Policies and Suggestions on Credit Risk Management of Rural Commercial Banks in Post–Crisis Era

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Abstract. Rural commercial bank mainly obtains its own profit by carrying out credit business, so credit risk has become the main risk that rural commercial banks that our country should undertake. Although the era of the global economic subprime crisis has gone, the rural commercial banks must strengthen their awareness of credit risk management because of the adjustment of the national macroeconomic policies and the emergence of new credit risks in their business processes. The author analyzes the main problems in the credit risk management of the rural commercial banks in the post-crisis era, and puts forward the relevant suggestions.

Introduction
In 2008, the US subprime mortgage crisis caused the global financial crisis, and spread all over the world. The world’s major economies macroeconomic indicators have declined sharply, and it is the heaviest hit on the real economy after the Second World War. Especially since the second half of 2009, for Chinese emerging markets and developed countries, economic indicators gradually returned to a stable state, the global economy smoothly get out from the financial crisis and gradually entered the “post-crisis era”. From the financial crisis, we can find that the impact of the financial crisis is not very serious, due to Chinese rural commercial banks on asset securitization business is still in its infancy stage. However, the instability of the domestic and foreign economic situation and the fluctuation caused by the adjustment of China’s macroeconomic policies make the rural commercial banks face new credit risk problems in the post-crisis era. Therefore, for rural commercial banks, credit risk research is still a key issue. Agricultural commercial banks should also strengthen the credit risk management work and improve their ability to resist risks.

The Post-crisis Era of Rural Commercial Banks are Facing New Credit Risk Factors

The Increasing Credit Risk of Small and Medium Enterprises

The problem of credit financing of small and medium-sized enterprises has been a major obstacle to the healthy development of China’s economy. Under the impact of the global financial crisis, China’s small and medium-sized enterprises have also been affected to a certain extent, and their credit financing problems are more and more prominent. In order to better solve the problems that the impact that international financial crisis bring to of small and medium enterprises, on the issue of SME credit financial problem, our government and related financial institutions respectively make a corresponding policy and adopted practical measures to ensure that China’s economy can be sustained and stable development, and they also make an effective solution to solve the unreasonable points of the current small and medium enterprises in the financing channels and financing way. It releases the current pressure of capital constraints on SMEs. But at the same time, rural commercial banks have to bear a greater credit risk. In addition, the relevant policy approve that the small and medium enterprises can use proprietary knowledge and technology, trademark rights, patents and copyright intangible assets as mortgage, but there is a very serious problem that the realization of intangible assets is relatively weak. Rural commercial banks can’t deal it as tangible assets, which can regain timely by auction, leasing and transfer of funds and other channels. At the same time, there is hidden problem that the loan collateral might be nominal.
Increased Credit Risk

In order to deal with the financial crisis more effectively, the Chinese government has adopted the appropriate monetary easing policy. Despite the relatively rapid economic growth in 2009, the dependence on investment and the real estate industry is relatively high. Commercial banks are more risky to carry out credit business. At the same time, China has been mainly based on indirect financing. The scale of indirect financing is far more than the scale of direct financing, which means that the rural commercial banking system business process will assume more credit risk. There are also relevant data show that the credit business of the rural commercial banks carried out is mainly concentrated in the five major industries, the real estate industry, water production, manufacturing, transportation and supply industries, which results larger credit risk that the rural commercial banks to these industries. Because of the limited space, this paper describes the relationship between real estate and rural commercial bank credit risk briefly: As the industry is capital-intensive, that is to say, its dependence on funds is relatively high, but the real situation is that ability to accumulate funds of the real estate industry is quite limited, and its healthy development can’t be separated from the strong support of financial institutions. However, it is more tend causing excessive financial support lead to the crisis of the real estate industry for the real estate industry, especially for long-term credit policy. The implementation of a lower interest rate policy will bring continuous stimulation to real estate investment needs, thereby increasing the real estate consumer demand, but also accompanied by frequent speculation, financial risk of accumulation. On one hand, it caused a greater risk of risks to the real estate industry, and on the other hand, it has a higher claim for the financial institutions in the credit management work. However, the risk of non-performing loans is borne by the rural commercial banks because of the non-realization of the securitization of mortgage loans in our country. This has caused a great hindrance to the risk transfer of the rural commercial banks and other related aspects.

Post-crisis Era of Rural Commercial Bank Credit Risk Management Problems

The Existence of Irrational Organizational Structure

Seeing from the foreign commercial banks settings in the credit organization, it is mainly through the use of a combination of the matrix structure management system, for the credit business organization, in addition to the existence of vertical head office - branches of professional line management level. For the horizontal division of labor between the departments and constraints also made a relatively high demand. In contrast, China’s rural commercial banks in the credit vertical management of the chain is too long, horizontal division of labor between the division of labor and checks and balances relationship has not been clearly established and other issues. At the same time, it has not set up a special credit decision-making institution, which makes it difficult for the rural commercial banks to improve the credit decision-making efficiency. Although internal management organizational structure of China’s rural commercial banks in recent years have done a certain adjustment, the credit management organization structure is still not reasonable enough and caused new management problems.

