

# **A Study of Commercial Sustainability in China's Inclusive Financial System**

## **-A Comparative Analysis Based on International Experience**

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**Abstract.** “Inclusive finance” has drawn increasing attention among the international community since its conception emerged. Although China has made remarkable achievements in establishing an inclusive financial system, it is still confronted with many problems. This paper first conducts deep research into the substance of commercial sustainability in inclusive finance, then analyzes the problems it faces, and finally presents possible proposals by drawing lessons from successful cases in the international community and taking into account China's realities. Specifically, the Grameen Bank's success demonstrates that we can reform the credit system and establish a “five-member” leading group to reduce the default risks; learn from Wells Fargo of the America to reduce information asymmetry by use of big data and the quantitative analysis model and Brazil's correspondent banking system provides experience in expanding service at lower operation costs by developing and improving correspondent financial institutions. Research results from this paper serve to assist the government in directly and properly tackling the current issues faced by commercial sustainability in our inclusive financial system and to promote its long-term, stable development.

**Keywords:** Inclusive finance; commercial sustainability; international experience

### **1. Introduction**

“Inclusive finance” has attracted growing interest and attention across the world since its emergence, and China has achieved prominent results in this field. The Central Bank of China and the World Bank jointly released a report on universal financial inclusion in China which defined and summarized four key factors in financial inclusion. This paper will discuss one of the four factors—commercial sustainability in details.

Since the financial industry is typical of seeking high profits, China has encountered various difficulties in its development of financial inclusion, like poor access to and high cost of financing for micro and small businesses, lack of financial service in remote areas and so on. Several circumstances concurred to bring about the result but what it all boils down to is how to realize commercial sustainability of inclusive finance (Lin, 2017). A key challenge facing the development of financial inclusion lies in how to establish a sound financial eco-system in which financial institutions can offer long-term and sustainable financial products and services at lower costs. If a financial system fails to function in a sustainable way and serve those who have had little access to financial services before, its long-term goal of financial inclusion will be hard to follow.

Against such a backdrop mentioned above, this paper first discusses the conception of commercial sustainability of financial inclusion and then analyzes its significance and current issues. Finally with these theoretical foundations laid, this paper proposes some possible solutions to those issues by drawing lessons from international successful cases and conducting a comparative analysis of China's realities. Basically, it concludes that China is now confronted with three main problems in realizing the commercial sustainability of financial inclusion, namely high default risks, information asymmetry, and high cost. All of these problems can be resolved in the light of international successful practices. To be specific, the Grameen Bank offers experience in lowering default risks through innovating the credit system; Wells Fargo shows that we can reduce

information asymmetry by the use of big data and quantitative model; and Brazil's correspondent banking system provides a solution to expanding services at much lower costs by developing and improving correspondent financial institutions. In short, it takes joint efforts from the government and financial institutions to deal with these problems facing by commercial sustainability. On the one hand, financial institutions should adjust themselves better to the development of financial inclusion by reforming and innovating their operation and management models. On the other hand, the government should work to improve relevant laws and regulations, strengthen policy support so as to foster a more enabling environment for the development of financial inclusion.

Possible contributions of this paper are as follows: 1) Although there have been plenty of studies of financial inclusion in last few years, most of them have analyzed this field from a holistic perspective. However, this paper focuses on only one of the key factors, namely commercial sustainability, and it proposes some possible measures which are conducive to dealing with hindrance to the development of financial inclusion and provides references for building and improving our inclusive financial system; 2) This paper goes into details of international successful experience in overcoming those problems and gets some inspirations by making a comparative analysis between those cases with our own conditions. This ensures that we can localize these successes to resolve problems facing by our commercial sustainability more efficiently; 3) Its conclusion involves both the government and financial institutions which play different roles in an inclusive financial system and their coordination and cooperation can facilitate the development of financial inclusion faster and better.

Subsequent arrangements of this paper are as follows: the second part defines conception and analyzes significance; the third part details current issues; the fourth part explains international successful practices and summarizes inspirations drawn from them; and the last part makes conclusions and feasible policy proposals.

