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Development and Transformation of Inclusive Finance in my Country's Commercial Banks

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Abstract: *Different degrees of financial exclusion will exist in the process of financial development. Vulnerable groups such as low-income groups are often excluded from formal financial services and cannot obtain normal financial services. The concept of inclusive finance is based on such a reality. The realization of financial inclusion aims to enable economic entities at different levels of society to obtain the necessary and reasonable financial services and financial support. As the main body of my country's financial institution system, commercial banks are not only providers of inclusive financial services, but also play the role of leaders in inclusive financial innovation. Therefore, it is necessary to strengthen the capacity building of commercial banks' inclusive financial services and improve their inclusive financial services. The quality and efficiency of financial inclusion are related to the development level and sustainability of inclusive finance in the whole society. At present, my country's commercial banks are actively exploring and practicing digital transformation. Through the empowerment of financial technologies such as big data and artificial intelligence, they have developed inclusive financial services and product models to solve the problems of difficult and expensive financing for the private economy. This paper first introduces the dilemma of developing inclusive finance under the traditional model of commercial banks, mainly including information asymmetry, low level of management refinement, and insufficient customer coverage. The use of digitization can solve many problems in traditional models; finally, the article proposes inclusive finance for my country's commercial banks from the aspects of accelerating data application transformation, enriching customer acquisition scenarios, promoting digital process transformation, innovating risk control technology, and cultivating digital transformation professionals. Policy recommendations for digital transformation development.*

Keywords: *inclusive finance digital transformation commercial bank*

1. Research Background

Finance is the booster of economic development, and the increasingly complete economic construction will also improve the degree of financial development. However, with the rapid development of financial services, some groups are still unable to obtain financial services at affordable prices and are excluded from the entire service system. Financial services are more and more inclined to groups with high marginal value such as large and medium-sized enterprises and the rich, while ignoring the disadvantaged groups with low marginal value such as low-income farmers and small and micro enterprises in remote and poverty-stricken areas. The existence of financial exclusion has seriously hindered the advancement of finance.

The digital transformation of inclusive finance is to use digital technology in the financial field to improve the level of information sharing, improve the penetration rate of financial services and the ability to reach customers, improve the availability and satisfaction rate of financial services, and enable the public to experience efficient, convenient, Safe and low-cost financial services. In order to solve the problems of difficult and expensive financing for the private economy, and to effectively improve the ability and efficiency of banks to serve the real economy, the central government attaches great importance to and requires the banking industry to rely on digital means and enable the development of small and micro enterprise financing services and product models through financial technology. In order to solve the problem of difficult and expensive financing for the private economy, we will effectively improve the ability and efficiency of banks to serve the real economy. At present, all large state-owned commercial banks have gone through the first stage of digital inclusion in the development of inclusive finance, and are accumulating the leap-forward development of the second stage, while deepening the transformation and upgrading effect of the first stage.

ISSN 2616-5902 Vol. 4, Issue 1: 85-90, DOI: 10.25236/AJBM.2022.040115

2. The Necessity of Building Inclusive Finance

2.1 Promoting the Development of Rural Economy

The rapid development of modern society and economy has greatly enhanced the status of financial entities, especially in some developed countries, which have formed a complete financial system and gradually play an important role in the political economy. However, in some developing countries, various infrastructure constructions are not complete, the economic system is not sound, and there is a phenomenon of "financial exclusion", which causes various unfavorable factors, restricts the progress of productivity and delays economic development. In order to fundamentally solve the above problems, vigorously developing inclusive finance can improve the main form of economic operation, realize the rapid circulation of capital, and promote the development of the supply chain. Proceeding from the reality of our country, the state has gradually adjusted its strategy, taking economic development as the focus of its work, strengthening support for the rural economy, and enhancing the role of rural finance. In the future development, it is necessary to actively enhance the application of inclusive finance in rural areas, effectively improve its promotion effect in economic entities, and continuously improve the allocation of grass-roots resources to inject new vitality into the development of rural economy.

2.2 Improve the Construction of Public Infrastructure

Roads, electricity, drinking water, housing and living environment are the infrastructure for people's production and life, and also the fundamental resource allocation to promote economic development. Some developed regions in my country have formed a complete supply guarantee system, and on this basis, the development of other public utilities has been promoted, thereby providing a stable environment for the operation of the economy. In some underdeveloped areas and poverty-stricken areas, the configuration of these facilities is relatively backward or even non-existent. This situation seriously restricts local production and brings many negative impacts to people's lives. If it cannot be improved, this situation will A vicious circle is formed, which makes it difficult to improve the poverty level. The implementation of inclusive finance will solve the funding problem to a certain extent. The government will provide special financial support to promote investment in public resources. Banks will also provide loans to the poor to meet the needs of the poor to improve their living infrastructure and public infrastructure conditions in the community.

