

A Case Study of "Red Financial Credit" in Seven Banks in Huzhou, China

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Abstract: Red Financial Credit is an innovative credit product under the inclusive finance concept of "Party Construction+Financial Credit" model, which is a meaningful practice of the idea of "quality development driven by quality Party construction." Through an empirical study of the operation of Red Financial Credit in Huzhou City, Zhejiang Province, the team analyzes the advantages of Red Financial Credit and the problems that occur in the process of development. By combining the local situation and relevant theories, the team proposes targeted solutions that are conducive to the sustainable development of Red Financial Credit products and the leading role of Party construction in the financial field.

Keywords: Red Financial Credit; Party Construction; Inclusive Finance

1. Introduction

Since 2005, when CGAP clearly defined the concept of "inclusive finance", inclusive finance has been widely responded by countries all over the world and has become one of the most influential financial practice models in the world. In the Government Work Report, China clearly pointed out the need to vigorously develop a combination of government-led and market-led inclusive financial services. As a result, some banks in China have explored the "Party Construction+Financial Credit" model of inclusive financial products ("Red Financial Credit") led by Party construction, based on the characteristics of the extensive coverage of local Party organizations. As an inclusive financial model with Chinese characteristics, what are the special features of its operation mechanism? What are the current difficulties that need to be solved? How to break through the bottleneck of development in the future? In this paper, seven banks in Huzhou, one of the pilot zones for green financial reform and innovation in China, are selected as the research subjects, and we try to analyze the above questions by combining theoretical and empirical research.

2. "Red Financial Credit" Business Overview

From the analysis of the seven banks studied in this paper, in addition to meeting certain operational and credit requirements, the application for "Red Financial Credit" must also be within the list of "Strong Agriculture with Science and Machinery" party organizations issued by the province, city and county in order to apply for the more favorable "Red Financial Credit." Therefore, this paper defines "Red Financial Credit" as: the bank takes the applicant's Party construction status as an important basis for credit issuance, and issues unsecured, non-guaranteed credit loans with preferential interest rates to eligible applicants.

Compared with traditional credit, "Red Financial Credit" has the outstanding advantages of fast approval, large lending amount and low interest rate on loans. Different lending standards are set for enterprises and individual entrepreneurs, taking into account the special characteristics while maximizing the enthusiasm of potential customers to develop Party construction and releasing the dividend effect of Party construction on credit.

3. The stimulation of "Red Financial Credit" to small and medium-sized economies

According to the research, Huzhou launched the Red Financial Credit using the "Party Construction+Financial Credit" mode of operation and put the enterprise's Party construction, as an important basis for granting credit. In this way, it provides credit support for private enterprises and social organizations in Huzhou that have strong Party construction and development. This is a broader and deeper extent to allow a wider range of groups to enjoy the convenience of financial services.

In terms of society, the development of Red Financial Credit, through the power of finance to speed up the solution of the shortcomings in economic and social development, it is an important way to achieve common wealth. Therefore, compared with ordinary credit, Huzhou Red Financial Credit focuses on micro and small enterprises and the "Three Rural Issues." It provides a certain amount of loans for micro and small enterprises and new agricultural business entities, starts a fast approval channel to solve the problem of "Weak Finance" for both. The Party will promote the rapid development of these enterprises and ultimately promote the common wealth of the society.

For commercial banks, it will actively promote the deep integration of party construction and business. The comprehensive fight to "Benefit Enhancement" can further improve credit management and asset quality, and steadily promote the bank's healthy and sustainable development. In the process of creating a new model of "Party Construction+Financial Credit" integration development, the local government uses the "Digital Huzhou" data platform to provide banks with basic data services based on due diligence and post-loan management. The bank obtains the relevant information of the enterprise in the platform to rate the Party construction credit. With the normalization of information, the banks' enthusiasm has also been greatly improved. In the process of promoting "Red Financial Credit", the major banks based on the local market, put Party construction as the key to lead, optimize financial services as the goal, insist on the development direction of financial services for the real economy. They solve the problem of difficult enterprise financing, and improve the level of inclusive finance through "Financial Viability".