## **2. Substance and Significance of commercial sustainability of financial inclusion**

"Financial inclusion" was first put forward by the United Nations in 2005 and is aimed at providing appropriate and effective financial services to all social classes that have such a need at affordable costs. It pays more attention to micro and small businesses, peasants, urban low-income groups and other vulnerable groups. Over the past few years, the international community has achieved remarkable results in financial inclusion and the Chinese government has continued to explore better ways to develop an inclusive financial system, and strengthen its policy support. Moreover, this year People's Bank of China and the World Bank jointly released a report on universal financial inclusion in China. This paper defined the conception of financial inclusion in the same way with the central bank's report, namely providing individuals and micro and small businesses with a series of suitable financial products and services which are convenient and secure for customers and commercially sustainable for suppliers.

According to the central bank's report, the four key factors of financial inclusion are accessibility, diverse and appropriate products, commercial viability and sustainability, and safety and responsibility. And this paper only focuses on commercial sustainability. Although financial inclusion is intended for providing financial services featuring inclusiveness, "inclusion" does not amount to simple transfusion. Only when it realizes commercial operation can financial inclusion achieve sustainable development (Wang, 2017). Therefore, financial inclusion is nowhere near poverty-relief. Instead, it must be inclusive and commercially sustainable at the same time, a key feature which exactly distinguishes itself from financial transfer payment and charity.

Zeng Gang and other experts offered a relatively precise conception of commercial sustainability of financial inclusion in 2014. They suggested that the commercial sustainability meant inclusive financial institutions were able to gain enough revenues to cover their operation and capital costs, and to end the financial year in the black. In other words, they should be equipped with the ability to survive and develop on their own without any external financial support. To achieve this, there

must be a sound financial eco-system which enables financial institutions to provide financial products and services sustainably in a cost-efficient way. The goal of financial inclusion is to make relevant financial services assessable to all social groups, which is hard to obtain in reality. From the perspective of commercial sustainability, inclusive financial services are not equalized. Instead, it refers to providing basic financial services on the basis of affordable costs (Li, 2014). Therefore, the core of financial inclusion lies in “financial equality under inclusive conditions”, namely equal opportunity based on risks. This then requires that financial inclusion be developed in line with market rules and that capital projects should be equally chosen according to their future returns and risk management standards (He, 2015).

Commercial sustainability is a prerequisite for sustainable development of an inclusive financial system and essential to keep such a system performing efficiently (Wang, 2017). The significance of financial inclusion can be analyzed from the aspects of its internal participants and its external environment.

### **2.1 Internal participants**

From the perspective of supply side, it is banks and other commercial financial institutions that provide inclusive financial services and their extensive participation constitutes the foundation of financial inclusion (Zeng, 2014). It incurs high default risks and operation costs to provide financial services to micro and small businesses and rural residents, yet operating revenues remain low (Wei, 2017). All these have presented challenges for the profitability of financial institutions and their commercial sustainability. So it's hard to imagine that there will be enough institutions which are willing to supply inclusive financial services. Although there are banks willing to provide such services, they are mainly motivated by policy support from the government, which determines that their services can't extend in space or sustain in time. Therefore, without commercial sustainability, financial institutions will lose the primary motivation for providing inclusive services.

From the perspective of demand side, financial inclusion is mainly intended to benefit economic entities which have both profit prospects and difficulty in financing. Inclusive financial services can effectively satisfy the financing needs of entities whose intrinsic commercial values, in turn, enhance the profitability of those inclusive institutions. So the supply side and the demand side promote each other and constitute the fundamental basis for sustainable financial inclusion (Zeng, 2014). By contrast, financial options are not the best choice for economic entities that have financing problems but no profit prospects because they are unable to make efficient use of capital and financial institutions can't offer sustainable services when there is no room for profits. In that case, welfare and government aids are better options to improve their living standards.

### **2.2 External environment**

From the perspective of the domestic government sector, financial inclusion without commercial sustainability means it has to constantly provide investment and subsidies. This actually substitutes the government for the market, which has no significant difference from financial transfer payment and public charity (Zeng, 2014). Besides, the government has difficulty guaranteeing the efficiency of its investment in this process and may well incur a waste of resources. Promoting financial inclusion with such a passive, external force violates the principle of “letting the market decide the allocation of resources” and thus is unlikely to unleash internal potentials of financial inclusion. In the end, financial inclusion will have no difference from poverty-alleviating policies and its conception will be no longer necessary.