2.3 Improve the Survival Environment of Small and Micro Enterprises

From the perspective of the enterprise's own operation, maximizing its profits and promoting its own rapid development is the basis for ensuring sustainable operation, and it is also the most effective way to attract financing. Some large-scale enterprises with perfect operating structure have become the service targets of many financial institutions due to their certain strength. On the contrary, some small and micro enterprises are affected by objective factors and are restricted everywhere, making it difficult to obtain loans and cannot compete with large enterprise groups. In the selection of customer groups, banks are more inclined to large-scale enterprises with good credit ratings, and pay less attention to small and micro enterprises. When these small and micro enterprises apply for loans from the bank, the bank will comprehensively evaluate them, especially the small and micro enterprises. Risks arising must be managed and controlled to avoid the formation of non-performing loans and losses. This will make the living environment of small and micro enterprises worse. Inclusive finance has the characteristics of flexibility, and banks can tailor appropriate financial services for small and micro enterprises when developing inclusive finance business, so as to realize the injection of funds. In this way, the loan channels of small and micro enterprises have been improved, and after obtaining loan funds, they can develop better, and their living environment has also been improved accordingly, thereby promoting the upward development of the economy.

3. The Development Dilemma of Traditional Inclusive Finance of Commercial Banks

3.1 The Problem of Information Asymmetry Is Prominent, and the Operating Cost is Too High

First, the information of small and micro enterprises is not transparent. Due to the irregular operation and poor information transparency of small and micro enterprises, their financial statements and tax audit information are not standardized. The second is information asymmetry between banks and enterprises.

ISSN 2616-5902 Vol. 4, Issue 1: 85-90, DOI: 10.25236/AJBM.2022.040115

Due to the poor operational transparency of small and micro enterprises, the integrity and authenticity of the information submitted by small and micro enterprises when applying for loans cannot be guaranteed. It is difficult for banks to grasp the real financial status of small and micro enterprises, and cannot fully describe the characteristics of customers, so that they cannot accurately conduct risk assessment. . Information asymmetry leads to high costs for banks to collect and process information on small and micro enterprises. In order to control credit risks, banks have to raise the loan price of small and micro enterprises and set stricter loan conditions. On the one hand, the increase in the price of small and micro finance in banks has resulted in fewer and fewer high-quality customers, but more and more risk-averse customers, and the problem of "adverse selection" is obvious; on the other hand, it has caused the problem of "moral hazard". Risks lead to high returns, resulting in the "risk incentive effect".

3.2 Marketing Management is Less Refined and Customer Stickiness is Poor

The traditional inclusive finance business of commercial banks has low marketing management efficiency and poor customer stickiness. First, a scientific and reasonable customer evaluation and tiering mechanism has not been established. The quality and quantity of internal and external data of the bank are prominent, affecting the comprehensiveness and accuracy of customer evaluation. The customer tiering mechanism has not yet been established, and the refined customer management needs to be strengthened. The second is the lack of effective intelligent marketing system support, unable to link and integrate customer resources and development forces of various lines in the industry, unable to accurately match customer marketing strategies through data analysis, customer assignment, marketing tracking, etc. still rely on manual labor, unable to fully realize online , Marketing management efficiency needs to be improved. The third is that the transformation of physical branches of banks to intelligent and light-duty is slow, and it is unable to fully release the labor force of branches and branches to support inclusive financial business. Most outlets do not have inclusive small and micro loan professionals, and the concept of retail credit is not in-depth and their professional capabilities are weak. Fourth, the linkage mechanism between customer managers and product managers has not yet been formed, customer management responsibilities have not been clarified, and some customers have not been equipped with customer managers in time, which affects subsequent customer maintenance and in-depth exploration of customer value.

3.3 Lack of Customer Acquisition Scenarios and Insufficient Customer Coverage

In the past, the traditional customer acquisition method of “physical outlets + marketing” of commercial banks had higher operating costs. Banks would focus on large enterprises and large customers rather than long-tail customers, which is the traditional "28 law”. In addition, some small and medium-sized commercial banks are difficult to adapt to the credit needs of customers in the mobile Internet environment due to their disadvantages such as less distribution of outlets and regional factors. At present, the online customer acquisition scenarios of commercial banks are insufficient in innovation, and scenario marketing needs to be strengthened, which is mainly reflected in the lack of professional technical team support and single marketing methods.

