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Adaptation Strategies for Inclusive Finance: A Study of Chinese Commercial Banks

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Abstract: *This study explores the dynamic interaction between commercial and social logics in the inclusive finance sector, with a specific focus on commercial banks. It is grounded in the concept of institutional logics, which includes a variety of symbols, beliefs, norms, and practices that shape societal realities and influence organizational behaviors. Commercial banks face the challenging task of balancing their pursuit of economic benefits against the diverse, and at times conflicting, demands from governments, society, and the market. A comprehensive analysis of several Chinese commercial banks reveals four distinct strategic responses: Observers, Cynics, Adapters, and Innovators. The findings offer insightful perspectives and practical recommendations for commercial banks seeking sustainable growth and profitability within the challenging terrain of inclusive finance.*

Keywords: *Institutional Complexity, Response Strategies, Institutional Logics, Inclusive Finance, Commercial Banks*

1. Introduction

Inclusive finance, designed to offer sustainable, accessible, and affordable financial services to low-income populations and small enterprises, stands at the forefront of global efforts to combat financial exclusion and promote social equality [1,2]. This mission has gained considerable traction in China, where the government has strategically championed inclusive finance as a national imperative. Policies have been enacted to encourage commercial banks to engage robustly in this sector, exemplified by the People's Bank of China's "Inclusive Finance Development Plan (2016-2020)." This plan delineates a significant role for commercial banks, leveraging their capital strengths and extensive networks to expand small and micro-enterprise loans and personal consumer lending–key drivers for economic growth.

However, this initiative places commercial banks at the crossroads of competing institutional logics [3]. On one hand, the government-led social logic, deeply embedded in national policy, mandates banks to actively support financially underserved segments–a move underscored by detailed performance metrics and compliance expectations. On the other hand, the intrinsic commercial logic of these banks seeks to maximize profitability, naturally gravitating towards lower-risk, higher-return ventures. This dichotomy presents a conundrum: the focal demographic of inclusive finance, inherently riskier due to its credit profile, does not align neatly with the banks' risk appetite [4]. Navigating this paradox–adhering to governmental mandates while safeguarding their commercial interests–poses a substantial challenge for commercial banks. The balancing act between these divergent logics also forms the core quandary in the quest to propel inclusive finance forward.

The pivotal question of how commercial banks reconcile the competing institutional logics of commercial and social mandates in inclusive finance invites an in-depth examination of organizational response strategies. These strategies, delineated in scholarly discourse, refer to the various actions or stances that organizations adopt in reaction to external institutional demands or pressures [5]. In the context of inclusive finance, commercial banks, as primary stakeholders, mirror both the successes and challenges of macroeconomic reforms through their micro-level operational decisions. Their strategic responses to institutional pressures are marked by varying degrees of proactivity, ranging from active resistance and reconstructive efforts to passive compliance or institutional conformity [6].These strategic choices are influenced by two main factors: the prominence of the issue at hand and the cost-benefit analysis of mobilizing resources. These elements collectively shape an organization's inclination and capacity to respond, leading to a spectrum of possible reactions. These include symbolic or substantive compliance and consistency, or in some cases, a strategy of non-action [7].

There's a prevailing viewpoint that commercial banks' involvement in inclusive finance is primarily due to government mandates rather than their own business interests. This perspective, highlighting the "thankless task" nature of the venture and the risk-reward conundrum of lending to small and medium enterprises, has led to a degree of pessimism about the sustainability of inclusive finance [3]. Scholars have raised doubts about the banks' ability to effectively balance commercial and social logics, with concerns about potential "mission drift," even when dual strategies, such as organizational separation of inclusive finance operations, are in place [8]. Over time, the commitment to inclusive finance policies and the pursuit of social responsibility by banks have increasingly been perceived as idealistic [9-12].

