

# Research on the Development Path of Inclusive Wealth Management of Commercial Banks

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## ABSTRACT

With the promotion of common prosperity in China, wealth management is gradually developing towards the market of middle and low income groups. Commercial banks are facing new opportunities and challenges. Thus, it is worth thinking seriously how to promote commercial banks to discover market potential, accelerate product innovation and development, and improve their own service ability of wealth management inclusive business development.

Firstly, this paper uses PEST to analyze the macro environment faced by commercial banks in wealth management business inclusive process, and then explores market opportunities and product promotion methods by analyzing the problems. Finally, this paper puts forward some suggestions for these problems.

**Keywords:** *Wealth management, Inclusive finance, Banking services.*

## 1. INTRODUCTION

"Inclusive wealth management" is a financial product mainly targeted at middle and low income groups [1]. This product is characterized by low cost, easy access, high transparency, standardization and reasonable risk. At present, wealth management business contributes the most to the income of the entire intermediary business of banks, including the commission sales of funds, bank financial products and other products, as well as the income from bank financial service fees. The banking industry is generally faced with the current situation of narrowing interest margin, the transformation of banks to inclusive wealth management has become an inevitable trend. Under the background of China vigorously promoting common prosperity, the market value brought by the long tail customers, mainly low and middle income groups, is gradually being valued. The purpose of commercial banks' products to be inclusive lies in that, in addition to allowing residents to invest at a low threshold to achieve the investment goal of maintaining and increasing wealth, they also actively educate residents to help them establish correct investment concepts and truly benefit everyone.

## 2. MACRO ENVIRONMENT ANALYSIS OF INCLUSIVE WEALTH MANAGEMENT OF COMMERCIAL BANKS --PEST ANALYSIS

### 2.1. Policy--Guidance and Support of National Policies

As China's economy enters a new stage of development, common prosperity is regarded as the value orientation of China's residents' wealth and financial development, which attracts extensive attention to the inclusive wealth management business, puts forward new requirements for the wealth management industry.

In addition, with the implementation of "new regulations on asset management", "housing not speculation" and a series of reform policies gradually implemented, the state guides the healthy development of the industry through relevant policies and China's residents' wealth allocation structure has undergone significant changes. These changes gradually guide investors to participate in long-term capital market investment through financial products, and China's household asset allocation will continue to shift to financial assets. These phenomena are activating the inclusive wealth management market.

## **2.2. Economic--Huge Potential of the Market**

Since the beginning of the 21st century, China's economy has maintained rapid growth. The compound annual growth rate of residential investable assets from 2008 to 2020 is 13% [2]. According to statistics, in 2021, the cumulative scale of personal investable assets has reached 268 trillion yuan, and the per capita GDP has also approached the threshold of high-income countries, reaching 12,500 dollars.

However, the proportion of residents' property income is not high, and the gap between urban and rural areas is large. At the end of 2020, public and private funds accounted for only 4.4% and 2.9% of residents' wealth, which are very small. The per capita property income of Chinese residents in 2020 was 2,791 yuan, accounting for 8.7% of disposable income. The per capita property income of urban residents accounted for 10.56 %, and that of rural residents was 2.45 %.

This shows that despite the improvement of wealth accumulation of Chinese residents, the inclusive wealth management market still needs to be developed. If the education of wealth management awareness, investment and financing channels, asset allocation structure and other aspects of the residents are strengthened, the inclusive wealth management market can achieve greater development.

## **2.3. Society--Changing the Concept of Investment**

Chinese residents' concept of financial management is gradually changing [3]. Savings deposits used to be the largest part of household financial assets allocation, but in recent years they have shown a downward trend. With the development of various Internet financial platforms and products, residents have gradually increased acceptance of financial products, and there is a trend of diversification of capital investment beyond deposits.

The proportion of financial assets of Chinese residents is significantly lower than that of developed countries in the world [4]. There is still room for optimizing asset allocation, which indicates that the wealth management market has a huge development prospect in the future.

Commercial banks have a long history in China, and a large proportion of citizens have been engaged in long-term deposit and savings business in banks. Long-term business exchanges have established high trust in commercial banks among residents. At the same time, because of the large scale of customers, large amount of capital can play the scale effect, which is conducive to commercial banks to carry out inclusive wealth management business.

