Credit Risk Management of Credit Clients in Finance Companies and Countermeasures

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Abstract— With the continuous improvement of China's financial institution system, the continuous emergence of financial institutions and credit business has made the competition in China's financial market fierce, which has increased the credit risk of China, making the importance of credit risk management in financial companies' constant. improve. The article firstly gives a brief overview of the credit risk of financial companies, and analyzes the current status of risk management work of financial companies. After that, it puts forward some suggestions for the problems existing at the current stage, hoping to provide some help for the credit risk management of financial companies in China.

Key words—Finance company credit customer credit risk management strategy

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1 Introduction

A finance company is a non-bank financial institution that has been associated with business development for nearly two decades. Under the background of China's development of market economy and deepening of financial system, the emergence of financial companies is an inevitable trend, and it is also the product of the integration of industrial capital and financial capital in the development of large-scale enterprises in China, and it is also the financial innovation and internal financial business of Chinese enterprises. The inevitable result of the set fission. China's financial companies need to always follow - rely on and serve enterprise groups, this fundamental purpose, has a very positive role in corporate financing, reducing financial consumption and improving the efficiency of capital use, the current development rate of financial companies It has become a very important new force in China's financial institution system. And China's traditional financial companies are also developing towards credit-based and versatile financial companies. China's financial companies are a very important part of the financial system, and because of the rapid development speed, financial companies are bound to face various credit risks.

Overview of credit risk of financial companies

(1) Group management system
At this stage, the operating procedures of China's financial companies are mainly funded by the group. Therefore, the main target of its services is only the enterprises within the group, and the financial companies are different from the financial institutions that generally pursue their own interests. The main purpose of their work is usually to maximize the interests of the group. To provide relevant financial services for the internal enterprises of the group. Therefore, it is easy for the finance company to work in the process of the credit fund led by the group. For example, the group's work in order to seize the market and improve the investment in the early stage of the enterprise, the group enterprise Financial companies are required to support the relevant companies in the issuance of loans [1]. Since the finance company serves the group companies, it does not conduct a detailed investigation of the loan demand, so it rushes to issue credit funds. In the latter stage of the project, if the business operation is affected by various factors such as the environment and the market, the expected target will not be achieved. The credit fund risk of the finance company.

(2) High concentration of credit risk
At this stage, China's financial companies are more concentrated in service, generally only in the group's internal enterprises. As a result, the financial company is greatly affected by the group's production and operation, and most of the group business types in China are limited to a certain field, and rarely diversify in a complete sense. Therefore, when the group enterprise industry produces The decline in business operations, and the main body of credit is mainly concentrated in the parent company of the group and some major member companies, which makes the financial company's credit distribution very concentrated, and it is also easy to generate financial company credit risk due to corporate risks.

（3）Risks arising from investment strategic cooperation
As the development strategy of China's group companies is constantly changing and the development policies of the ownership economy are integrated into various components during development, cooperation between state-owned joint ventures, local governments and state-owned joint ventures, private enterprises and state-owned joint ventures, and Sino-foreign joint ventures The direction is gradually expanding, and the forms of capital contribution in the enterprise are many. The economic system formed by the combination of them makes the financial company's credit risk identification work more difficult, especially for the third- and fourth-tier joint ventures within the group. When funds are put into work, there are often risks arising from credit funds due to various factors in the joint venture.

Second, the status quo of the management of credit risk of financial companies

(1) The financial company's management system is lacking
In recent years, China's financial companies have developed rapidly, but the domestic financial company's industry development time is short, only 30 years of development history, so its industry experience accumulated and supervision

The management measures and other work require more development and exploration time

There is still a certain gap in the management experience of financial companies at this stage [2]. The company only pays attention to the internal settlement function, and only uses the credit lever to rationally allocate the internal resources of the group to save the transaction cost. In this work process, it is easy to ignore the credit risk. This situation occurred in the early stage of the establishment of the finance company. Due to the incompleteness of the credit risk control management system and the weak supervision, the credit risk rate was high. The bad credit of most financial companies was usually generated in the early stage of the establishment of the financial company. Later, financial companies waste more resources when they write off bad credit assets.

Moreover, because the management of the group and the management of the finance company have low awareness of the risk of the financial company, the management believes that the group as a whole, the income and losses of the group finance company need to be resolved within the group, even if there are related risks, The group can also adjust the internals to reduce the risks. At the same time, the management believes that the financial company is serving the development of the group, so that it can form a development of profitability and ignoring the risk management concept. It fails to operate the financial company as a high-risk industry. The probability that financial companies will generate implicit credit risk is increasing.