3.4 The Intelligence Level of Business Processes Is Low, and the Customer Experience is Poor

At present, the offline loan product business of commercial bank inclusive finance still mainly relies on on-site investigation, offline filling, and collection of paper materials by account managers in the links of pre-loan investigation, loan approval, and post-loan inspection, which is still a labor-intensive business. The system is less automated. The level of intelligence in the business process is low, the whole process has not been paperless yet, and the business burden of the account manager is heavy, which reduces the enthusiasm of marketing, and the customer experience is poor.

3.5 Insufficient Innovation in Risk Control Technology and Low Risk Management Efficiency

The risk control of commercial banks based on big data technology started late, the credit risk management system is not perfect, and the innovation of credit risk management technology is insufficient. First, the risk control model is backward, and the overall risk control capability of inclusive finance needs to be improved urgently. The risk prevention and control system of inclusive finance mainly uses offline investigation and post-loan management as the main risk control methods. Big data and artificial intelligence technologies have not yet been used to build an automated and intelligent model for big data credit risk management. The whole process of risk monitoring for small and micro enterprises

ISSN 2616-5902 Vol. 4, Issue 1: 85-90, DOI: 10.25236/AJBM.2022.040115

is carried out in the middle and post-loan links, so it is impossible to automatically screen customers and automatically manage post-loan risks. The second is the lack of professional data mining technology and the lack of data dimensions. Small and micro enterprises' own data and related data information mining is not in place, the quality of external data is poor, the standardization of many key data information is not high, and the statistical caliber of data is inconsistent. Third, the post-loan management efficiency is not high. At present, the post-loan management of the bank's inclusive credit business still follows the post-loan management model for large-scale enterprise customers, mainly using on-site investigation, manual inquiry, rule-based prediction and other methods to identify and predict the credit risk of small and micro enterprises. These traditional methods not only The cost is high, and the efficiency is low. The frequency of post-loan inspections and the pertinence of inspections have not been differentiated, resulting in greater pressure on account managers to manage accounts.

4. Digital Transformation Facilitates the Development of Inclusive Finance

Due to the development of traditional inclusive finance, inclusive finance has never been able to become the core business and mainstream business of large banks, and the proportion of business has always been low. However, as the most important force in the supply of domestic financial services, large banks are obliged to assume greater responsibilities and play a more important role in inclusive financial services. The state and regulatory authorities have put forward higher requirements for large banks, and all sectors of society. There are also high hopes for the big banks.

At present, about 20% of commercial banks in the world are undergoing digital transformation. Although most banks are still in the initial stage of digital transformation, some commercial banks have already shown obvious characteristics in their digital transformation. In recent years, my country's commercial banks have deeply applied financial technology, consolidated the foundation for digital transformation, and built a digital, intelligent and open inclusive financial service system. Through digital transformation, the technological advantages, information advantages and platform advantages of large banks will be fully released to help solve the key problems of information asymmetry, high cost and high risk in inclusive financial services.

First, digital transformation is conducive to solving the problem of information asymmetry between banks and enterprises. Since the country implemented the big data strategy, the digital infrastructure has been continuously improved, the integration and open sharing of data resources has been accelerated, and the public data resources among some government departments and institutions have gradually achieved interconnection and interoperability, and data silos have been broken. Large banks can use Internet technology to connect with various public data platforms of government departments to obtain important data automatically, in real time and at low cost, and use big data, cloud computing and other technologies to automate and intelligently analyze a large amount of external data obtained. , providing strong support for inclusive financial risk assessment and credit decision-making, and solving the problem of information asymmetry that has plagued large banks for a long time.

Second, digital transformation is conducive to solving the problem of high cost of inclusive financial services. Internet technology enables large banks to provide financial services through various online channels such as online banking, mobile banking, WeChat mini-programs and official accounts, effectively expanding the coverage of financial services, and at the same time reducing investment in outlets, machinery, and personnel. Financial science and technology can significantly improve the intelligence and automation of inclusive financial services provided by large banks.

Finally, digital transformation is conducive to solving the problem of high risk of inclusive lending. After digital transformation, large banks can establish automated, process-based and intelligent risk evaluation and prevention systems with functions such as information comparison and verification, business anti-fraud, real-time risk monitoring and early warning, and significantly improve the accuracy of risk management. Reduce the credit risk of inclusive loans. Automated credit approval and risk prevention and control systems can also greatly reduce manual intervention and intervention, effectively reduce moral hazard, and reduce operational risk. In addition, digital transformation can enable large banks to effectively expand their customer base and diversify the unsystematic risks of inclusive credit business through the law of large numbers.