## **2.4. Technology--Fintech Empowerment**

The promotion of big data, digital currency and cloud ecology helps promote the inclusive process of wealth management. This contributes to more diversified service groups and service modes, more flexible risk control mechanism and better user experience.

The development of AI-related technologies will be one of the core competitive advantages for emerging wealth management companies targeting middle - and low-net worth consumers who use the Internet frequently. For example, AI chatbots can quickly identify customer types and improve the efficiency of basic services [5]. When science and technology empower the wealth management industry, the service efficiency of financial business will be improved, the service capacity of wealth management enterprises will be enhanced, and the scope of service groups will be further expanded.

## **3. PROBLEMS OF INCLUSIVE BUSINESS FROM THE PERSPECTIVE OF BANKING SERVICES**

### **3.1. Problems in the process of digital transformation**

Although most commercial banks have recognized the importance of digitalization, the transformation process from strategy formulation to implementation is characterized by various phenomena. This is reflected in the insufficient online and automation degree of many manual links since the implementation of big data intelligent services. The lack of digitalization expertise in customer operation and investment capability is not formed. With the insufficient application degree of new technology and big data, it is difficult to achieve precision marketing, intelligent product matching and other problems of low intelligence. As a result, banks, as traditional wealth institutions, need to improve customer experience satisfaction compared with technology companies. In addition, in terms of interaction, agile iteration and large-scale empowerment need to be supported, and the technology architecture needs to be connected and improved.

### **3.2. Highly competitive market**

The main participants of China's wealth management market are commercial banks, trust institutions, securities brokers, insurance institutions and third-party wealth management institutions [8]. At present, commercial banks occupy a large market, but as the inclusive wealth management market gradually attracts attention, all kinds of financial institutions are accelerating the pace of exploring this market. Compared with commercial banks, securities firms, trust institutions and other financial institutions have advantages in flexible operation modes,

diversified marketing channels and refined consultant services. Under the background of fierce competition for market share among various financial institutions, commercial banks urgently need to accelerate all-round transformation to maintain their competitive advantages.

### **3.3. Low channel efficiency**

At present, there is a big gap in the omni-channel capability of the inclusive wealth management business of most domestic commercial banks, especially in the aspect of contacting customers and expanding customers, and many businesses lack the support of popularity. First of all, the online channels of most commercial banks provide very limited functions. Although APPS, public accounts and micro-blogs are developed to increase the online contact between basic services and customers, most of them lack customized solutions for different types of customers. Secondly, the lack of coordination mechanism and information exchange bridge between channels leads to the fragmentation of customers' online and offline channels and the contact points between products, that is, the experience obtained from different channels is quite different. In addition, the offline channels are characterized by high cost and limited service scope. Such high maintenance costs and low utilization bring challenges to profitability.

### **3.4. Serious product homogenization**

Most commercial banks lack the mechanism to design products for precise customer segmentation. Customer needs tend to be diversified and complex. In the existing wealth management business of commercial banks, the products are characterized by strong homogeneity, low differentiation and strong substitutability, resulting in low customer stickiness and loyalty. At the same time, because there is no special products with significant characteristics to improve identification, most banks choose at an early stage by improving the assets yield breeding its original customer or lower selling price to customers (behind such customer ignores the risk), and the homogeneity competition can lead to customer maintaining and operating costs sharply raised [9]. In the long run, if such market expansion mode is applied to the wealth management business, which contributes most to the income of the entire intermediary business of banks, it will become a heavy burden for the development of commercial banks.

## **4. INCLUSIVE DEVELOPMENT SUGGESTIONS FOR COMMERCIAL BANKS**

As the supplier of products and services, commercial banks need to accelerate the layout of inclusive wealth market from the following aspects:

### 1. Operation: Fully support digital transformation

1) Reserve professional talents. The human resources department needs to build a high-quality consultant team to support product research and development and business development, and fully guarantee service quality to improve customer satisfaction.

2) Promote the quality and efficiency of marketing channels. In the digital age, high-quality customer experience means seamless integration of online and offline channels. Omni-channel building is not only to continue to strengthen the sales capacity of offline outlets, but also to expand the flow of online business through the Internet.

