Scholar Publishing Group
International Journal of Social Sciences and Economic Management
https://doi.org/ 10.38007/IJSSEM.2026.070111
ISSN 2789-715X Vol. 7, Issue 1: 97-105

Research on Risk Management Strategies in the Trust Industry under the Background of Consumer Finance Transformation

Li Fang

Tianjin University, Tianjin 300072, China

Keywords: Consumer finance, trust companies, risk management, full process system, dynamic strategies.

Abstract: Against the backdrop of rapid development of consumer finance business, risk management has become a core issue for trust companies. The trust industry is facing complex risk challenges brought about by the expansion of the consumer finance market - the combination of small, high-frequency, and diversified characteristics and the trend of excessive overconsumption have led to a significant increase in credit risk, operational risk, and market risk. Coupled with stricter regulation and intensified market competition, the pressure of risk management has become prominent. This study integrates the entire process mechanism of risk identification, assessment, and response, constructs a multi-source data fusion risk identification system, optimizes the quantitative and qualitative risk assessment model (such as the integration of Analytic Hierarchy Process and Monte Carlo simulation), designs dynamically adjusted risk response strategies, and verifies the effectiveness of the strategies through case studies and effect evaluations. The results show that although H Trust Company has established a full process system covering risk identification, assessment, and response, there is still room for improvement: risk identification overly relies on subjective experience and team discussions, lacking data support; The evaluation process is programmatic for the application of Analytic Hierarchy Process and does not dynamically adapt to the characteristics of consumer finance business; The response measures did not fully match the business characteristics (such as due diligence using traditional credit models and blind spots in monitoring fund flows). The systematic risk management framework constructed in this study theoretically integrates the risk characteristics of consumer finance with trust operation logic, and provides operational tools and process optimization solutions in practice, promoting the improvement of risk prevention and control capabilities of trust companies and the high-quality development of the consumer finance industry. In the future, it is necessary to deepen research on diversified risk types, promote dynamic strategy adjustments, and integrate differentiated strategies with new technologies.

1. Introduction

In the continuous evolution of the financial market, the trust industry, as an important component of the financial system, is facing profound transformation needs. With the expansion of the consumer finance market, trust companies are laying out consumer finance businesses one after another. However, this process is accompanied by complex risk challenges - the small-scale, high-frequency, and diversified characteristics of consumer finance combined with an excessive trend of advanced consumption, leading to a significant increase in credit risk, operational risk, and market risk. The tightening of regulation and intensified market competition further amplify the pressure of risk management; Although previous research has accumulated rich results, there are key challenges: insufficient refinement in risk identification and assessment, traditional models tend to focus on a single dimension, making it difficult to capture the multidimensional and dynamic risk characteristics of consumer finance. For example, although credit evaluation uses credit score cards, the integration of non-traditional data such as consumer behavior data and social network information is weak; The systematic lack of risk response strategies often focuses on a single link and lacks a management framework that runs through the entire business process. Additionally, there is insufficient research on the dynamic adaptability of external environments such as policy changes and technological innovations, leading to a tendency for strategies to lag behind; The motivation for this work stems from the research gaps and practical needs mentioned above. The goal is to build a systematic risk management framework that is in line with industry characteristics and forward-looking in the context of consumer finance transformation. By integrating the full process mechanism of risk identification, assessment, and response, the management and control capabilities can be improved. Specifically, the focus is on building a risk identification system that integrates multiple sources of data, optimizing a risk assessment model that combines quantitative and qualitative methods, and designing dynamically adjusted risk response strategies; Its contribution is reflected in both theory and practice. In theory, it integrates the risk characteristics of consumer finance with the logic of trust operation, enriches the applicable scenarios of financial risk management theory, and provides operational tools and process optimization solutions in practice, such as risk warning systems based on big data analysis, multi-modal fusion evaluation methods, and dynamic compliance strategies that adapt to regulatory changes. This not only enhances the risk prevention and control capabilities of trust companies, but also provides reference for other financial institutions; The organizational structure of this article is as follows: first, review the background of the transformation of consumer finance and trust industry to clarify the importance of research, then analyze the existing research challenges to lay a theoretical innovation foundation, then elaborate on the logic and implementation path of risk management framework construction, and finally demonstrate the effectiveness of the strategy through case verification and effect evaluation, and propose future directions.