This dominant narrative has tended to overemphasize the role of the external institutional environment in shaping bank behavior, reflecting a structuralist slant. While initially useful in understanding the collective challenges banks faced with policy introduction, it struggles to explain the diversity and complexity in the sector over time, and doesn't fully capture how banks navigate the balance between economic gains and social benefits. Consequently, our study adopts a more agency-focused perspective, delving into the diverse attributes of commercial banks and their approaches to managing the conflict between commercial and social logics in the context of inclusive finance. This research primarily seeks to address two crucial questions: How do commercial banks respond to the tensions between commercial and social logics, and what strategies do they employ to strike a balance between these logics?

Employing a multi-case study approach, this paper selects a range of Chinese commercial banks as examples. China's unique policy landscape around inclusive finance offers a distinctive vantage point for studying the interplay between policy directions and commercial growth. Through an inductive thematic analysis of these cases, our study identifies four distinct response strategies. By concentrating on the emerging economy context, this research contributes significant insights into strategies for negotiating institutional logic conflicts. It not only enriches the academic discourse but also serves as a practical guide for commercial banks striving for a harmonious blend of social responsibility and economic efficiency in the sphere of inclusive finance.

2. Theoretical Background: Conflicting Institutional Logics and Organizational Responses

Institutional logic, which reflects the broad spectrum of societal values, beliefs, and norms, lends significant meaning and legitimacy to organizational behavior [13]. One of the primary challenges for organizations is navigating environments characterized by conflicting institutional logics. These environments, marked by diverse and often competing value systems, substantially influence organizational conduct and require strategic decision-making to align objectives, strategies, structures, and cultures [5,14]. This challenge is particularly evident in the realm of corporate social responsibility (CSR), especially in scenarios where there is a dynamic interplay between strong governmental and market forces [15]. In such contexts, the governance practices of a dominant government intersect with the profit-driven logics of the market, adding a layer of complexity to the institutional landscape. This complexity is particularly noticeable in transitional economies like China. A case in point is the Chinese banking sector, where banks are actively engaged in providing inclusive financial services. In doing so, they operate in a space where the demands of social responsibility and commercial interests not only converge but at times also conflict [16]. For these commercial banks, the key challenge lies in harmonizing the divergent imperatives of government regulations and market forces.

Organizational responses to conflicting institutional logics involve a variety of approaches taken when encountering clashes between different societal norms, values, and beliefs. In hybrid organizations like social enterprises and microfinance institutions, there's a strategy to balance these conflicting logics through methods like blending institutional norms, engaging in dynamic interactions, and making strategic choices. Battilana and Dorado (2010) [17] provide an illustrative case with their study of two Bolivian microfinance organizations. They found that these organizations balanced differing logics by strategically recruiting and training their staff, with BancoSol notably emphasizing operational excellence alongside its social mission. Additionally, the scholarly discourse identifies five overarching strategies to tackle conflicts in institutional logic, encompassing structural, contextual, personnel-based, temporal, and locational approaches [15]. However, there is a counterargument warning of the risk of "mission drift" in organizations, where there's a danger that social objectives may be overshadowed or compromised by the pursuit of economic gains, or the other way around [18]. This issue is particularly acute among seasoned credit professionals who may show reluctance in serving disadvantaged clients

[19].

Existing studies indicate that commercial banks may reconcile economic efficiency with social welfare within inclusive finance initiatives. However, given the inherent diversity and complexity of commercial banks, the specifics of their behavior and influential factors in inclusive finance remain somewhat elusive. A prevalent assertion is the difficulty in harmonizing the dual legitimacy and dual operation within inclusive finance [20], a sentiment underscored by early policy frameworks favoring a structuralist, institution-centric view. While initially beneficial for analyzing collective dilemmas faced by commercial banks, these frameworks gradually overlook the diversity and intricacy inherent in the sector, failing to fully illustrate how banks balance economic and social objectives. Therefore, this paper seeks to intricately delineate the multifaceted nature of commercial banks at a micro-level, thoroughly analyzing how they respond to institutional logic conflicts in their inclusive finance operations. Identifying the factors influencing their strategic choices is vital.