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5. Enlightenment and Reflection on the Digital Transformation and Development of Inclusive Finance In Commercial Banks

In the context of digital economy development and market competition, global commercial banks are undergoing digital transformation, and Chinese commercial banks are facing unprecedented opportunities and challenges. Large state-owned commercial banks have made major breakthroughs in digital products in the development of inclusive finance, but have not yet formed scale productivity. Therefore, commercial banks need to actively learn from each other, strengthen the top-level design of inclusive finance, deepen and consolidate the empowerment effect of technology, and improve the service capability of inclusive finance business.

5.1 Accelerate the Transformation of Data Application and Establish Big Data Support

Accelerate the transformation of data applications, and do a good job in data collection, cleaning and mining. The first is to integrate multiple data sources through big data analysis technology, including structured data such as small and micro enterprise customer information, account information and transaction information accumulated within the bank for many years, and use web crawler and other technologies to capture small and micro enterprise industrial and commercial data published on the Internet unstructured or semi-structured data, such as information related to litigation; the second is to increase third-party data procurement, commercial banks can introduce external data through purchase, cooperation, etc. and other industry data, as well as high-value customer behavior information, public opinion information and other external data on various Internet platforms to expand the bank’s data base; the third is to establish data collection rules, using dynamic data and static data to combine, from structured, semi-structured Comprehensively extract the closely related information data of enterprises from the unstructured and unstructured data sources, effectively mine the customer risk profiles of small and micro enterprises, and make up for the shortcomings of the financial information provided by small and micro enterprises that are generally irregular, slow in timeliness, and low in quality.

5.2 Enriching Customer Acquisition Scenarios and Accelerating Customer Flow

In recent years, the use of financial technology and digital means to promote various online businesses has become a new way for banks to acquire customers. More and more commercial banks hope to use scenario-based customer acquisition, seek new business growth points, vigorously promote retail business, and improve customer experience. The first is to build multi-dimensional big data application scenarios to expand the productivity of digital products. Deeply promote the innovative application of big data and artificial intelligence, fully tap all aspects of the bank's internal data, accelerate the construction of big data application scenarios and product iterative updates, and promote the integration and transformation of the three elements of scenarios, data and technology, and realize the scale productivity of digital products and improve products. The efficiency and effect of online acquisition of "long tail customers". The second is to improve scene mining and scene construction capabilities. It is necessary to grasp the characteristics of the scene, dig deep into the needs of the scene, create and expand new financial and life scenes, and comprehensively strengthen the construction of the scene capacity of commercial banks. The training content of digital product branches has been expanded from the existing system explanation and marketing operation experience sharing to the resource mining method of big data application scenarios and the feasibility assessment method of scenario construction, so as to improve the big data application expansion capabilities of branches. The third is to change from business operation to scenario operation thinking. Commercial banks should completely change the thinking mode of business operation, continue to promote the construction of scenarios, and comprehensively enhance the scenario service capabilities through the integrated development of various platform scenarios such as mobile banking APP, credit card APP, and online banking.

5.3 Innovate Risk Control Technology, Build a Digital Risk Control Management System, Increase Internal Data Application Scenarios And External Data Access Channels, and Actively Explore a Credit Risk Control Management System Based on Big Data Technology.

First, based on the big data mining method, use internal and external data to accurately profile small and micro enterprise customers, automatically identify customer risks through intelligent algorithms, strengthen the verification of repayment source data, and provide multi-dimensional early warning to small and micro enterprise customers. Improve customer access quality. The second is to build a digital risk control model to monitor the entire process of each business. Big data risk control can monitor user

ISSN 2616-5902 Vol. 4, Issue 1: 85-90, DOI: 10.25236/AJBM.2022.040115

transaction behavior at any time during the loan stage, and the system will automatically adjust or freeze the limit after an alarm is detected, which can greatly reduce potential losses and effectively improve the efficiency of big data management of inclusive finance. The third is to establish a real-time post-loan risk early-warning system, carry out scientific and reasonable risk early-warning, monitoring, and control to accelerate the construction of an off-site post-loan monitoring system, and realize the automation of customer risk investigation by connecting various big data inside and outside the bank for daily dynamic monitoring; Refine the post-loan inspection rules, implement differentiated post-loan management according to customer risk levels, further expand the scope of application of the trigger post-loan management model, and manually intervene after the occurrence of early warning risk signals, so as to improve the efficiency of post-loan inspection by customer managers; The non-performing asset write-off mechanism with the characteristics of small and micro enterprises, developed a small and micro credit collection system, and promoted the rapid write-off, automatic write-off and batch write-off of small and micro credit business.

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