2. Correlation theory

2.1. Theoretical basis of risk management and practical application of consumer finance business

Risk management[1], as a core management tool for enterprises to cope with uncertainty, identifies, evaluates, and responds to potential risks through a systematic approach to minimize adverse effects and ensure goal achievement. Its theoretical origins can be traced back to the mid-20th century and have evolved from a single risk control to a comprehensive perspective deeply integrated with strategy as enterprises develop. Modern risk management is centered around the ERM framework [2], emphasizing the synergy between risk and strategy, covering elements such as risk identification, assessment, response, internal environment, goal setting, and information communication. The 2017 updated version places greater emphasis on dynamic strategic adaptability.

The risk management of consumer finance business in trust companies presents unique complexity: the asset side needs to prevent and control credit risk, legal risk, and operational risk, while the fund side faces liquidity risk and market risk, and the business model is diverse (such as assisted lending, flow lending, ABS, etc.), involving asset securitization, joint lending and other structures, requiring attention to the quality of capital injection pool, risk sharing and information sharing issues. Consumer finance itself can be broken down into broad (including payment, credit, leasing, etc.) and narrow (focusing on consumer credit) concepts. Its essence is the combination of consumer behavior and financial behavior. Trust companies act as financial intermediaries, connecting consumers and investors through trust product design to achieve a balance between financing and returns.In the specific business model, the investment return with consumer equity model provides consumer equity as investment income, which requires precise matching of equity and return; The loan assistance model is divided into scenario free and scenario based loans, relying on consumer credit evaluation and behavioral supervision; The flow loan model provides funds to consumer finance institutions through trust loans or ABS, and the ABS model is divided into single SPV, dual SPV, and off exchange models to achieve risk isolation and efficient fund allocation. The types of risks include credit risk, operational risk, market risk, compliance risk, and structural risk, characterized by the matching of maturity, returns, and risk preferences between the funding and asset ends, as well as legal compliance challenges. The risk management process includes preliminary due diligence, trust structure design, contract system construction, dynamic monitoring during the loan process, and post loan risk disposal, forming a full process control system to ensure asset safety and stable business development.

2.2. The Application of Comprehensive Risk Management and Asymmetric Information Theory in Consumer Finance

Total Risk Management (ERM) originated from the Basel Accord in the late 1980s and further developed in the 2004 New Basel Capital Accord. It emphasizes comprehensive risk control throughout all aspects of business processes, starting from strategic objectives and covering multiple dimensions such as credit, liquidity, market, and operational risks. The framework consists of three pillars (minimum capital requirements, regulatory supervision, and market constraints) and three dimensions (enterprise goals, management elements, and enterprise hierarchy). In practice, it requires seven steps: information framework establishment, risk assessment, strategy formulation, program implementation, execution promotion, continuous monitoring, and information exchange. In the field of consumer finance, ERM can optimize risk sharing mechanisms (such as clear joint loan responsibilities) and dynamically monitor underlying assets in asset securitization, improving the quality and market acceptance of securitization products. The theory of information asymmetry [3] was proposed by Akerlof and Stiglitz in the 1970s, revealing the adverse selection (high-risk customers receiving loans before the loan) and moral hazard (misappropriation or malicious default of funds after the loan) caused by information gaps in market transactions. In consumer finance, borrowers may conceal their true financial situation or misappropriate funds. Trust companies need to use big data and artificial intelligence to build dynamic credit evaluation systems, strengthen data sharing and risk information disclosure, design risk sharing mechanisms to mitigate the risks brought by information asymmetry, optimize risk control strategies throughout the pre loan, in loan, and post loan processes, and ensure business stability and asset quality.

