care. In order

to promote inclusive finance nationwide, the state has issued a series of policies to regulate and promote the development of inclusive finance, which is the need of the state to promote the transformation and upgrading of the financial industry under the new normal of the economy, promote its high-quality development, and serve the needs of social and economic development and improve people's production and living standards.

2. Development status of inclusive financial credit business of commercial banks

2.1. The policy of inclusive financial credit business has been continuously optimized

After the CPC Central Committee formally proposed the development of inclusive finance at the Third Plenary Session of the 18th CPC Central Committee, the relevant policies of inclusive finance have been continuously improved, and the corresponding credit business policies have also been continuously optimized^[3].

In 2021, the first central document proposed the development of rural digital inclusive finance for the first time. In 2022, the government work report pointed out that more funds should be directed to key areas and weak links, and the coverage of inclusive financial credit business should be expanded. Subsequently, the central government reviewed and adopted the “Implementation Opinions on Promoting the High-quality Development of Inclusive Finance” to clarify the direction and goals for the next stage of inclusive finance development in China.

2.2. The scale of credit business of inclusive finance has gradually expanded

As of May 4, 2023, the 2022 annual performance of 12 non-state-owned listed joint-stock banks has all been released, and the achievements of joint-stock banks in inclusive finance business in 2022 have also been announced^[4]. According to the “two increase and two control” caliber of the Banking and Insurance Regulatory Commission, from the perspective of loan balance, as of the end of 2022, China Merchants Bank won the first place with 678.349 billion yuan of inclusive small and micro enterprise loan balance, and then Minsheng Bank and Ping An Bank ranked second and third with 549.051 billion yuan and 528.226 billion yuan respectively. According to the annual report data of listed banks, in 2022, the overall scale of inclusive financial credit of commercial banks continues to maintain an incremental expansion trend, the service structure continues to optimize, the precision of service in key areas continues to improve, and the overall loan interest rate remains stable, which promotes the overall goal of gradually reducing the comprehensive financing cost of small and micro enterprises. In 2022, the total balance of inclusive

small and micro loans of 12 joint-stock banks will reach 3.99 trillion yuan, an increase of 12.49% year-on-year. Compared with joint-stock banks, the total balance of loans to inclusive small and micro enterprises of the six major state-owned banks in 2022 was 8.54 trillion yuan, a year-on-year increase of 31.99 percent. No matter in terms of scale or growth rate, state-owned banks are still the main force and leading goose of inclusive finance business in China^[5]. From the perspective of consolidation, the balance of loans to inclusive small and micro enterprises of state-owned large banks and equity banks exceeds “half of the sky,” but the majority of small and medium-sized banks also contribute nearly half of the total. The non-performing loan ratio of inclusive financial credit business is the most important indicator to measure the quality of credit business, and only 6 of the 12 equity banks disclosed the non-performing ratio of inclusive small and micro loans in their annual reports. From low to high, it was 0.63% Industrial Bank, 0.67% Everbright Bank, 0.98% Zheshang Bank, 1.33% Bohai Bank, 1.48% Huaxia Bank and 1.70% Minsheng Bank.

3. HZ Rural Commercial Bank inclusive financial credit business development status

HZ Rural Commercial Bank is a small and medium-sized commercial bank established in prefecture-level cities to serve the local economic development. As the main force of inclusive financial development in the local financial market, it needs to fully play its role in supporting the real economy^[6]. HZ Rural Commercial Bank has so far launched sixteen inclusive financial credit projects, including business loans and consumer loans for individuals, new citizens’ business loans for individual industrial and commercial enterprises, science and technology loans for small and micro enterprises, risk compensation fund loans for small and micro enterprises, and live pig mortgage loans for farmers with facial features. Rural Commercial Bank has the slogan of “born for agriculture, for reality and foundation,” the bank has changed its development ideas, followed the development trend, and constantly increased the financial support for inclusive financial credit business. By December 2022, the scale of inclusive financial credit

lending of HZ Rural Commercial Bank has exceeded 20 billion yuan, accounting for 33.76% of its total credit business volume.