(2) Management measures have greater limitations
Although the development speed of China's financial companies has been accelerating in recent years, its experience is still insufficient in the industry as a whole, especially in the absence of management [3]. In the operation process of the financial company, usually only pay attention to the internal settlement work of the enterprise, and the financial company performs the financial service work for the group member enterprises, and when the loans are issued to the internal enterprises of the group, the implementation of the relevant censorship system is poor. And after the lending, the relevant management work is slack, causing more loopholes in its operation. The first point is the loan activity carried out due to the needs of the group. Most of this money is due to the financing of the Ministry, and the financial company does not fully conduct pre-lending investigations and risks in the loan activities. There is no deep investigation at the point. Secondly, since the group members of the financial company may have some parts that are far away from the headquarters, and the factors of the company's management personnel, there is almost no on-site investigation of the member companies, which makes the financial company insufficiently managed after the loan. . Thirdly, the financial company's use of the loan has not been well understood, and it is easy to generate a situation in which the loan is occupied. For example, the change in the business intention of the member company has increased the risk of the financial company's operation and market supervision. Fourthly, the financial company has loopholes in the handling of non-performing loans. The company lacks a perfect and effective way of collecting debts, which makes it difficult for the company's credit funds to obtain normal recycling guarantees, which makes it necessary to rely on the human condition or the group to carry out relevant debt collection. Collection of loans.

Insufficient credit rating system

The key and key part of modern credit risk management is the measurement of credit risk. It has been clearly stated in the Basel Capital Accord that some commercial banks need to use the internal rating system to calculate the probability of default and the loss. This is based on the calculation of the corresponding credit risk and corresponding capital requirements, and the agreement requires that the internal rating work of commercial banks should be based on customer ratings and debt ratings [4]. The customer's credit rating is for financial institutions to understand and evaluate the customer's solvency and willingness to pay, in order to understand the risk of default. The customer's credit rating work not only plays an important role in credit management such as credit approval and loan pricing, but also is an important basic indicator for formulating financial company credit policies, allocating economic capital and conducting risk adjustment performance appraisal.

According to the development history of the international banking industry, the work of rating customers has experienced three stages of development: expert judgment, credit scoring model analysis and default probability model analysis. However, China's banking industry has a relatively low historical qualification, and it has not paid enough attention to the collection and accumulation of information data. The technology for analyzing and sorting out effective data information is also lacking, making China's existing management tools and internationally advanced mathematical statistics models. There is a big gap. At this stage, most of the financial institutions in China choose the evaluation method that is still the traditional customer credit rating method. The risk measurement evaluation method for loan projects is also relatively backward. The method of using modern technology to manage risks is relatively simple and cannot be done.

To effective management. For China's financial companies, the establishment of a scientific and reasonable customer credit evaluation system is also in its infancy, and there are certain deficiencies in the design of the measurement model, mainly because of the financial company's customer production and operation data. With less reserves, the risk measurement model design and establishment work cannot be carried out normally, and there is a large amount of sample values for checking. It is not guaranteed that the index value calculated by the design model can fully reflect the representativeness of the index, and in the process of building the group customer rating system. The amount of sample data has a significant impact on the setting of the indicator value interval [5]. It is also because the financial company's industry division criteria for the group customers participating in the rating are not clear enough to make it impossible to accurately classify the customer in the correct position, which has a negative impact on the accuracy of the scoring system. Moreover, the financial company failed to combine the industry and the nature of the enterprise to set the normative indicator value to supplement the customer rating work, which caused the company to blindly believe in the customer evaluation system, and the accuracy of the evaluation system could not be guaranteed. Finally, the construction of most risk measurement model design systems generally stays on the customer rating system, while the risk warning and default probability risk measurement models are relatively vague, and it is more difficult to understand the establishment of the customer rating measurement model, which makes the financial company work. More problems.

Third, improve the financial company's credit risk management countermeasures

Improve the company's management system

Financial companies want to improve their company's management system needs to be considered in their own development perspective, the company must have a good business risk concept, because the financial industry is a high-risk industry, always keep a clear understanding of credit risk is the company's better survival and Important work for development, and financial companies should promote at all levels within the group, enhance the credit concept and risk awareness of internal companies, understand the importance of financial companies in risk control, and recognize the face of financial companies. Risk, this risk is not only the risk that occurs in the production and operation of the group, but also the risk existing in the financial industry. Once the group company has a credit risk such as default, the financial company's credit in the whole industry will be affected, and the group will be The company's credit in the financial industry is affected. Some serious group finance companies will be subject to suspension and rectification by the local regulatory authorities, as well as economic penalties, and will cause huge losses to the group's economy and reputation. Finally, although financial companies serve the group, as well as financial institutions where risks and benefits coexist, a good risk management management system is the core competitiveness of financial companies.