3. Research method

3.1. Analysis of COSO 2017 Risk Management Process Framework

The COSO 2017 Enterprise Risk Management Framework has established a systematic risk management loop, which achieves deep integration of risk, strategy, and performance through five elements: governance and culture, strategy and goal setting, performance, review and revision, information communication, and reporting. Governance and cultural elements emphasize the establishment of a good governance structure and risk culture, clarify the responsibilities of the board of directors and management, promote risk awareness among all employees, and establish ethical and integrity standards; Strategy and goal setting require the integration of risk management into corporate strategy, setting business objectives that match risk preferences, systematically identifying internal and external risk factors (such as financial, operational, strategic, and compliance risks), and conducting situational analysis in conjunction with industry and macroeconomic factors; The performance process covers risk assessment (combining quantitative and qualitative methods, prioritization, stress testing) and response strategies (avoiding, reducing, transferring, and accepting risks); Review and revision involve regularly evaluating the effectiveness of the system to adapt to changes in the market environment or strategic adjustments; Information communication and reporting are integrated throughout the process to ensure timely access to risk information at all levels, establish internal transparent communication mechanisms, and fully disclose to external stakeholders. This framework achieves risk control and sustainable development through closed-loop management (identification assessment response monitoring), and its comprehensiveness and dynamism help enterprises balance risks and opportunities in complex environments.

3.2. Risk Identification, Assessment, and Response Practice of H Trust Company's Consumer Finance Business

H Trust Company adopts brainstorming method [4]to carry out risk identification. Through three stages of pre meeting preparation, multi department collaboration and discussion during the meeting, and post meeting summary and follow-up, it comprehensively sorts out the risk factors in consumer finance business, identifies credit risk, operational risk, market risk, decision risk, redemption risk and other major categories, covering 18 sub risks such as information misjudgment, functional department operation, subjective result analysis, project feasibility assessment, transaction structure design, and risk management effectiveness. The risk assessment adopts the Analytic Hierarchy Process[5] (AHP) to construct a risk assessment system that includes four criteria layers of pre event/in-process/post event control and external environment, as well as seventeen indicator layers. The weights are determined through a questionnaire survey of 14 experts, and the risk priority ranking is determined as follows: policy and regulation change risk comes first, followed by economic situation change risk, credit risk, project feasibility assessment risk, market risk, etc. The low-risk level includes subjective analysis of results, investment willingness, information misjudgment and other risks. For different risk categories, the company adopts differentiated response measures: for market risk categories, industry investment restrictions, take profit and stop loss mechanisms, asset valuation monitoring, and concentration control management are implemented; Strengthen the full process control of credit risk, including system improvement, due diligence, risk warning, guarantee custody, and provision for reserves; Liquidity risk [6] is prevented and controlled through cash flow management, asset allocation optimization, and stress testing; Operational risk is improved through process standardization, system automation, institutional construction, and training to enhance management efficiency; Other risks are addressed through policy tracking, compliance review, and emergency response plans. The overall formation of a full process management system covering risk identification, assessment, and response ensures the stable development of consumer finance business.

3.3. Analysis of Risk Management Questionnaire Survey on Consumer Finance Business of H Trust Company

This survey targeted the technical and business personnel of the company's business management platform. 80 questionnaires were distributed, and 72 valid questionnaires were collected, with a response rate of 90%. The questionnaire focuses on three levels: risk identification, assessment, and response. The distribution of questions is as follows: basic information accounts for 17%, risk identification accounts for 25%, risk assessment accounts for 33%, and risk response accounts for 25%. The specific structure is shown in Table 1.

Table 1Distribution Table of H Trust Consumer Finance Risk Questionnaire

Question Type	Number of Questions	Question Proportion
Basic Information	2	17%
Risk Identification	3	25%
Risk Assessment	4	33%
Risk Response	3	25%

Basic information shows that the survey participants are mainly senior employees with more than 3 years of work experience (64%), with a balanced distribution of positions (42% for business personnel, 39% for risk management personnel, and 13% for senior management), ensuring that the results are close to reality. In the risk identification stage, there are problems such as insufficient data support (71%), strong subjectivity (54%), and team discussions being easily dominated by individual opinions (62%). In the risk assessment stage, the use of Analytic Hierarchy Process relies on subjective judgment for weight allocation (53%), and the evaluation process is formalized (33%), which are the main challenges. The accuracy of the evaluation results in guiding subsequent measures needs to be improved (only 14% consider it "very accurate"). During the risk response phase, issues such as due diligence being superficial (34%), inadequate monitoring of fund flows (29%), and lagging legal compliance are prominent. This survey revealed core issues in H Trust Company's risk management of consumer finance business, such as insufficient data support, lack of process flexibility, and incomplete monitoring mechanisms, providing targeted data support for subsequent optimization.

