

Credit Risk Management of Small and Medium-Sized Enterprises in Rural Commercial Banks

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Abstract: Due to its own system problems and poor management, the frequency of rural commercial bank credit business risks is increasing year by year. Compared with other commercial Banks, the non-performing loan ratio has been at the highest level, which is related to the problems of credit risk management of rural commercial Banks. In particular, the credit risk caused by the non-standard credit business of SME has become a major problem for rural commercial banks recently. Based on the information asymmetry, comprehensive risk management theory, this paper will use the actual research methods and takes H rural commercial bank as an example that focuses on the problems of small and medium-sized enterprise credit risk management. Continually, this paper will propose countermeasure for risk management, which would promote rural commercial bank of small and medium-sized enterprise credit risk management level of ascension.

1. Introduction

With the proceeding of the socialist modernization drive, SME have gradually become a leading pillar of the rapid growth of national economy. SME have played a main role in increasing GDP, providing employment opportunities and promoting the optimization of industry chain. As the government has repeatedly issued policies to support the development of SME, commercial Banks have also actively adopted measures such as increasing the investment of credit funds and gradually relaxing the access threshold to carry out credit business of SME and support the expand of SME. However, due to the existence of information asymmetry, many SME applying for credit business bank is to provide a complete, real and effective information that Banks can't completely through its message to the risk of judgment, causing Banks to review credit costs, but also make the bank credit risk the possibility of ascension.

At present, the previous studies are mainly focused on the investigation and audit stage before loan, while the credit risk management of loans and loans is relatively weak[1]. Once the financial crisis of SME occurs, commercial Banks will face the credit risk brought by SME.

Therefore, it is particularly crucial for commercial banks to rationally and legally restrain credit risks and maintain their own stability, prosperity and development while providing credit fund support to SME. This paper will studies the risk management of SME in H Rural Commercial Bank.

2. Current Condition of Credit Risk Management in H Rural Commercial Bank

Like other Banks, H rural commercial bank has set a comprehensive risk management system that is appropriate to its business nature, scale and complexity, and formed a "three-level" check to balance mechanism, each assuming corresponding risk prevention and control responsibilities. H rural commercial bank has a clear organizational structure system of risk management, that is the board of directors, senior management, risk management department and business management

department are respectively the leadership, core and specific operation departments to study the disposal of major risk events and important systems for decision-making. In addition, in risk management, there are party committees, trade unions and workers to play the role of leadership, supervision. For credit risk management, H rural commercial bank attaches great importance to the early warning and detection of credit asset risks, and will monitor the important credit indicators on a monthly basis to form a monitoring format worksheet, so as to improve the timeliness and effectiveness of risk early warning.

3. Problems in H Rural Commercial Bank

Outmoded Credit Risk Management Ways of SME. From H bank overall risk management framework, the bank operation management system is a unified, applies to all aspects and types of risk management structure system, and no special setting for small and medium-sized enterprise credit risk management institutions, and in the organization of internal is not set against the credit risk management of SME jobs and workers, and even there is no systematic and complete for the credit risk management institution. This also means that in the actual operation process, H rural commercial bank is difficult to distinguish the loan business of SME from that of large enterprises, and there is a "one-size-fits-all" situation[2]. Therefore, when faced with the declaration of loans to SME and the evaluation of credit risks, H rural commercial bank mainly relies on the management method for loan risks of large and medium-sized enterprises. In this case, the Banks in the process of application and evaluation of the small and medium-sized enterprise credit were often chaotic management information, poor quality of information materials, makes some excellent operating condition of small and medium-sized enterprise because of the need to submit evidence materials and complex or difficult to search for enough material and delayed the bank credit evaluation of the work, lead to the enterprise capital demand is difficult to fully meet in time. It will cause the loss of high grade potential customers for H rural commercial bank.

Incomplete SME Credit Approval Process. In the process of credit approval, its design lacks consideration for the characteristics of SME. If there is demand for loans of SME, often require the relevant material to the bank first, and customer manager to collect audit, layers of approval, generally need to pass the risk manager, branches and the headquarters of several levels, after examination and approval by the loan you need loan center unified program, a set of processes through takes quite a long time. [3] Although H rural commercial bank has recently improved the efficiency of enterprise credit business by setting up centralized loan examination and time-limited settlement system. However, for SME with short, frequent and fast capital requirements, the process is still obviously insufficient in terms of simplicity and timeliness.

Inadequate Credit System of SME. A distinctive characteristics of SME is their unstable operation, which brings great difficulties to the bank's investigation, collection and management of their relevant credit[4]. In the credit system, H rural commercial bank fails to update and maintain the loan information of SME in a timely manner, which makes the information incomplete in terms of completeness, authenticity and real-time. In addition, in practical work, H rural commercial bank lacks sufficient trust and application for the credit information system offered by the People's bank , instead, it excessively relies on its own experience and practical research conclusions.

The imperfection of H rural commercial bank's credit system is not only manifested in the two aspects of poor maintenance of customer information and insufficient application of credit investigation system, but also manifested in the backward credit rating means. In the current evaluation system of H rural commercial bank, on the one hand, the index quantification degree is insufficient, so that the rating work is not random and fuzzy. [5] On the other hand, there is a lack of dynamic supervision, which does not track the credit status of SME, but only conducts static analysis, so it is difficult to accurately judge the risk of credit assets.

From the above analysis, it can be seen that the credit risk management of SME of H rural commercial bank is facing a great operational risk.