In the case of two new organizations, Red Financial Credit can strengthen financial security, solve the capital problem and promote the steady development of the organization. The lack of operating liquidity has been a problem for local private enterprises. The Red Financial Credit to the Party construction as a credit backing, with small interest rates, high lines of credit, short processing cycle and other features for the Party construction of strong private enterprises, not only provides timely credit services, but also solves the problem of resuming work and production for such enterprises after the epidemic. In addition, in the process of development of social organizations, they also face problems such as lack of funds. In response to such situations, Red Financial Credit, under the docking of the Party Council, actively grants credit to the organizations, which not only greatly relieves the pressure of the difficult liquidity of social organizations, but also ensures the public welfare of social organizations.

4. Problems and Recommendations

"Red Financial Credit" has shown strong vitality as an emerging credit product, but there are still several aspects that can be improved to achieve further sustainable development.

Firstly, the loan conditions are too limited. In terms of the scope of application, five of the seven banks studied in this paper do not extend their "Red Financial Credit" products to the entire city and province; in terms of the target group, none of the "Red Financial Credit" products include individual entrepreneurs and farmers who are members of the Party. The overly restrictive loan conditions will prevent Red Financial Credit from maximizing its value and may reduce the recognition of Red Financial Credit by different entities. Therefore, I believe that in the future, we can consider including outstanding individual party members and strong party building enterprises that have been approved by other regional party organizations in the scope of application, so as to increase the enthusiasm of developing party building and achieve the goal of inclusive finance to a greater extent.

Secondly, the criteria for party building are not yet unified. "Red Financial Credit" takes the party building rating as the main lending condition, but according to the research, the three counties and three districts under Huzhou City have not established unified party building standards, so the enterprises entering the list of party organizations of "Strong Agriculture with Science and Machinery" at the county level are also uneven. Different party building standards will not only inhibit the enthusiasm of enterprise party building, but also increase the credit risk of banks to a certain extent. Therefore, the author believes that the government should take the lead in establishing a party building standards assessment group, the city and even the province, the country's party building standards to measure, to develop a unified party building standards. This can not only promote the development of corporate party culture to a high level, but also lay the foundation for the future expansion of "Red Financial Credit" to the whole country.

Thirdly, the post-loan warning mechanism is not yet mature. "Red Financial Credit" in Huzhou City uses party building as a credit backing, which keeps credit risks within a certain range. However, because banks do not have a stricter and more thorough post-loan warning mechanism for the post-loan management of "Red Financial Credit", they are unable to understand the post-loan use of the loan recipient in a timely manner, which greatly increases the bank's credit risk. Therefore, I believe that banks can set up a professional post-loan management team to track and observe the funds and business of loan recipients and adjust the loan loss provision in a timely manner. In addition, banks can set up a risk warning grading management mechanism and select early warning indicators for assessment to achieve the purpose of "Red Financial Credit" risk identification, and then by the post-loan management team to regularly carry out risk assessment of enterprises.

Fourthly, there is a lack of publicity for the loans. This paper found that most banks do not have a dedicated promotion window and application portal on their official websites, and that the "Smooth Financing Channels" platform is the only way to promote the city's "Red Financial Credit" products. Some of the companies that meet the requirements are unable to enjoy the dividends of "Red Financial Credit," which will not only discourage them from continuing to develop the party in the future, but also lead to the banks gradually abandoning the "Red Financial Credit" business due to the low number of customers. Therefore, I believe that the government's promotion and the bank's own effective publicity can be combined to tell the "Red Financial Credit" story well, so as to attract more enterprises and individual party members in need of help, thereby enhancing the vitality of "Red Financial Credit's" sustainable development.

Conclusion

As a new model of inclusive finance, "Red Financial Credit" is a powerful practice of the Huzhou Municipal Government to respond to "Promote high-quality development with high-quality Party building". From the development of the past two years, the operation of this model has broadened the inclusiveness of finance and paid more attention to the Party building of loan recipients, widely granting credit to organizations and enterprises with excellent Party building, solving their shortage of funds, relieving the pressure of turnover and driving social and economic development. However, under the favorable circumstances, we also need to clarify that the development of "Red Financial Credit" is not yet mature, and there are still many problems in its operation. Thus, in the subsequent development, we need to focus on improving these aspects.

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