4. Results and discussion

4.1. Analysis of Risk Management Issues and Causes in H Trust Company's Consumer Finance Business

H Trust Company faces multiple challenges in risk management in consumer finance business: during the risk identification stage, due to insufficient data support and subjective judgment, the identification results are easily influenced by personal experience, and team discussions are easily dominated by individual opinions, lacking structured tool guidance; In the risk assessment stage, excessive reliance was placed on the single model of the analytic hierarchy process, and the parameters were not optimized in combination with the dynamic characteristics of the business, so the assessment results were not practical enough; There are problems in the risk response stage, such as due diligence being superficial, blind spots in monitoring fund flows, and lagging legal compliance. Specifically, the traditional credit model is not adapted to the high-frequency characteristics of consumer finance, the transparency of fund pool projects is low, compliance documents are often supplemented during the project archiving stage, and the response to external policy changes is lagging behind. In addition, the emergency response to market risks is insufficient due to the lack of targeted consumer finance in existing mechanisms, making it difficult to quickly respond to changes in the policy environment; The monitoring of the flow of funds in loans is superficial and lacks in-depth tracking of their true purpose, making it difficult to identify the risk of fund fraud; Credit risk control follows the traditional system without establishing a consumer finance customer behavior database, resulting in inaccurate predictions of customer repayment ability and frequent risk events. These problems stem from weak data management capabilities, poor model adaptability, insufficient process flexibility, and imperfect monitoring systems, requiring targeted optimization to enhance risk management efficiency.

4.2. Model experiment

To enhance the efficiency of risk management, H Trust Company needs to promote improvements in three aspects: data support, model adaptation, and process improvement. In terms of data support and team collaboration, a risk database covering the entire process should be built, and big data and artificial intelligence technologies should be introduced to integrate customer behavior, market dynamics, and external credit information. Structured tools (such as risk classification matrices and scenario analysis methods) should be used to guide team discussions, promote the construction of cross departmental risk information sharing platforms, and reduce subjective influence; In terms of improving model adaptability and flexibility, it is necessary to adjust the parameters of the Analytic Hierarchy Process (AHP) based on the small-scale, high-frequency, and decentralized characteristics of consumer finance, integrate multiple model tools such as Monte Carlo simulation [7] and fuzzy comprehensive evaluation, establish a dynamic evaluation mechanism [8], simulate market fluctuations and policy change scenarios through scenario analysis, and regularly update model weights; In terms of due diligence and fund monitoring mechanism improvement, the due diligence process should be redesigned, adding customer credit, joint debt status, and behavior pattern evaluation links, introducing automated tools to enhance investigation depth, and establishing a full chain tracking system for fund flow and joint debt risk warning mechanism, promoting compliance review and risk control measures, ensuring that risk management runs through the entire project lifecycle, and strengthening regulatory updates, synchronous adjustments, and team training to enhance responsiveness to business changes.

4.3. Effect analysis

To enhance the effectiveness of risk management, it is necessary to establish a flexible and efficient emergency response mechanism: develop detailed emergency plans, establish emergency teams that include experts in market analysis, risk control, finance, etc., achieve real-time information sharing and rapid decision-making through an efficient information platform, and expand diversified business channels to diversify risks. Loan management needs to strengthen the monitoring of fund flow, ensure that funds are used for their designated purposes, and utilize financial technology to analyze the real-time use of funds; Continuously evaluate the borrower's repayment stability and dynamically adjust credit ratings through regular follow-up visits and risk control models; Track customer behavior and limit usage through big data, predict potential risks, and cover the entire management process. Credit risk control needs to deepen Internet data mining, expand APP installation, address book, equipment attributes and other dimensions, refine traditional data in combination with regional economic indicators, lending statistical characteristics and overdue records, integrate social network maps to extract gang behavior, overdue correlation and other characteristics, expand model characteristics from 100 to 100000 dimensions, build a precise credit risk control system, and provide solid support for steady business development.

