

# Research on the Development Strategy of Personal Financing Business of Guangnong Bank

Xiaoli Zhang<sup>1,2</sup>, Yaoqun Zheng<sup>1,2</sup>

<sup>1</sup>School of Economics and Management

<sup>2</sup>Xidian University, Xi'an, Shaanxi 710071 China

**Abstract:** *This paper takes Guangnong Bank as the research object. Firstly, it combs the research results of personal finance business of domestic and foreign commercial banks. Then, through data collection and investigation, this paper expounds the product types and business scale of Guangnong Bank's personal financial management business. In addition, it also analyses a series of problems existing in Guangnong Bank's personal financing business, such as single marketing channel, lack of professional financial managers and weak risk awareness of customers. Finally, according to the problems, the paper puts forward some countermeasures to promote the development of personal financial management business of banks.*

## 1. Introduction

In China, the current disposable income of residents has increased, the awareness of asset preservation and appreciation has been continuously enhanced, and residents have the need to invest idle funds in their hands to obtain more income. Therefore, the market prospects of personal wealth management business are relatively good. However, with the rise of Internet finance, commercial banks are facing some unprecedented challenges. Internet financial products are rapidly opening up to the market with their high efficiency, low threshold and rich and varied characteristics. They are very popular among young consumers and urban residents in China. Affected by the new national asset management regulations since 2018, the balance of personal wealth management products of some listed banks in China has experienced negative growth, indicating that commercial banks are making certain adjustments to their personal wealth management business transformation and income growth. The wealth management business itself is risky. It is very beneficial to do a good financial management business to create intermediate income. However, if the business is not ideal, it will also play a negative role and affect the bank's reputation. Therefore, this paper takes Guangnong Bank as the research object, and starts from the closely related theoretical explanation of personal wealth management business, understands the development status and product characteristics of Guangnong Bank's personal wealth management business, and analyzes the common factors affecting the development of bank personal wealth management business.

## 2. Literature Review

Many scholars have conducted extensive research on how to manage and control the risks arising from the process of handling personal wealth management business. Thomas et al. <sup>[3]</sup> believe that in the context of economic globalization and the rapid development of financial markets in various countries, the risk of personal wealth management business has become more prominent, and the changes in international currency exchange rates have caused investors to analyze risks. Prevention is not in place, which requires bank professionals to give investors guidance and help to

avoid these risks. Karen<sup>[4]</sup> believes that commercial banks need to establish their own business management concepts, pay attention to the needs of different customers, pay attention to the different emotional factors brought to different people in the service process, and also need to embed the thinking of the Internet into a huge In the financial system, thus bringing innovation in financial business in all aspects. And establish a reasonable risk prevention mechanism, strengthen the training and introduction of talents, reduce the risk coefficient of personal wealth management products, strengthen the supervision of government departments' risks, and then avoid unnecessary financial systemic risks. Yin Hairen and Lu Yong <sup>[9]</sup> established the assumptions when investigating the risks of personal wealth management business, namely, financial market efficiency and market volatility as two exogenous variables affect the price, based on the assumptions. The asset price determination model was established, and how the different expectations of investors in the market were formed in the context of the market's uncertainties, and the changes in the price of qualifications in the process.

## 3. Analysis of the status quo and problems of personal wealth management business of Guangnong Bank

### 3.1 Status of personal wealth management business

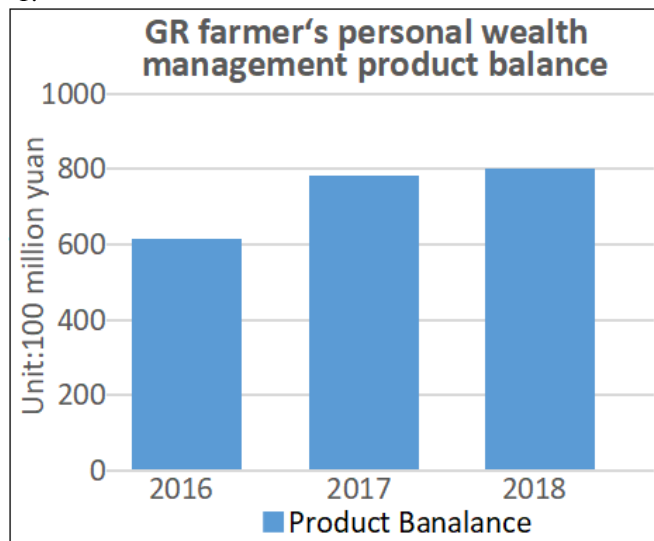
#### 3.1.1 Introduction to Personal Financial Products

At the beginning of the personal wealth management business of commercial banks in China, we draw on the wealth management experience of western developed countries, combine the risks and income preferences of customers, and adopt specific technologies to recommend financial activities for suitable wealth management products and services. Guangnong Bank follows the development strategy of "promoting compliance and stabilizing growth", and formulates the strategy of upgrading and transforming wealth management business according to regulatory requirements, and stimulates the growth of scale and product design structure. The wealth management products currently launched by Guangnong Bank can be roughly divided into three types. They are the capital preservation fixed income

type, the capital preservation floating income type, and the non-guaranteed floating income type.