The Construction of Credit Culture Failed to Adapt to the Current Pace of Economic Development

As the credit culture is set up and based on long-term practice of continuous improvement of credit work and the establishment of a series of related laws and regulations, unwritten customary practices and values. In recent years, the credit culture gradually gets people’s attention. It has gradually become an indispensable part of the corporate culture of the rural commercial banks. Only with the credit culture with strong vitality can the credit risk be effectively prevented and guaranteed. From a historical point of view, in rural commercial banks, there has been excessive emphasis on fines and neglect management, emphasis on loan and neglect the effort on collection, emphasis on deposits and neglect of loans and other defects. Of course, the existence of extensive operating behavior and the rural commercial banks in the credit staff lack the necessary awareness
of risk prevention are closely linked, because the low awareness of credit risk, which led to the prevalence of irregular loans and human loan problems, and further evolved into non-performing loans.

**The Lack of Rural Commercial Banks Risk Management Professional Talents**

Because of the high level of knowledge and skills required for credit risk, it is necessary for the rural commercial banks to fundamentally strengthen credit risk management and prevention work, and to equip the banks with a comprehensive quality of risk management talents. This part of the talent not only need to have a more comprehensive understanding on the credit risk knowledge, but also need to cross-use credit risk prevention and other disciplines. However, the specific situation of China’s rural commercial banks in terms of risk management talent in this area is still quite scarce, and the number of financial scientists or financial engineers is very few. Based on our country’s rural commercial banks to credit risk management work carried out relatively late, the pace of development is relatively slow, internal risk management in the level of risk management, management concepts and management capabilities can’t keep up with social progress footsteps, and it is difficult to meet the national social and economic needs.

**The Level of Credit Risk Management of Rural Commercial Banks is Low**

The risk measure brought by rural commercial banks in credit risk can be further divided into two specific methods of qualitative and quantitative. Most commercial banks in China adopt qualitative methods, and the common typical methods are 5C factor analysis. However, this method is also subject to great controversy because of the large inaccuracy and strong subjectivity in credit risk measurement. From the quantitative methods to study, rural commercial banks are usually using the more traditional proportional analysis method and other static analysis method. It’s not a good combination of credit risk quantitative measurement tools, and lack of a scientific statistical analysis and artificial intelligence modern credit risk management system. It is difficult dynamic monitor the entire process of loans, which means it can’t always pay attention to the dynamic changes in credit risk.

**Proposal on Strengthen the Post-crisis Era of Rural Commercial Banks Credit Risk Capacity**

**Improve the Credit Organization and Construction**

I suggest that rural commercial banks to set up a certain number of relatively high degree of specialization of the department to manage the credit business organization and have unified responsibility for it, which of course does not test the integration of management department. In addition, it involves the asset analysis department, risk review department, credit policy development department and risk review department and so on. It is noteworthy that the various departments should not be isolated from each other, and in a clear division of labor under the premise of doing the work, through mutual communication and mutual supervision of work to strengthen communication and cooperation between each other from fundamentally change of the old system of rural commercial bank credit under the existence of the “unified” credit business situation. At the same time, while carrying out credit business, we should also pay attention to the combination of the implementation of credit separation system, separate the three projects the loan pre-investigation, loan review and loan checks from each other, and the corresponding work should be done by the different departments and independent staff.

**To Create a Good Credit Climate**

Based on the shortcomings of credit culture construction in rural commercial banks, the author proposes to strengthen the awareness of risk management of bank staff, and gradually establish a credit culture atmosphere around the core of risk prevention. It is possible to further strengthen the knowledge and risk management and prevention awareness of the credit staff in the relevant fields through various forms of education and training of staff. At the same time, we should always follow the loan management and grasp the current number of rural commercial bank loans, and real-time understand and control credit risk.
To Build a Professional Credit Risk Management Team

Based on the need of credit risk management, high professional knowledge and work ability are requirements to the staff of the bank. A good credit risk management personnel should have comprehensive knowledge of finance, computer, finance and law. On the other hand, attention should also be paid to the prevention of personnel loss and have it decentralized to deal with the impact that part of the brain drain caused to the entire credit risk management team.

Improve the Current Risk Management and Control Methods

Although the development of risk management methods and technologies has made great progress in the past few years, large banks in national societies have been paying more and more attention to the application of quantitative analysis. However, the credit risk management of rural commercial banks in China started relatively late, and it is difficult to establish a quantitative evaluation model of credit risk which is suitable to China’s national conditions on the basis of further analysis. Therefore, the current credit risk management methods need to be adjusted to strive for the initiative of controlling risk.

Conclusion

In the current post-crisis era, the rural commercial banks coming to internationalization stage is an irreversible trend. At the same time, how to do a good job of credit risk management is an important problem and topic the rural commercial banks currently faced during its integration into the international process period. On the basis of safety internal risk control mechanism, the rural commercial banks should grasp the changes of the current market information to meet the needs of the market and realize the healthy and stable development.

References