5. Conclusion

Against the backdrop of rapid development in consumer finance, risk management has become a core issue for trust companies. H Trust Company has established a full process system covering risk identification, assessment, and response: identifying multidimensional risk factors such as misjudgment of information and market risks through brainstorming and interview methods; Adopting the Analytic Hierarchy Process to construct an evaluation index system, clarifying high-risk levels such as changes in policies and regulations, changes in economic conditions, and credit risks, and formulating layered response strategies. However, there is still room for improvement in its risk management - risk identification overly relies on subjective experience and team discussions, lacking data support; The evaluation process is programmatic for the application of Analytic Hierarchy Process and does not dynamically adapt to the characteristics of consumer finance business; The response measures did not fully match the business characteristics, such as due diligence using traditional credit models, blind spots in monitoring fund flows, and lagging compliance risk control. To address the above issues, it is necessary to strengthen data-driven and team collaboration mechanisms, enhance model adaptability and flexibility, and improve due diligence and fund monitoring systems.Future research can focus on three major directions: firstly, deepening the study of diversified risk types, exploring the risk transmission mechanism under the interweaving of macroeconomic cycles, industry competition, consumer behavior, and other factors [9]; Secondly, we will promote the adjustment of dynamic risk management strategies by establishing real-time warning models and cross departmental collaboration platforms to improve response efficiency; The third is to explore differentiation strategies[10]and integrate new technologies, such as formulating regional risk policies based on regional economic differences, using big data and artificial intelligence technology to build an intelligent risk management system, and promoting high-quality development of the consumer finance industry.

References

[1] *Hui, X. (2026). Research on the Design and Optimization of Automated Data Collection and Visual Dashboard in the Medical Industry. Journal of Computer, Signal, and System Research, 3(1), 27-34.*

[2] *Shen, D. (2026). Application of Large Language Model in Mental Health Clinical Decision Support System. International Journal of Engineering Advances, 3(1), 23-30.*

[3] *Wang, Y. (2026). Research on Optimization of Neuromuscular Rehabilitation Program Based on Physiological Assessment. European Journal of AI, Computing & Informatics, 2(1), 21-30.*

[4] *Ding, J. (2026). Optimization Strategies for Supply Chain Management and Quality Control in the Automotive Manufacturing Industry. Strategic Management Insights, 3(1), 17-23.*

[5] *Zhang, Q. (2026). How to Improve Marketing Efficiency and Precision through AI-Driven Innovative Products. Strategic Management Insights, 3(1), 1-8.*

[6] *Liu, Y. (2026). The Promoting Role of Fintech and Product Innovation in the Context of the Digital Economy. Strategic Management Insights, 3(1), 9-16.*

[7] *Lu, C. (2026). Research on 3D Reconstruction Methods of Remote Sensing Images Combined with Deep Learning and GIS. International Journal of Engineering Advances, 3(1), 15-22.*

[8] *Cai, Y. (2026). Design and Implementation of System Extensibility under High Concurrency Environment. International Journal of Engineering Advances, 3(1), 31-37.*

[9] *Liu, Y. (2026). The Application of Data-Driven Financial Risk Management in Multinational Enterprises. Economics and Management Innovation, 3(1), 20-26.*

[10] *Huang, J. (2026). Practice of Public Space Optimization and Functional Enhancement in Cultural Architecture. European Journal of Engineering and Technologies, 2(1), 9-21.*

[11] *Xu, D. (2026). AI-Driven Video Content Optimization Strategies for Immersive Media. European Journal of Engineering and Technologies, 2(1), 1-8.*

[12] *Qi, Y. (2026). AI Driven Payment System Security Improvement and User Privacy Protection Mechanism. Journal of Computer, Signal, and System Research, 3(1), 35-41.*

