

The Influencing Factors of Credit Risk of Consumer Finance Companies in Shaanxi Province and Its Prevention

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Abstract: Consumer finance company is an important financial institution, which has a strong economic vitality and has a very positive significance in promoting market consumption. This article conducts a brief analysis and research on Shaanxi consumer finance companies, and constantly explores its credit risk influencing factors and preventive measures, hoping to improve the consumer finance environment in Shaanxi province and promote the healthy development of consumer finance companies.

1. Introduction

1.1 Definition of Consumer Finance Companies

Consumer finance companies are generally established in China, subject to the approval of the China Banking Regulatory Commission. Non-bank financial institutions that do not rely on the absorption of private public capital and only unilaterally lend money to demanding and qualified consumers to promote consumer spending. As consumer finance companies do not have substantial and clear requirements for personal loan consumption. In addition, in the process of loan issuance, there are no procedures such as guarantees and mortgages, which makes it difficult to effectively control the risk of loans. When consumers do not pay back their loans, it is easy to bring huge economic losses to consumer finance companies. From a certain level, consumer finance companies can absorb more elements that are conducive to their own development through active cooperation with merchants. Therefore, more and better loan products have been developed, which has played a huge role in promoting the construction of China's market economy. In addition, consumer finance companies have the characteristics of small amount, short cycle, fast and convenient, strong flexibility, etc., which can meet the consumption needs of various consumer groups and quickly win the trust of consumers.

1.2 The Role of Consumer Finance Companies

Relying on the economic value of consumer finance companies, we can analyze their functions from two aspects: promoting economic dominance and consumer credit services. In the aspect of promoting economic dominance, consumer finance companies are effective weights to stimulate personal consumption and promote the economic development of manufacturers and retailers. Generally speaking, consumer finance companies can provide loans to consumers who meet the requirements according to the qualification of consumers, so that consumers can use this part of funds to purchase goods, while meeting their own needs, driving the development of related industries. This can not only reverse the impact of GDP on exports, but also reduce the excessive dependence of GDP on investment in fixed assets. In terms of consumer credit services, the emergence of consumer financial company loan activities is equivalent to reducing the threshold for commercial banks to benefit from loans in disguise. It not only helps consumers enjoy more levels of inclusive activities, but also enriches the types and forms of financial companies. It also plays an important role in guiding the development and innovation of financial products.

2. Factors Affecting Credit Risk of Consumer Finance Companies in Shaanxi Province

2.1 Related Credit Mechanisms Are Not Sound

At this stage, inadequate credit mechanisms are an important issue for consumer finance companies. Because China's financial environment is not healthy enough, credit evaluation work has many disadvantages. Coupled with the fact that consumer finance companies provide unsecured and unsecured loans, it is easy for consumer finance companies to face the situation where money is sent out and cannot be effectively recovered. Some consumer finance companies do not have access to the credit system of Bank of China and cannot identify whether consumers have overdue behaviors. When consumers have loan demand, they can only check according to the information provided by consumers, so as to determine the amount of loan. In addition, in order to obtain loans, consumers can rely on other professionals to pack their own information, so as to cover up the world and illegally obtain loans. Because of exceeding their own economic repayment ability, the loans can not be repaid to consumer financial companies, resulting in serious economic losses to consumer financial companies.

2.2 The Legal Position is Not Clear Enough

Law is the ruler of people's behavior. Generally speaking, the law attaches too much importance to the rights and obligations of individuals, resulting in the small loan related laws tend to protect the loan individuals. For example, the commercial bank law and the general principles of loans are traditional credit laws. Not only can it not meet the needs of the people today, it cannot guarantee the fundamental interests of both borrowers and lenders. Although the CBRC has formulated a series of policies and regulations, it still cannot meet the interests of both borrowers and lenders, and it is not applicable to all financial institutions. It is difficult to form effective regulations, resulting in endless illegal behaviors of consumer finance companies and loan individuals.

2.3 Poor Supervision and Internal Control

Supervision and weak internal control capabilities are mainly due to the lack of awareness of risk control among staff of consumer finance companies and the lack of detailed risk assessment. Most consumer finance companies still disagree, have not established an effective external supervision mechanism, and have not established a clear internal management system, providing more opportunities for fund misappropriation and misappropriation. Once the lender has an economic crisis, there is no effective repayment method, which will make the risk uncontrollable. In addition, it will take a long time to negotiate with the debtors before they can be put into law, which will cause various costs. This kind of anti default system can not play any role in the development of consumer finance companies.