From the perspective of international practices, effective and efficient inclusive financial systems usually can realize commercial sustainability, like Grameen Bank in Bangladesh and BancoSol in Bolivia (Wang, 2017). On the contrary, inclusive financial systems without commercial sustainability often have problem keeping functional. Taking the small-scale loan crisis in Andhra Pradesh, India as an example, there appeared social disorder because borrowers failed to repay their loans on time and such a system ended up collapsing. Therefore, China has to draw lessons from international

successful practices to foster financial inclusion<sup>1</sup>. Meanwhile, China should also be mindful of failures of other countries, take into account its own realities, and give priorities to commercial sustainability. Otherwise, it will eventually deviate from the original intention of realizing financial inclusion.

Of course, the commercial sustainability of inclusive financial systems is different in nature from that of ordinary financial institutions (Zeng, 2014). The former puts emphasis on sustainability and stable development and works to cover costs and keep in business with revenues instead of excessively pursuit of high profits and returns. Otherwise, it will deviate from the original intention of realizing financial inclusion. Furthermore, excessive pursuit of high profits is also unrealistic because of the particularity of the target customers of inclusive financial services.

### **3. Major issues confronting commercial sustainability in an inclusive financial system**

#### **3.1 High default risks among rural residents and micro & small businesses**

Financial inclusion is mainly targeted at rural residents and micro & small businesses that are vulnerable in nature and have poorer risk tolerance (Wang, 2017). By the third quarter of 2017, the ratio of non-performance loans (NPL) of commercial banks hit 1.74%, while rural commercial banks had the highest ratio, reaching 2.95% (Wang, 2017)<sup>2</sup>. For one thing, peasant households from remote areas are vulnerable to various risks because of their smaller scale of production and operation as well as poor yields (Wang, 2016). For another, micro and small businesses are vulnerable to market risks and usually bear the brunt of loss when the market changes even slightly due to a series of intrinsic problems including small scale, few employees, poor management, slowness in updating technologies, uncompetitive products (Wang, 2017). Besides, in order to hedge against high credit risks, commercial banks have to charge a higher risk premium (Wei, 2017). This then makes it more costly for micro and small businesses to finance their operations, which leaving them no choice but to turn to private channels. Therefore, the poor capability of risk compensation of those main target customers has not only brought a great challenge to commercial banks in terms of risk control but also impeded commercial sustainability.

#### **3.2 Information asymmetry**

Because of lacking complete information on operation situation and financial standings of peasant households and micro and small businesses, commercial banks have difficulty assessing their credit ratings precisely and thus can't decide whether to lend them loans or not and how much is appropriate if they do lend. In order to minimize credit risks when there exists information asymmetry in the financial market, commercial banks usually adopt transactional lending measures which based on "hard information" such as financial reports and mortgage (Peng, 2017). Moreover, they also formulate strict credit-rating procedures, impose harsh credit terms (Wang, 2016), and require borrowers to lower risks by use of mortgage and guarantee. However, peasant households and micro and small businesses often fail to provide mortgage or guarantee recognized by banks and have poor capability of risk compensation resulted from limitations of existing guarantee laws and their financial resources (Wang, 2017). This is why they are shunned by financial institutions. Therefore, information asymmetry has not only brought challenges to commercial banks in their credit services but impeded the development of commercial sustainability in an inclusive financial system.

#### **3.3 High operation and transaction costs and lack of scale effect**

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<sup>1</sup> In order to promote the Millennium Development Goals (MDGs), the United Nations proclaimed the year 2005 as the International Year of Microcredit and established five goals associated with "The Year" which are: Assess and promote the contribution of microfinance and microcredit to the MDGs; Increase public awareness and understanding of microfinance and microcredit as vital parts of the development equation; Promote inclusive financial sectors to different customer groups; Support sustainable access to financial services; Encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand the outreach and success of microcredit and microfinance.

<sup>2</sup> Source: Major Supervisory Indicators for Commercial Banks as of 2017 and Major Supervisory Indicators of Commercial Banking Institutions as of 2017 released by China Banking Regulatory Commission.