What's more, by uncovering the rationale and mechanisms behind these decisions, we can elucidate the role and challenges of commercial banks in realizing inclusive finance objectives. Understanding these aspects will enable us to propel commercial banks towards a more favorable balance between economic and social benefits. To facilitate this understanding, we propose a theoretical analytical framework, aiming to provide a comprehensive exploration of the nuanced landscape of commercial banking in inclusive finance.

3. Methodology

3.1. Research Design

Our study employs a qualitative case study approach, recognized for its depth in exploring organizational behaviors within specific contexts [21,22]. This methodology will allow us to observe and interpret the strategic responses of commercial banks in their natural operational environments, providing a nuanced understanding of their actions [23]. Additionally, the case study is beneficial for its support of abductive reasoning, fostering a dynamic blend of theory and emerging empirical data [24]. This process ensures that our conclusions are grounded in established academic discourse while also reflecting real-world practices. By focusing on several banks, we aim to uncover and elucidate the complex strategies they employ to reconcile commercial efficiency with social objectives, thereby enhancing our understanding of organizational behavior in the financial sector.

In this examination, we turn our lens to commercial banks deeply engaged in inclusive finance, entities that stand on the front lines of executing national policies on financial inclusion. These institutions align wiht the principles of theoretical sampling [25], providing a fertile ground for investigating the organizational adaptation to competing institutional demands. The study incorporates a broad range of banking organizations: national joint-stock commercial banks, large state-owned commercial banks, urban commercial banks, and rural commercial banks. This choice aims not to dissect the reasons for varied bank strategies, but to map the range of these strategies, enhancing our understanding of inclusive finance effectiveness. More precisely, the research incorporates 6 national joint-stock commercial banks, 9 large state-owned commercial banks, 7 urban commercial banks, and 4 rural commercial banks. This approach is advantageous as it captures diverse banking behaviors for comprehensive analysis, and relies on readily available, detailed data on inclusive finance for reliable insights [23].

3.2. Case Background

At their foundation, Chinese commercial banks are financial institutions with a primary objective of profitability, traditionally catering to state-owned and large private enterprises. Traditionally, their engagement with small and micro enterprises, as well as the agricultural sector – often referred to as the "three rural issues" – has historically been limited [12]. With the onset of the 21st century and the gradual optimization and upgrading of the economic structure, the financing demands of small and micro enterprises, individual entrepreneurs, farmers, and low-income groups have significantly increased. The traditional credit models of commercial banks, hindered by information asymmetry and inherent high risks, have proven unsuitable for these less privileged groups. This misalignment has resulted in widespread difficulties in accessing affordable financing, posing a major constraint on socio-economic development.

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In response, the Central Committee of the Communist Party of China and the State Council embarked on top-level policy designs to address these financing challenges. They introduced a series of policy regulations, assessment metrics, financial incentives, and structural mandates, urging commercial banks to vigorously develop inclusive finance [26]. Notably, in 2006, the China Banking Regulatory Commission mandated the establishment of dedicated inclusive finance departments [27]. Further, the 12th Five-Year Plan (2011-2015) defined specific inclusive finance goals [28], and in 2019, regulatory authorities required large banks to increase inclusive loans to small and micro enterprises by over 30% annually [29].

Under the guidance of the Central Committee and the State Council, commercial banks expanded their inclusive finance operations significantly. By 2015, all major state-owned banks had surpassed their inclusive finance development targets [30]. As of the third quarter of 2023, inclusive loans to small and micro enterprises totaled 28.4 trillion yuan, showing a year-on-year increase of 23.9% [30]. Among them, the six major national joint-stock commercial banks had a 24.45% increase from the previous year, accounting for 39.12% of the total industry proportion [30]. These figures underscore that commercial banks have effectively assumed a leadership role and achieved significant progress in penetrating these services.