4. Problems in the risk management of inclusive financial credit business of HZ Rural Commercial Bank

4.1. The post-loan risk management process of inclusive financial credit business is not sound, and credit defaults occur from time to time

The post-loan management of inclusive financial customers refers to a series of operation and management processes in which commercial banks conduct early warning, monitoring, verification and disposal as well as continuous marketing from the beginning of the customer's use of bank credit to the termination of the credit ^[7]. This includes monitoring and warning, on-site inspection, customer relationship management, maturity management, guarantee management, risk classification, file management, risk monitoring and management, supervision, inspection and evaluation and other links. However, in the process of post-loan management, HZ Rural Commercial Bank lacks a strict risk prevention and supervision mechanism, and the tracking and feedback of the inclusive financial credit business is not timely, especially the implementation of the post-loan management has shortcomings, and the follow-up collection is usually carried out after the credit is overdue, which makes the default risk of the inclusive financial credit business of the bank frequently occur. This reduces the quality of the loan business. HZ Agricultural Commercial Bank classifies the loan quality according to the borrower's repayment ability, which is divided into five categories: normal loan (default rate 0%), concerned loan (default rate 0–30%), subprime loan (default rate 30–50%), suspicious loan (default rate 50–80%) and loss loan (default rate 80–100%). The bank defines the latter three types of loans as non-performing loans of banks, and the non-performing loan rate is an important indicator to measure the quality and effectiveness of inclusive financial services. In recent years, the scale of inclusive credit of the bank has grown by leaps and bounds, and the corresponding risks are also increasing each year. The generation of non-performing

loans has become a prominent bottleneck restricting the high-quality development of banks. According to the credit business data of HZ Rural Commercial Bank in the past three years, the loan quality of inclusive financial credit business is not good, and the non-performing loan rate for personal entrepreneurial loans has reached 10.80%. Ways to effectively solve the non-performing loan rate has become the urgent task for the bank to develop inclusive financial credit business with high quality ^[8].

4.2. Improper use of post-loan risk management strategies for inclusive financial credit business

Inclusive financial credit business is an extension of traditional credit, and the risk nature of inclusive financial credit is the same as that of traditional credit business. The risks of credit business are caused by both internal and external factors, and the economic foundation of the customers of inclusive financial credit business is relatively weak compared with the traditional credit customers, and the ability to resist risks is relatively weak. In order to cope with the possible default risk, HZ Rural Commercial Bank did not formulate risk management strategies according to the external environment and individual business characteristics, so as to effectively identify, prevent, disperse and avoid risks, so as to reduce the losses caused by customers' default ^[8]. HZ Rural Commercial Bank has not yet built a risk monitoring and early warning tool, the combination of human control and machine control is low, and the risk control effect is not ideal.

4.3. Digital means are not used enough in the post-loan risk management of inclusive financial credit business, relying too much on third-party control

HZ Rural Commercial Bank has insufficient application of fintech in the risk management process of inclusive financial credit business, and the risk management and control process still relies on third-party companies. First of all, the customer body of inclusive financial credit business is different from the traditional credit business, mainly facing small and micro enterprises and low-income groups. The financial data provided by such customers may not meet the requirements of timeliness

and comprehensiveness, and the bank cannot predict the future solvency of such customers based on these data, which will lead to low efficiency of risk control in post-loan management. Secondly, the collection time span of the post-loan risk information of credit business is too long, and the timeliness of the data is difficult to grasp, which cannot provide reliable information and decision support for the post-loan risk prevention and control work^[9]. Finally, the construction of risk prevention and control information system is relatively lagging behind, the information means are not comprehensive, and the risk management process is more “human control” rather than “numerical control,” which makes the actual risk management efficiency unable to meet the expectations^[2].

4.4. The internal rating method and supervision of inclusive financial credit business are not perfect

Due to the wide range of inclusive finance audiences and different loan needs, HZ Rural Commercial Bank grades customers' credit status by referring to the current mainstream rating model, but this rating method is general and not applicable to all inclusive finance loan customers^[10]. In addition, the bank has not set up an independent credit rating department for the time being. The bank staff responsible for pre-loan approval and post-loan management of inclusive finance credit business are proficient in traditional business, but they have not been specially trained for inclusive finance credit business, which inevitably leads to inaccurate rating results and inadequate follow-up supervision.