The usual and most direct solution to improving basic financial services is sinking bank outlets. However, most banking outlets in remote and backward areas can't gain enough revenues to cover their costs and thus lack commercial sustainability (Wei, 2017). On the one hand, setting up an outlet will incur huge input of capital assets, various costs of establishing information systems and human resources (Wei, 2017), so it's costly to operate such an outlet. On the other hand, loans lent to peasant households and micro small businesses are usually small and have short terms, so it's hard to obtain scale effect (Wang, 2017). Moreover, in backward and remote areas, some financial institutions charge higher fees for their services to offset increased costs resulted from disperse financial demands, small scale and poor profitability of small businesses, and higher costs of financial services, which further aggravates financial exclusion (Yao, 2015)<sup>3</sup>. If failing to gain stable revenues to cover costs, banks will lose both motivation and foundation to provide inclusive financial services sustainably.

#### **4. International successes in maintaining commercial sustainability and inspirations drawn from them**

##### **4.1 The Grameen Bank in Bangladesh<sup>4</sup>—reforming the credit system to reduce default risks**

One of the problems facing the commercial sustainability of our inclusive financial system is higher default risks brought by its target customers. However, the Grameen Bank in Bangladesh has lowered such risks by reforming the credit system, which provides us with some inspirations.

As the cradle of microcredit, Bangladesh has made great achievements in promoting financial inclusion. Muhammad Yunus, an economist, was awarded the Nobel Peace Prize for founding the Grameen Bank. This bank promotes a credit mode featuring small and short-term loans without collateral requirements. It has simple procedures and loans are directly sent to clients. The Grameen Bank pursues a group-based lending system featuring “group-centre-bank staff”. There are about 40 members in a center who are divided into “five-member” groups. Members within a group assess and oversee each other to ensure that everyone behaves responsibly and none gets into a repayment problem (Wei, 2017), and Grameen does not extend further credit to a group in which a member defaults. This helps create a group-based incentive mechanism which not only lowers supervision cost for the bank but guarantees high payback rates by fostering an atmosphere of mutual support and supervision. Several groups make up a rural centre which holds regular meetings to exchange, share and solve individual problems. So Grameen works based on borrowing groups and rural centers (Hao, 2016). The maturity of small loans made by Grameen is usually one year and they should be paid back weekly and paid off within a year. Borrowers will be entitled to further loans only after they pay off former ones in line with rules. By creating a “five-member” group system, Grameen establishes both an internal surveillance mechanism and a credit mechanism among acquaintances in rural communities, which effectively lowers default risks—one of the main challenges facing commercial sustainability of financial inclusion—in that it raises the cost of defaults and fosters an atmosphere of mutual supervision and support.

Although the microcredit provided by Grameen for the rural poor has been followed by many countries and achieved remarkable results in many areas, its practice in China is far from satisfactory and very few projects can survive. The following two problems should be blamed for this dilemma.

##### **4.1.1 Incomplete understating of the essence of the Grameen mode**

It takes a lot of time to foster a “five-member” group like Grameen's which makes high demands on local credit staff because they have to ensure that each group member should be accepted only after he undergoes training and appraisals. At first China strictly followed the Grameen mode in

<sup>3</sup> Financial exclusion can be described as the inability of some groups to access necessary financial services in an appropriate manner. It's a self-reinforcing process which can be the reason for or / and the result of social exclusion.

<sup>4</sup> Muhammad Yunus pioneered the concept of microcredit in Bangladesh in 1974 and founded the Grameen Bank in 1983. Grameen, an organization based on social pressure and joint liability, is a financial institution which has the largest scale, best performance and the most successful operation in microcredit and has been followed and learnt by many developing countries. In October, 2006, Muhammad Yunus was awarded the Nobel Peace Prize for his success in founding the Grameen Bank.



practicing microcredit, but it gradually returned to the traditional method of credit marketing due to loss of confidence and high demands for time. The “five-member” group began to exist in name only, let alone any familiarity or mutual trust among members. And center meetings didn’t make it either. So, rather than a positive phenomenon in which “the other four help repay when one of them defaults”, there appeared an extreme case in which “the other four all default if one does so”, which made it hard for the Grameen model to continue.

#### **4.1.2 Lack of low-cost capital resources**

The Grameen model has failed in China due to various reasons. For one thing, initial public welfare financing was only a drop in the bucket and had no consecutive support. For another, inclusive financial institutions have no access to legal and low-cost sources of public funds and they are unable to absorb enough deposits to get reliable profits compensation and liquidity assistance. What’s more, this model hasn’t been widely accepted across China, so traditional financial institutions like banks are reluctant to finance these projects. However, the Grameen model can’t sustain without a steady source of funds. Grameen also encountered this problem in the early days of its founding. Then the Bangladesh government resolved the liquidity problem of inclusive financial institutions by publishing the Grameen Bank Ordinance and releasing complete procedures of granting business licenses to financial institutions. Moreover, while China’s rural financial institutions have been increasingly commercialized, its initial intention to combine social aid and peasants’ self-help has been significantly played down. Many for-profit financial institutions tend to seek quick success and overlook inclusiveness because of their excessive attention to high returns. It’s no wonder they all fail in the end.