4. Countermeasures for Credit Risk Management

Set a Refined Risk Management Institution. H rural commercial bank should further advance the overall risk management to achieve effective management of credit risks. The specific countermeasures are as follows: (a) Take the construction and improvement of risk monitoring tools and networks seriously. H rural commercial bank should continuously monitor the credit business of SME, pay high attention to various risk points, and timely report the risk situation to relevant risk management departments, senior management and the board of directors according to the observed results. (b) Strengthening the application of credit rating methods[6]. H rural commercial bank shall make qualitative and dynamic judgment on various credit risks to be undertaken. (c) Improve the development of credit risk measurement methods and models. H rural commercial bank should strengthen the work of risk identification, quantify the degree of different types of risk. (d) Attach importance to the formulation and improvement of the rules of credit risk disposal. H rural commercial bank shall formulate corresponding, targeted and feasible contingency plans based on different types of risks. If the actual situation has major or qualitative changes, the relevant contingency plans shall be adjusted in a timely manner. (e) Develop credit risk assessment system for SME. H bank should according to the real condition of small and medium-sized enterprise credit business management, develop small and medium-sized enterprise credit risk management policy and continue to improve, to the different business lines, departments, and small and medium-sized enterprise credit risk management responsibilities, and risk appetite and tolerance limits to be clear, and the different risk preference of business lines, department, position and limitation of refinement.

Establish a Strict SME Credit Business Process. In order to effectively control the credit risks of SME, H rural commercial bank should have corresponding operating procedures and basic systems before and during the loan issuance, so as to effectively restrict the credit personnel, avoid the occurrence of subjective risks, and better complete the credit business of SME[7]. It is embodied in risk identification of investigation and risk assessment of loan review.

Firstly, risk identification before granting loans. H rural commercial bank needs to conduct a full and comprehensive investigation. First of all, it is necessary to visit and investigate the corresponding enterprises on the spot and collect data of customers from all aspects, especially capital, such as whether the capital source is sufficient and what the first repayment source is, so as to effectively judge the authenticity of the capital demand of the borrowing enterprises. Next, we should pay enough attention to the managers of the borrowing enterprises, from the educational background, moral conduct, to credit records, etc. In addition, to analyze financial statements in order to master its previous capital financial situation, also attaches great importance to the dynamic control of the fund, this can be based on the utilities companies, tax, payroll, personnel changes, shareholder changes, order, supplier and so on various aspects situation collection analysis. Finally, SME often pledge a definite amount of collateral when handling credit business.[8] In this regard, H rural commercial bank should also check the collateral on the spot and pay attention to the evaluation price, use situation and state of the collateral to determine whether it is conducive to the disposal.

Secondly, risk assessment under loan review. The examination of application materials for credit business of SME shall be entrusted to a special examination department. It shall not only examine and verify the application materials, contracts signed by credit officers and other materials related to credit business, but also examine the operating conditions, major risk points, measures to prevent risks, solvency, credit amount, credit term and other aspects of the borrower enterprise. Once found that the ministry of SME and credit, loan requirements are not consistent with the return of its declaration materials.

In short, the review work should be comprehensive and organic combination of details, to achieve the effective prevention and control of legal risks, operational risks and other risks.

Establish Standardized Credit File Management for SME. Credit file management is an important part of post - loan management. For bank credit business, data information is very important, it can provide the corresponding basis for many subsequent work decisions.[9] At present, H rural commercial bank's SME credit work is also restricted by information to a large extent. Therefore, H rural commercial bank should attach great importance to the credit file

management of SME and promote their development towards standardization. The special credit and investment management department shall be responsible for the examination and collection of loan data of SME. The bank account manager shall timely collect and sort out the legal documents, basic customer information and post-loan management information related to credit and submit them to the department. The credit and investment management department, on the other hand, needs someone to review these documents and manage and file them regularly. Through such standardized management, it can effectively avoid the storage of problematic credit data, or the storage of credit data "problems", so as to obtain real, comprehensive, reliable SME credit business data.

Set up a Scientific Incentive Mechanism for SME Credit Business. Sometimes, under the pressure of performance and performance, employees relax their due vigilance, thus bringing credit losses to the bank. Therefore, the incentive mechanism of SME credit business also has an effect on Banks' credit risk management. H rural commercial bank should attach importance to the construction of scientific and reasonable incentive mechanism for credit business of SME, adhere to the principle of "more work, more gain", and plan the assessment method. At the same time, we should ensure the rationality of the assessment method and determine that the leading incentive goal is economic capital and risk-adjusted income. In order to further strengthen post-loan management, H bank shall also be in credit assessment system into the post-loan management content quality, extend the originally limited to loan incentives to loan, respectively in the distribution and recovery of the loans, respectively, to issue some reward and honor all rewards, realize to coverage of the entire loan process, to effectively improve, transfer the post-loan management credit competent staff's enthusiasm and initiative in work. [10]At the same time, H rural commercial bank should also implement the sub-authorization of personalized authorization to credit decision-makers, so as to link its own authority with the historical examination and approval records and quality, so as to effectively strengthen the quality of loan examination and approval and the attention of credit decision-makers.

Summary

In short, the credit business of SME in rural commercial Banks is generally facing greater risks because of the limitations of SME and self-system, concept and other aspects. Only by strengthening the management of SME in Banks and building a sound credit business risk prevention control system can the bank effectively improve its ability to control credit risks. The credit business of SME is not only the embodiment of rural commercial Banks' responsibility to push forward local economic and social development, but also the key to their competition with other types of commercial Banks and financial institutions to achieve long-term, healthy and sustainable development.[11] With the continuous innovation and population of new skills, for instance big data, block chain and artificial intelligence, it is believed that the credit risk management ability of SME of rural commercial bank will also be significantly improved.

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