[13] *Qi, Y. (2026). High Reliability Architecture and Compliance Design of Enterprise Level Financial Infrastructure. International Journal of Engineering Advances, 3(1), 8-14.*

[14] *Sun, J. (2025). Research on Financial Systemic Risk Measurement Based on Investor Sentiment and Network Text Mining. Socio-Economic Statistics Research (2025), 6(2), 185-193.*

[15] *Lu, Z. (2025). Design and Practice of AI Intelligent Mentor System for DevOps Education. European Journal of Education Science, 1(3), 25-31.*

[16] *Lu, Z. (2025). AI-Driven Cross-Cloud Operations Language Standardisation and Knowledge Sharing System. European Journal of AI, Computing & Informatics, 1(4), 43-50.*

[17] *Wang, C. (2025). Research on Market Evaluation Strategies for Financial Institutions Based on Big Data Analysis.*

[18] *]Zhang, X. (2025). Optimization and Implementation of Time Series Dimensionality Reduction Anti-fraud Model Integrating PCA and LSTM under the Federated Learning Framework. Procedia Computer Science, 262, 992-1001.*

[19] *]Zhang, X. (2025, May). Automobile Finance Credit Fraud Risk Early Warning System based on Louvain Algorithm and XGBoost Model. In 2025 3rd International Conference on Data Science and Information System (ICDSIS) (pp. 1-7). IEEE.*

[20] *Xuanrui Zhang. Exploration of the Application of Big Data Technology in Financial Fraud Monitoring. Socio-Economic Statistics Research (2026), Vol. 7, Issue 1: 19-26*

[21] *Jin Li. Performance Analysis of Efficient Microservice Architecture in the Financial Industry. Machine Learning Theory and Practice (2026), Vol. 6, Issue 1: 1-9.*

[22] *Yiting Gu. Application and Optimization Strategies of Cloud Services in Front end Engineering. International Journal of Big Data Intelligent Technology (2026), Vol. 7, Issue 1: 1-8*

[23] *Yixian Jiang. Performance Optimization and Improvement of Advertising Machine Learning Platform Based on Distributed Systems. International Journal of Big Data Intelligent Technology (2026), Vol. 7, Issue 1: 9-17*

[24] *Bukun Ren. Multimodal Learning Method for Cross-Modal Data Alignment and Retrieval. International Journal of Multimedia Computing (2026), Vol. 7, Issue 1: 1-8.*

[25] *Shuang Yuan. Research on Abnormal Detection and Transaction Risk Management Based on Machine Learning. International Journal of Social Sciences and Economic Management (2026), Vol. 7, Issue 1: 10-18*

[26] *Zhengle Wei. Research on Innovative Design of Financial Derivatives and Market Risk Management Strategies. International Journal of Social Sciences and Economic Management (2026), Vol. 7, Issue 1: 19-27*

[27] *Yuhan Zhou. Green Bonds and Sustainable Financing Models in Energy Finance. International Journal of Social Sciences and Economic Management (2026), Vol. 7, Issue 1: 28-35*

[28] *Yilin Fu. Research on the Application of Innovative Financial Technologies in Capital Market Risk Management. Socio-Economic Statistics Research (2026), Vol. 7, Issue 1: 1-9*

[29] *Linwei Wu. Data Visualization and Decision Support Analysis Based on Tableau. Socio-Economic Statistics Research (2026), Vol. 7, Issue 1: 10-18*

[30] *Xinran Tu. Resource Allocation Optimization and Cost Saving Analysis Based on Data Mining. International Journal of Business Management and Economics and Trade (2026), Vol. 7, Issue 1: 1-9*
[31] *Wang, C. (2026). Research on the Control of Uncertainty Risks in Investment Decision-making by Financial Modeling.*
[32] *Chen, X. (2024, November). Cloud Storage User Behavior Analysis and Dynamic Replica Strategy Optimization Based on Improved RFM and Fuzzy Clustering. In International Conference on Cognitive based Information Processing and Applications (pp. 425-434). Singapore: Springer Nature Singapore.*