**3.1.2 Scale of personal wealth management business**

The wealth management products of Guangnong Bank are mainly purchased by retail customers. Due to the dense banking network in the region, the farmers in the region have a high degree of recognition and have a stable customer base. They are affected by market interest rates and liquidity fluctuations. The circulation has increased year by year, and the scale of wealth management has maintained steady growth. In 2016, the balance of wealth management products was 61.597 billion yuan, and the balance of wealth management products in 2017 was 78.356 billion yuan, a year-on-year increase of 27.21%, and the growth rate was very fast. The balance of wealth management products in 2018 was 80.146 billion yuan, a year-on-year increase of 2.28%, which was less than the increase in the same period of the previous year. In addition, as of the end of March 2019, the scale of retail wealth management of Guangnong Bank was 78.174 billion yuan, accounting for 97.54% of the total scale of wealth management products. As shown in Figure 3-1:



**Figure 3.1:** The balance of personal wealth management products of Guangnong Bank

**3.1.3 Personal wealth management business fee income**

**Table 3.1:** Financial product fee income

years	2016	2017	2018
Fee income (100 million yuan)	3.21	3.77	4.87
growth rate	10.52%	17.44%	29.16%

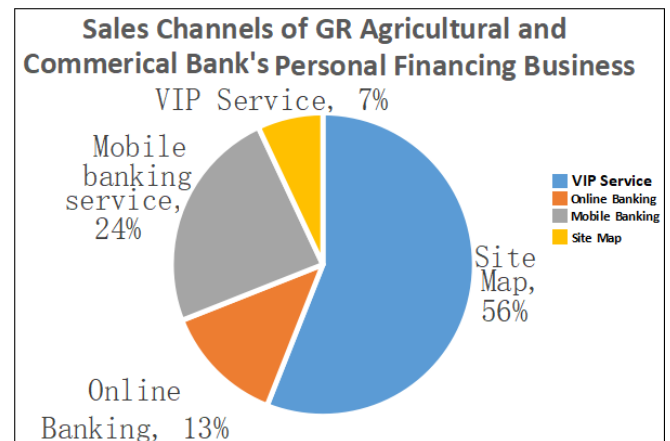
Note: The data comes from the official website of Guangnong Bank.

In 2016, Guangnong Bank realized a handling fee of 321 million yuan for wealth management products. In 2017, it realized a fee income of 377 million yuan for wealth management products, a year-on-year increase of 17.44%. In 2018, the company's financial management fee income was 487 million yuan, an increase of 110 million yuan over the previous year, an increase of 29.16%, mainly due to the increase in the sales of wealth management products, the improvement of the operational capacity of personal wealth management business, that is, the efficiency of financial management, The return on income is good.

**3.2 Problems in personal wealth management business**

**3.2.1 Single marketing channel**

In the product sales channels, Guangnong Bank's wealth management products are mainly retail outlets. The balance of wealth management products in 2018 is 80.146 billion yuan, mainly based on direct distribution. The functions of business outlets are relatively simple, which is difficult to meet the needs of deep and diversified financial management. In recent years, with the popularization of network technology and mobile phones, Guangnong Bank has also opened online banking, telephone banking, and mobile banking, which has alleviated the business pressure of physical outlets and promoted business development. However, the existing online services of Guangnong Bank, especially online banking and mobile banking, can only handle simple financial services due to the software functions of the client and other factors, and still cannot fully handle all the business of physical outlets, especially the intermediate business. Making the customer experience doesn't look particularly good. The following figure shows the proportion of sales channels of Guangnong Bank's personal wealth management business:



**Figure 3.2:** Sales channels of personal wealth management business of Guangnong Bank

As can be seen from Figure 3-2 above, the banking service of the bank's personal wealth management business exceeds half of the business volume, while the proportion of service channels such as mobile banking and online banking using network information technology is relatively smaller than that of traditional service channels. Mobile banking accounted for 24%, online banking accounted for 13%, and the sum of the two was 37%. However, it is worth noting that the proportion of mobile banking sales exceeds that of online banking, indicating that everyone's interest in mobile banking and the frequency of use are higher.