2.4 Lack of Professional Air Duct Technical Personnel

Due to the late start of consumer finance in China, lack of corresponding experience and technology, a large number of professionals are needed. Compared with the advanced consumer financial system abroad, China still has a lot of room for improvement. In the financial market, China has not yet formed a sound financial knowledge training institution. Coupled with the failure to establish a framework system conducive to the development of consumer finance, this has made consumer finance companies' anti-risk and prevention capabilities weaker and weaker.

3. Measures to Prevent Credit Risk of Consumer Finance Companies in Shaanxi Province

3.1 Improve and Improve Credit Mechanism and Increase Credit Requirements

As far as the Shaanxi and Shaanxi consumer financial markets are concerned, the sound and perfect credit mechanism is an inevitable requirement for improving the quality of credit loans. First, relevant leaders must attach importance to improving the credit system. Through in-depth analysis and research of the borrower's qualifications, whether the borrower has ever had a credit behavior,

and whether the borrower has had a bad credit behavior, a comprehensive and comprehensive assessment of the borrower is performed. Second, relevant leaders should strictly analyze the risk coefficient and formulate strict risk measures. By strictly stating the identity and resume of the borrower and refusing any false information, we can guarantee the orderly progress of credit loan. Finally, banks should cooperate with consumer finance companies more widely to connect all economic businesses into the credit system, so as to ensure the effective transmission of mutual information. With the help of all parties, we can effectively prevent all kinds of fraud and ensure the health of the financial market.

3.2 To Clarify and Improve the Legal System of Credit and Give Full Play to Its Legal Role

In order to protect the credit business of consumer finance companies, the state must make clear and perfect the corresponding credit legal system, and give full play to the protective and authoritative role of the law. Through the development of strict legal punishment measures, to curb the loan fraud of some borrowers who have no consumption ability. By standardizing the corresponding agreement contracts and clarifying severe punishment measures, the arrears who have chances will be deterred to the maximum extent possible. In addition, the state needs to give clear protection to the financial products it innovates in accordance with the development status of consumer financial companies, and improve the precision of laws and regulations to the maximum extent. Thus, while protecting the interests of borrowers, the interests of consumer finance companies are also guaranteed.

3.3 Strengthen Verification of Loan User Information and Conduct Strict Management

Strengthening the verification of loan user information is an important method to protect the development of consumer financial companies and an effective way to prevent arrears. Through the establishment of a professional supervision mechanism, the internal work of financial companies has been strictly monitored and managed to fully curb various unhealthy economic credit behaviors. In order to strengthen risk control capabilities, consumer financial companies should establish a sound triple authentication mechanism. The first step is to judge the borrower's financial ability by reviewing the basic information of the borrower. The second step is to judge the borrower's credit quality by strictly examining the borrower's past credit behavior. The third step is to judge the possible risk of the borrower by reviewing the comprehensive ability of the borrower. Through the triple audit mechanism, we can judge whether the borrower meets the loan requirements, whether the borrower is able to repay the loan, and the amount of the loan, so as to minimize the credit risk index.

3.4 Introduce Advanced Technical Talents and Adopt Advanced Information Technology

There are obvious differences between consumer finance companies and other credit companies. In China's financial environment, the development of consumer finance companies is facing various difficulties and challenges. In order to improve the viability of consumer finance companies, relevant leaders must attach importance to the introduction of advanced technical personnel. Through the expansion of recruitment channels, the use of rich salary, and constantly recruit a variety of composite technical personnel, so as to ensure business development and innovation business brand to provide a solid backing. In order to promote the effective profitability of consumer finance companies, relevant leaders must attach importance to the use of advanced information technology. By perfecting various system rules and regulations, and constantly regulating the work of staff, organic integration of safe lending and effective consumption is fundamentally guaranteed to the healthy development of consumer finance.

4. Conclusion

In short, by analyzing and researching the consumer financial market in Shaanxi Province, it is not difficult to find that the credit risk of consumer financial companies is relatively large, and the corresponding precautionary measures are too rigid, and it is difficult to play a substantial role.

Based on this, the relevant leaders and employees must improve and perfect the credit business system of consumer finance in a responsible manner. By improving the risk control ability, all potential risks will be nipped in the bud. So as to ensure the development of consumer finance companies and play the essential role of consumer finance companies.

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