Improve the company's risk management measures

The financial company should improve and clarify the relevant departmental responsibilities of risk management and establish an internal risk control organization [6]. It is mainly responsible for the construction of the risk management mechanism of the financial company, and establishes a full-time risk management system and operational procedures for the enterprise, reports the risk factors and extent, enhances the emergency response of the enterprise, and ensures the implementation of risk management measures. . Secondly, it is necessary to establish an internal control management mechanism for financial enterprises, strengthen the approval system on the business line, ensure that the business can be carried out in an orderly manner, and that internal control requirements should be used as a working principle to ensure that the business can be standardized. Once again, it is necessary to establish an authorization system for authorization around the first-level legal person.

At present, the operation speed of China's group enterprises is relatively fast. In order for financial companies to better provide relevant services to the group, corresponding branches should be established. However, branch offices cannot have legal persons, and the risk problems caused by them must be carried out by the head office. The responsibility of responsibility, therefore, the financial company should implement the system of authorization and responsibility, the company organizes related activities, facilitates the company to carry out centralized management, and enhance the company's risk prevention capabilities. Finally, the company should develop a system of decision-making responsibility. With regard to decision-making problems, construct relevant systems, realize centralized decision-making on corporate activities at the decision-making level, and avoid the problem of individual will to guide decision-making.

(3) Improve the credit rating system

At present, the risk management technology of financial companies is mainly based on measurement and modeling. Through the application of advanced risk management technology and tools, the scientific accuracy and objectivity of enterprise credit risk management work is enhanced. The company is establishing a customer rating management system. At the time, the following three tasks should be improved: First, when designing the rating model for the industry characteristics of the service group company.

Design a reasonable industry and grade classification standard for the group companies, and use this as a standard to evaluate the credit risk situation of the regional enterprises. The scientific rating work needs to understand the differences between the rating objects. The difference between the industries in which they are located is the differential classification criteria.

Therefore, the key to establishing a customer credit rating system is to rationally divide the industry. At this stage, most of the rating agencies in China usually carry out industry rating work according to the industry classification standard of the National Bureau of Statistics. For example, the petroleum and petrochemical processing industry is classified in the manufacturing industry in the national statistical bureau, and the financial company is classified in the industry according to the national statistical bureau. The standard classifies the internal companies of the group, and almost all of the customers are concentrated in the same place. Obviously, this classification method has no practical significance for the financial company [7]. Therefore, in order to meet the company's actual requirements for customer credit ratings, it is necessary to rationally classify industries with group industry characteristics. For example, according to the distribution of the group's industrial chain, it is divided into the former, middle and late enterprise industries, and the rating work is carried out.

Second, introduce relevant supplementary indicators. At this stage, due to factors such as their own data accumulation and information technology development, China's financial companies still use the combination of traditional qualitative and quantitative indicators for credit rating [8]. However, the shortcomings of the analysis with qualitative indicators are too subjective, which leads to the unreasonable development of quantitative means, while the customers applying quantitative indicators are also restrictive, and the response of individual indicators is more unilateral. Therefore, in the process of index design, a certain supplementary indicator should be quoted. The indicator should be a special indicator independent of qualitative and quantitative indicators, so that the customer's credit rating work does not affect the real operation of the customer and the credit status is reflected. Reflecting events that affect the solvency and willingness of customers, making the rating system more scientific and reasonable. However, the supplementary indicators should not be excessive, so as not to affect the objectivity and fairness of the customer's credit rating [9].

Third, the finance company should do a good job in collecting customer credit data and improve its own credit rating database. This will not only increase the storage of customer information data, but also provide a large amount of customer information data for the financial company to design a more optimized customer rating system [10]. Therefore, it is very important to improve the existing data analysis and application capabilities and increase the company's data on customer information. At the same time, when constructing the customer rating system, it is necessary to reserve the expansion space of the system, and set up the corresponding expansion space in the establishment of the risk management system in different systems, so as to facilitate better analysis of customer information in the construction of risk management information system. .

Fourth, the conclusion

In summary, with the deepening of China's financial system reform, various credit businesses have emerged, increasing the competitiveness and credit risk of China's financial market. As a very important industry in the national economy, financial companies are also an important part of China's financial industry, which promotes the national economy of China and the economic development of group companies. However, as far as the current situation is concerned, various forms of financial industry continue to emerge. The in-depth development of market interest rates has intensified competition in the financial industry, increasing the risk of financial companies' credit business. Therefore, strengthening the credit risk management of financial companies in China, reducing credit risk is an important research direction for the future development of China's financial companies.

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2.3 Figures

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