5. HZ Rural Commercial Bank's post-loan risk management optimization suggestions for inclusive financial credit business

5.1. The leadership of the bank should exert great importance to, accurately grasp the risk management concept of inclusive financial credit business, and continuously improve the digital operation capability

The head office and branches should adhere to the concept of “customer-centered,” and continue to improve the risk control management mode in

combination with the operation and management practice of inclusive financial credit business. First, it is necessary to establish a risk control model that combines public and retail businesses to improve the quality and efficiency of management. According to the characteristics of inclusive business, establish the management concept of the integration of public and retail, promote the implementation of post-loan intensive management mode, and carry out work in accordance with the management idea of “full customer system detection - centralized processing of risk customers - on-site inspection of key customers.” The second is to gradually change from post-loan risk management to comprehensive customer service. Post-loan management is an important part of the whole process of credit business. It is not only necessary to identify risks in time and effectively resolve risks, but also to tap potential demand through effective customer contact, strengthen customer relationship management, and thus improve the ratio of customer retention and its comprehensive contribution ability^[11].

5.2. Improve the means of risk monitoring and improve the effectiveness of risk management

The management departments of inclusive financial credit business at all levels shall clarify their responsibilities, monitor the change trend of risk indicators of inclusive financial credit enterprises, identify, analyze and evaluate risk matters such as key regions, product and model tool application, formulate risk control objectives and risk control strategies, and effectively prevent credit risks^[12]. All credit business outlets should use the new generation of credit management information system (CMIS), to the public unified collection system (N-DAM), inclusive finance real-time data display platform and other detection system tools to carry out regular risk monitoring and analysis, for the problems found in the monitoring and analysis should take countermeasures, and timely report to the superior management authority.

5.3. Establish a digital risk control monitoring platform, use the scorecard model to refine customer stratification, and deeply integrate online monitoring with on-site inspection

HZ Rural Commercial Bank should rely on digital

technology to establish a comprehensive risk monitoring and warning platform (RAD), and use the data platform to carry out comprehensive risk monitoring on all inclusive financial credit customers and businesses within its control during the loan duration, and check, identify and predict risks and hidden dangers through automatic system detection, institutional batch detection and manual detection. This takes corresponding control measures. At the same time, the platform detection and on-site inspection should be integrated, and the score card mode should be used to refine the hierarchical management and control of customers. Customer stratification is the basis of differentiated post-loan management. Each sub-branch bank should comprehensively consider the actual credit issuance of the bank, and reasonably divide customers according to the proportion of collateral (pledge) and credit loans. When selecting the customers to be checked, the following points should be followed: after the loan, the operating settlement flow in the branch is very small with poor comprehensive management ability or asset quality. When carrying out on-site inspection, it is necessary to closely focus on the inspection points of “real business operation and reasonable credit demand,” investigate the basic situation of customers, understand the actual business situation and credit changes of enterprises, and judge whether the solvency of enterprises has changed. To judge the authenticity of customers by understanding the actual controller, shareholders and the reasons for their changes, at the same time, it is important to judge the authenticity of operation through the situation of employees, on-site operation and sales income and judge demand and rationality of fund use by invoice, contract or other bank account ^[4]. After the on-site inspection, the account manager and post-loan management post and other relevant personnel should be based on the collected information, timely assessment of customer compliance risks and solvency, for the confirmation of potential risks, import RAD platform for follow-up management.

5.4. Improve credit customer touch management, enhance customer stickiness, and improve risk management and control capabilities ^[13]

HZ Rural Commercial Bank should further improve

customer relationship management ^[14], and improve customer access in the following ways: For customers who need on-site inspection, the customer manager should carry out the customer access work simultaneously in the post-loan on-site inspection process; For small customers using the score card mode, according to the principle of customers' autonomy and willingness, collect information through online channels, and push the relevant feedback information of customers to the corresponding account manager or handling agency by the system; For other customers, the account manager will visit each customer by phone, video and make relevant records ^[5]. It accurately grasps customer needs through touch, strengthen product and policy marketing publicity, and improve the close cooperation between banks and enterprises. At the same time, it should comply with the requirements of laws and regulations, regulatory rules and business systems, fully and objectively disclose information, fully reveal risks, and minimize the probability of default risk while safeguarding the interests of customers ^[15].