3.3. Data Collection

In our study, we adopted a dual approach to ensure the integrity of our findings: conducting semi-structured interview and gathering secondary data. This methodology, rooted in the principle of mutual validation [31], is instrumental in mitigating potential biases during data collection.

3.3.1. Interviews

Table 1: Interview sample information.

Collection Phase	ID	Institution Type	Position	Interview Duration/min	Word Count
Phase 1	A1	Joint-Stock Commercial Bank	Department Leader	32	3,013
	A2		Department Leader	65	14,100
	A3		Department Leader	57	15,239
	A4		Department Leader	55	12,631
Phase 2	B1	Urban Commercial Bank	Account Manager	38	8,187
	B2		Risk Management Staff	45	13,241
	B3		Account Manager	40	12,305
	B4		Senior Management	67	14,458
	B5		Senior Management	73	17,063
	B6		Department Leader	42	9,012
	C1	Rural Commercial Bank	Department Leader	36	9,014
	C2		Credit Assessor	56	12,650
	C3		Account Manager	40	8,012
Phase 3	D1	State-Owned Commercial Bank	Account Manager	77	20,519
	D2		Account Manager	83	22,323

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Collection Phase	ID	Institution Type	Position	Interview Duration/min	Word Count
	D3		Credit Assessor	102	25,064
	D4		Senior Management	110	25,893
	D5		Department Leader	47	16,147
	D6		Risk Management Staff	88	21,518
	D7		Account Manager	19	2,871
	D8		Department Leader	80	22,382
Phase 4	A5	Joint-Stock Commercial Bank	Credit Assessor	23	2,771
	A6		Account Manager	121	26,504
	D9	State-Owned Commercial Bank	Department Leader	47	10,152
	B7	Urban Commercial Bank	Account Manager	80	20,710
	C4	Rural Commercial Bank	Department Leader	77	19,065
Extra	/	Banking Regulatory Commission	Staff	55	15,100
	/	People's Bank of China	Staff	58	10,478
	/	Private Bank	Staff	113	20,807
	/	Small and Micro Enterprise	Founder	16	1,832
	/		Executive	23	2,300

In our comprehensive study spanning December 2020 to December 2022, we conducted 31 semi-structured interviews, carefully selected for their relevance and accessibility. The majority of these interviews, 26 in total, involved a range of personnel from various commercial banks, including senior executives, department heads, customer managers, credit analysts, and risk management staff. Additionally, we included 5 interviews with professionals from other related institutions to provide contrasting perspectives and supplementary insights; however, these were not part of our primary sample. The interviews were structured in two distinct formats: 11 were in-depth, face-to-face conversations, while the remaining 20 were conducted remotely via audio. Detailed information on the interview samples can be found in Table 1.

Our data collection comprised four distinct phases. Initially, we partnered with a CITIC Industrial Bank branch for 4 interviews (3.5 hours, 45,000 words transcribed). The second phase involved 9 interviews with rural and urban commercial bank staff in inclusive finance, totaling 7 hours and 100,000 words. In the third phase, we conducted 8 interviews with state-owned and joint-stock commercial bank employees, resulting in 156,000 words from approximately 10 hours of conversation. The final phase included 5 interviews (5.8 hours, 80,000 words transcribed) with staff from various banks' inclusive finance departments. Additional data from other sources added 4.4 hours and 50,000 words of transcription. Interview topics spanned organizational structures, assessment methods, development paths, business models, strategic orientations, management systems, and staffing policies in inclusive finance, as well as personnel attitudes. To ensure data accuracy and reliability, each interview was recorded, transcribed within 24 hours, and meticulously reviewed by our research team. Insights from each interview informed the refinement of subsequent interview guides, maintaining a strategic and coherent approach to our qualitative research.