By contrasting the success of Bangladesh with our failure, it can reach the following inspirations that may help effectively lower default risks and resolve problems confronting commercial sustainability.

Inclusive financial institutions have to thoroughly understand the essence of the “five-member” group model and then formulate a complete set of procedures to cultivate such groups. They should also provide borrowers with a more comprehensive knowledge of finance and increase their perceived cost of defaults.

The role of mutual supervision within a group should be stressed. Also meetings should be held regularly to urge group members to pay back and enhance the awareness of mutual supervision and support. Only in this way can relationship lending function effectively to lower risks.

The government should strengthen policy support and actively encourage banks and other financial institutions to fund such projects. Also, the state should publish relevant laws and rules to regulate their operations.

It’s particularly noteworthy that the injection of commercial capitals should never overshadow its inclusive nature. Instead, it should be recognized that sustainability rather than profitability is the cornerstone of commercial sustainability of financial inclusion.

#### **4.2 Wells-Fargo in the U.S.—reducing information asymmetry by use of big data**

Information asymmetry can increase the credit risks of financial services and thus become another big problem confronting the commercial sustainability of China’s financial inclusion. Wells-Fargo has succeeded in handling credit risks by establishing a comprehensive system of credit information with big data and thus provides us great experience in this field.

Wells-Fargo, one of the most profitable banks in America, is the biggest lender to micro and small businesses which in turn becomes the main source of profits of this bank (Wang, 2017). The application of big data and the quantitative analysis model technics has played a crucial part in the success of Wells-Fargo. Therefore this bank provides great experience to our banking industry in the use of big data. Wells-Fargo obtains its data from both internal and external sources. While the internal source records information of all clients’ accounts and their receipts and payments, external data supplements important credit information of each client, like personal credit reports provided by the three largest credit agencies (TransUnion, Experian and Equifax). In addition to excellent data collection and integration, Wells-Fargo also establishes a risk quantification model and

customizes credit rating systems for micro and small businesses so as to effectively lower credit risks. Meanwhile, Wells-Fargo conducts continuous and dynamic risk assessment of each client after making loans to him and judges clients' risk behavior by use of computer programs. This then allows the bank to maintain security and profitability by making such decisions as changing interest rates, increasing credit limits according to clients' risk behavior (Xing, 2016). All in all by establishing a risk quantification model system with all procedures covered and a comprehensive risk management system including credit, market, operation and liquidity risks, Wells-Fargo has effectively reduced information asymmetry—one of the toughest issue facing commercial sustainability of financial inclusion.

In China, information asymmetry is the main culprit that makes it hard for micro and small businesses to get financed. Peasants and micro and small business are usually shunned by traditional and regular financing channels due to the lack of complete credit information and proper collateral assets, which has greatly restrained the sustainable development of financial inclusion. However, the application of big data, which can help calculate the default probability or credit rating of a client quickly yet precisely with existing information, ensures the commercial sustainability of financial inclusion in that it provides reliable and necessary information to financial institutions, lowers their risks, and guarantees the security and profitability of their operations. China has made some achievements in the use of big data. For example, micro financial institutions such as Ant Financial Services Group can instantly work out credit ratings and then make assessment of these results by collecting enormous information on transactions made by clients. The practice of Wells-Fargo illustrates that we can reduce information asymmetry so as to ensure the commercial sustainability of financial inclusion by furthering the application of big data in two respects.

First is to broaden data sources, which requires joint efforts from financial institutions and external industries. To begin with, financial institutions should enter all-round credit information about clients on the internet as the basis for risk assessment. Next, the government should continue its effort to better the credit inquiry system and improve the performance and efficiency of credit inquiry departments so as to provide financial institutions with sufficient and precise credit information and lay a solid foundation for their risk assessment.