### 3) Continue to optimize the operation strategy.

Facing the shrink of industry profits, commercial banks need to establish strategies of leaning operation with process optimization, cost reduction and efficiency improvement, talent empowerment and risk management as the core [10].

### 2. Industry: Cooperate to build competitive advantage

The inclusive development of wealth management business of commercial banks can carry out compliance cooperation with other licensed Internet or technology companies on the condition that technology is mature and safe [11], give play to their respective advantages and improve the level of digital services. For example, through cooperation with cloud computing technology companies to provide diversified, personalized and accurate wealth management products. Help customers screen investment needs and determine investment targets through big data, cloud computing and other technologies. Through mobile Internet and other payment platforms to break through the limitations of traditional product sales channels.

Through business cooperation, commercial banks can provide regular customers with more accurate and abundant service in order to improve the service efficiency, strengthen the investor education. They can also use the Internet to broaden the wealth management service coverage of the fully dig more potential customers, reduce operating costs for the guest, and further improve the universality of wealth management products.

### 3. Client: channel quality and efficiency improvement

1) Stratified target customers to achieve refined customer management and provide a more matched inclusive wealth management scheme. With the help of big data, fintech and other means, through market research, we fully consider the asset level and risk tolerance of different customer groups, innovate and develop products based on the actual needs of customers, provide personalized products and services, and achieve the desired goal of asset preservation and appreciation.

2) Man-machine integrated service to improve customer experience. In specific services, "pure robot service" will reduce customer experience, face-to-face communication at any time will greatly increase labor costs. Therefore, "man-machine combination" service mode needs to be widely used.

3) Strengthen financial education and guidance for investors. Popularize the basic knowledge of financial products to customers to avoid blindly following the trend and leading to customer property losses. At the same time, guide customers to pay attention to the assessment of risks while paying attention to benefits, and reasonably understand their risk tolerance. In addition, banks also need to understand customers from multiple dimensions and introduce suitable inclusive wealth management products to matched customers. These activities can make retail customers feel more comfortable buying wealth management products.

4. Product: Focus on solving the problem of homogenization

1) Accelerate business model transformation. Commercial banks need to transform their business model from "selling products" to "selling services" as soon as possible. To truly take customer interests as the core, make appropriate customer asset allocation plans, and help customers to think rationally in the market fluctuations, and truly promote the realization of the goal of maintaining and increasing the wealth of residents.

2) Continue to strengthen technological empowerment. Chinese customers have high acceptance of digitalization. Commercial banks need to integrate digitalization into products and services in an all-round way, build professionalism and precision of products, improve convenience and accessibility of business, and promote interaction and connection within the ecosystem. This not only helps to improve service experience, but also helps to reduce the service cost of commercial banks and enhance banks competitiveness.

3) Focus on solving the problem of product homogeneity. Commercial banks need to develop representative products based on their own advantages and target customers, and make optimal decisions dynamically by taking advantage of investors' preferences, so as to maximize the realization of each goal [12]. Seeking differentiation and personalized layout in the process of product research and development can not only promote the increase of market share, but also provide residents with more diversified and accurate choices for wealth management.

## 5. CONCLUSION

As China vigorously promotes common prosperity, commercial bank are facing new opportunities and challenges in inclusive wealth management.

Initially, the macro environment is positive for business development. The guidance and support of national policies, huge potential of the market, residents' changing concept of investment and the empowerment of fintech are proving a beneficial situation for inclusive wealth management business.

And there are some problems of the business development. In the process of realizing inclusive, the issues of digital transformation, highly competitive market, low channel efficiency and serious product homogenization are some disadvantages needed to be solved.

Finally, this paper puts forward suggestions to solve these problems correspondingly. Commercial banks need to realize the support of all-round digital transformation in their operations, build competitive advantages through cooperation in the industry, improve the quality and efficiency of customer channels and solve the problems of product homogeneity seriously.

Commercial banks should make use of their own advantages while improving existing problems, dig out new business growth points in potential opportunities in order to continuously realize the progress of inclusive wealth management business.

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