6. Conclusion

Under the new economic normal, the inclusive financial credit business continues to develop, and the number of people who benefit from it is also increasing. For HZ Rural Commercial Bank, the development of inclusive financial credit business is an important starting point for its transformation and upgrading to achieve high-quality development. The bank can improve its customer structure and diversify its business risks by vigorously developing inclusive financial credit business. In post-loan risk management, whether it is the identification, measurement or management of credit risk, it is a continuous and dynamic process. In practice, it is often necessary to evaluate and reflect on the effectiveness of the risk management strategy adopted, and constantly improve the corresponding control measures to control the credit risk of commercial banks within a controllable range.

On February 28, 2022, the 24th meeting of the Commission for Deepening Overall Reform of the CPC Central Committee deliberated and adopted the Implementation Opinions on Promoting the High-quality Development of Inclusive Finance, which clarified

the new direction for the development of inclusive finance in China. Looking forward to the future, HZ Rural Commercial Bank should establish a long-term mechanism to improve the risk management of inclusive

financial credit business, and contribute financial strength to better serve the development of local real economy and help people achieve common prosperity.

Disclosure statement

The author declares no conflict of interest.

References

- [1] Xu S, Cao Y, 2022, Research on Risk Control of Listed Banks: Based on the Perspective of Inclusive Finance. *Regional Finance Research*, 2022(1): 51–58.
- [2] Liang Y, 2021, Discussion on How Commercial Banks Do a Good Job in Inclusive Finance From the Perspective of Risk Management. *Inner Mongolia Science and Economy*, 2021(15): 48–49.
- [3] Li B, 2022, Practice and Inspiration of Inclusive Finance Development of Rural Commercial Bank: A Case Study of Qinnong Bank. *Western Finance*, 2022(8): 75–77.
- [4] Hou F, 2023, Study on the Influence Mechanism of Digital Inclusive Finance on Entrepreneurship. *Business Economics*, 2023(3): 23–25.
- [5] Su C, Guo W, 2020, Bank Small and Micro Enterprises Credit Wind Insurance Evaluation Index Optimization. *Finance and Accounting Monthly*, 2020(1): 68–70.
- [6] Ma B, 2024, Research on the Development of Digital Transformation of Commercial Banks Under the Trend of Inclusive Finance. *The Circulation Economy*, 2024(22): 164–167.
- [7] Bu Y, Tang M, 2024, Financial Technology and the Commercial Banks Operating Performance: A “U” Relationship. *Journal of Contemporary Financial Research*, 7(11): 61–76.
- [8] Cai W, 2024, Analysis on the Follow-Up Audit Path of the Implementation of Inclusive Financial Policies in Commercial Banks. *China’s Collective Economy*, 2024(32): 101–104.
- [9] Li L, 2024, Research on Digital Identity Authentication in the Field of Digital Inclusive Finance: Based on the Perspective of Financial Inclusion and Financial Inequality. *China’s Collective Economy*, 2024(31): 61–64.
- [10] Zhang X, 2024, Discussion on the Methods and Measures of Commercial Banks to Do a Good Job in Inclusive Financial Services. *Guide of Township Enterprises*, 2024(20): 57–59.
- [11] Ao T, 2024, Research on Risk Control of Loans to Small and Micro Enterprises in Inclusive Finance of Commercial Banks. *Financial Client*, 2024(10): 17–19.
- [12] Zhang X, 2024, Inclusive Finance and Risk Taking in Commercial Banks: Regulatory Mechanisms and Empirical Evidence. *Industrial Innovation Research*, 2024(19): 136–138.
- [13] Wei G, 2024, The Basis and Condition of Sustainable Inclusive Finance. *The Banker*, 2024(10): 34–37.
- [14] Yang Q, 2024, Empirical Analysis of the Impact of Inclusive Finance on Credit Risk of Commercial Banks in China: Based on Multiple Regression. *Modern Business*, 2024(18): 62–65.
- [15] Hua Y, 2024, Promoting the Development of New Quality Productivity in Rural Areas by Inclusive Finance. *Director of Village Committee*, 2024(17): 70–72.

Publisher’s note

Whioce Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.