Second is to improve the capacity of data analysis by use of high-tech. Referring to the quantitative model of Wells-Fargo, domestic financial institutions can establish a system of quantitative risk analysis model by adopting high-tech, and integrating and analyzing existing data, which can help them decide the credits ratings of micro and small businesses and develop a complete system of risk assessment and control.

### **4.3 Correspondent banking in Brazil—expanding operation scope and lowering channel costs**

Higher operation and transaction costs are another main problem that impedes the commercial sustainability of our financial inclusion. It takes huge investment of fixed assets to set up banking outlets in remote areas. However, Brazilian correspondent banks have succeeded in cutting such costs of extending their financial services by entrusting some businesses to nonbank institutions, which lends us much inspiration.

Brazil attaches great importance to financial innovation when driving inclusive finance and a typical example is its promoting a correspondent banking model. Special geographic features in Brazil make it hard to set up branches in remote areas there. Therefore, banks tried to cooperate with nonbank institutions in providing financial services. Those services can be commissioned to retail stores, lottery outlets, drug stores and post offices and their business scope and payment level are decided by their agreements with banks (Jiao, 2014). Under a correspondent banking model which is similar to financial outsourcing, financial institutions sign agreements with various business entities and then extent and expand their financial services by providing some basic services at the commercial outlets of those cooperated entities. By dividing banking functions and outsourcing them to correspondent institutions, these institutions are able to further diversify their operations and services (Jiang, 2014). This is why Brazil's correspondent banking model works

effectively in bringing financial services to those who couldn't have had access to such services, promoting the development of microfinance, and providing more convenient services to clients. Furthermore, it costs far less to set up a correspondent institution than to build a branch, so the correspondent banking model cuts the cost of extending financial services for banks, smooths the way to commercial sustainability, and enables banks to provide more types of financial services on larger scope.

The service network, which shares some features with Brazil's correspondent banks and helps peasants withdraw money in their remote hometowns, is also an enlightening practice. Helping peasants withdraw deposits refers to entrusting correspondent outlets to provide withdrawal services to peasants through debit cards which have been bound to bank cards. Suppliers of financial services build their rural outlets equipped with POS terminals and other necessary devices. Some provinces even encourage resource sharing between such outlets and digital commercial outlets. However, the business scope of those correspondent outlets in China is limited and they can't absorb deposits or open accounts for clients like correspondent banks in Brazil do. Therefore, we can enable those outlets to keep in business in a more commercially sustainable manner and finally realize financial inclusion by improving the following aspects.

Expand the business scope of outlets that help peasants withdraw deposits and make better use of correspondent institutions so that they can provide more diversified services to rural residents and better satisfy their financial needs.

Integrate other payment needs of firms and individual users into digital payment products, and further cut channel costs and extent financial services to more areas through digital payment.

The government should gradually ease control over, for example, limits on commission fees and day trading volume. This will allow rural financial markets to play a larger role in regulation and control, making the overall environment more favorable for financial inclusion.

## **5. Conclusion and policy proposals**

This paper analyzes issues confronting commercial sustainability of our inclusive financial system and draws lessons from international successful practices. After a comparative analysis of the realities, it obtains some inspirations for overcoming those problems that impede commercial sustainability. To be specific, it reaches the following conclusions:

Learning from the practice of Grameen Bank, it can lower high default risks brought by the target customers of inclusive finance by reforming the credit system and standardizing the "five-member" group model.

Learning from Wells Fargo, it can reduce information asymmetry and better risk control by use of big data and the quantitative analysis model.

Learning from Brazil's correspondent banking system, it can extent financial services to remote areas at lower operation costs by developing and improving correspondent financial institutions.

Research results from this paper indicate that China's inclusive financial system needs further improvement and that commercial sustainability encounters a number of difficulties. As the pioneer, supervisor, and supporter of this whole process, the government should adopt targeted strategies to deal with existing problems. Here are some policy proposals for the government.

- (1) The government should improve relevant laws and regulations to promote the standardization of inclusive financial institutions and strengthen its policy support in funding such projects.
- (2) The Government should enhance efforts in investing high-tech, especially data collection, and analytical technology so as to promote wider application of big data and provide sufficient credit information to financial institutions for risk control and prevention.
- (3) The government should broaden the current business scope of correspondent financial institutions and moderately loosen its grip so that banks can extent their financial services to remote areas where people have no access to such services at a much lower cost.



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