**3.2.2 Lack of professional financial management personnel**

As a regional agricultural commercial bank, Guangnong Bank lacks high-quality professional wealth management personnel. Some of the employees with long working hours are college graduates. In recent years, they have recruited undergraduates with a background in finance and finance, but they still lack master's and doctoral candidates who can conduct product research and design. In the process of developing wealth management business, some practitioners

have insufficient professional technical level and marketing experience. They have neglected to collect and sort out customer information, and only satisfied with the sale of wealth management products, lacking the awareness of follow-up maintenance and precision marketing; The degree of risk of related products or product combinations is not in place, and the lack of risk perception brings certain risks to investors. Table 3-3 below shows the professional qualifications of Guangnong Bank's financial management personnel:

**Table 3.3:** Professional qualifications of wealth management personnel of Guangnong Bank

years	Number of financial personnel in the sales department	Professional counterpart ratio	Bachelor degree or above
2013	22 people	10%	21%
2015	34 people	15%	33%
2018	41 people	31%	40%

Note: The data comes from the internal statistics of Guangnong Bank.

As can be seen from Table 3--3 above, as a regional and small-scale agricultural commercial bank, Guangnong Bank was transformed from a rural cooperative bank into a rural commercial bank in 2010, which is less attractive to talents. It can be seen from the data of 2018 that in recent years, the talent structure of Guangnong Bank has been optimized, the proportion of professional counterparts in specialized financial management personnel has reached 31%, and the degree above the bachelor degree has reached 40%, which can partially meet business needs. However, compared with the large state-owned banks in the region, there is still a big gap. The large number of graduates with large graduates in large state-owned commercial banks account for a large part.

### 3.2.3 The customer is weak in risk tolerance

A large number of customers served by Guangnong Bank are composed of people with relatively low level of knowledge such as villagers and migrant workers. These people's financial management concepts are relatively backward, financial management knowledge is scarce, and the relationship between risk and return in financial markets is not well understood. When selecting financial products, these customers are more willing to choose products with higher expected annual returns than the financial risk of their own risk appetite and life cycle to judge the suitability of selected financial products. Because of the trust of commercial banks, some people do not carefully assess their risk tolerance. Even most customers do not read the product risk statement carefully, which will increase the investment risk, or if the return is not satisfactory or there is no capital guarantee, Customers are often unacceptable, which will have a certain impact on the bank's reputation.

## 4. Promote the development strategy of the personal wealth management business of Guangnong Bank

### 4.1 Diversified sales channels, paying attention to online sales

The sales of Guangnong Bank's personal wealth management products are mainly based on the sales of its business outlets and bank staff. Under the Internet finance, mobile banking no longer restricts users to enjoy financial services by time and place. Compared with the cost of banking physical outlets, mobile banking has lower operating costs and higher efficiency, and has become China's financial industry. An important part of the daily business of the industry. In addition, in recent years, big data mining and cloud computing technologies have been effectively utilized in many fields. Compared with the personal wealth management products sold by existing commercial banks, a series of advantages of online wealth management products have made more and more people choose online. Financial management. Therefore, we can take advantage of the local banks, and at the same time comply with the development trend of Internet finance, continue to enrich the functions of mobile banking, focus on customer service, focus on customer experience, and push new wealth management products and mobile fields on the same day in mobile banking. News, through the WeChat, SMS and other business models to build a dynamic mobile banking system.

### 4.2 Strengthen employee training and improve professional service skills

On the one hand, Guangnong Bank can improve its professional skills and comprehensive ability by training the existing staff's knowledge system, allowing it to accept the latest Internet financial management knowledge, transforming the previous direct face-to-face marketing method, and then the online marketing environment. Strengthen the training of basic courses such as marketing and social psychology, accurately grasp the customer psychology in the marketing process, and provide comprehensive financial management personnel for the future development of the bank. On the other hand, Guangnong Bank can introduce excellent professional talents from outside, and set up a professional Internet finance team with rich network marketing capabilities. Online guide customers to choose to purchase financial products suitable for themselves, and push news and new regulations in the financial field. Better provide professional and targeted online banking services for online customers.

### 4.3 Enhance customer risk awareness and improve risk management system

On the one hand, the customers that Guangnong Bank faces when conducting personal wealth management business are mainly local residents. Although in the process of selling wealth management products, the staff will clearly inform customers of the risks of financial management and remind them to be cautious in purchasing financial management;

however, due to the lack of understanding and understanding of financial risks, these customers have misunderstandings about risk prevention.

Therefore, in order to comprehensively and scientifically estimate the corresponding risk probability when designing related financial products, Guangnong Bank must objectively and truthfully assess the risk tolerance of customers. And timely pass this information to the customer to remind the risk of financial management, correct the customer's misunderstanding of high profit and low risk of wealth management products, so that customers can choose financial products that truly meet their own economic conditions. Due to the impact of the "interconnected and secured" financing methods of local tire companies, the proportion of non-performing loans was 13.9%. This shows that the problem of business risks caused by the high non-performing loan ratio of Guangnong Bank has been serious and must be paid enough attention. In summary, the current risk management issues of Guangnong Bank have become more prominent, and it is necessary to establish and improve risk management as soon as possible to ensure that the interests of customers can be guaranteed.

## 5. Acknowledgment

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