3.3.2. Archival Documents

Beyond our primary data from semi-structured interviews, our research was further bolstered by a comprehensive collection of secondary data, comprising internal corporate archives, scholarly literature, media reports, and relevant legal documentation. Initially, our interviewees granted access to a treasure trove of internal documents, which included intricate details on inclusive finance products, business management protocols, approval standards, and specifics of small and microenterprise lending. We also extensively gathered and methodically organized public data from the websites and official WeChat accounts of major commercial banks, classifying the information by bank, timeline, and type, culminating in an aggregation of approximately 50,000 words of pertinent text.

In addition, we enriched our data set with a broad range of academic and professional literature pertinent to inclusive finance. This included scholarly articles identified using keywords like “inclusive finance” and “microfinance,” in both English and Chinese. Furthermore, case studies were sourced from management case-sharing platforms, and comprehensive reports were collated from various third-party and governmental sources, collectively contributing an additional 65,000 words of valuable text.

Finally, we meticulously gathered and categorized policies and interpretative materials on inclusive finance from the China Banking and Insurance Regulatory Commission and the State Council’s official websites. This effort was organized into specific categories such as the establishment of inclusive finance departments, pilot programs, assessment criteria, and policy explanations, amassing around 47,000 words. Details of the secondary data are presented in Table 2.

Table 2: Overview of secondary data sources.

ID	Data Type	Description	Sources	Word Count
Intarch	Internal Corporate Archives	Inclusive finance product details, business management protocols, approval standards, microenterprise lending specifics.	Interviewees, major commercial banks’ websites, and official WeChat accounts	~50,000
Acade	Academic and Professional Literature	Books, articles, case studies, and reports on inclusive finance and microfinance.	Keyword searches, case-sharing platforms, third-party and government reports	~65,000
Poldoc	Policy Documents and Interpretations	Categorized materials on inclusive finance departments, pilot programs, assessment criteria, policy explanations.	China Banking and Insurance Regulatory Commission and State Council official websites	~47,000

3.3.3. Data Analysis

Our study employed an inductive thematic analysis method for data analysis [32], which involves a process of coding, abstracting, and inducting from raw data to construct a theoretical narrative. Initially, we used first-order coding to capture participants' direct perspectives, followed by second-order coding that incorporated our interpretative analysis [33]. This led to the aggregation of these themes into broader theoretical dimensions, in a process termed third-order coding [34]. Our data analysis identified the various response strategies commercial banks employed against competitive logic (Illustrations of the results are provided in Tables 3).

Table 3: Heterogeneous response strategies in commercial bankings.

Type	Social Logic	Commercial Logic	Concept Definition	Example Quotes
Observers	Medium	Medium	Following its own business inertia, maintaining a lukewarm attitude towards inclusive finance services.	Inclusive finance, it's great for society, but it's quite the challenge for banks. Right now, we're figuring out how to balance meeting regulatory demands while also making sure this area of our business stays viable. (D1) As someone on the front lines, I definitely feel the push from above to ramp up our inclusive finance services. But, let's be real, the market demand is still pretty limited. We need more time to really get to know our customers and tweak our product designs to fit this market.(B7)
Cynics	High	Low	Meeting the assessment criteria with the minimum standard.	Banks are all about profit and growth…We recently launched an inclusive finance department, primarily in response to national policy directives. It's a task with political implications. Despite the possibility of non-profitability, it's something we need to commit to. (A2) Honestly, without the central government's specific tasks and targets, most banks wouldn't bother. It's a bit of a forced hand since we're under state regulation. (D3)
Adapters	Low	Medium	Proactive agents in the financial sector who reliably align with and act upon regulatory policies.	Post-reform, the rural credit cooperatives transitioned into rural commercial banks. They've long been key players in rural finance, making their fit into inclusive finance quite natural. As a result, they don't face as much pressure in this realm. (C2) The bank's all in on this as a strategic move. It's part of what big state-owned banks are supposed to do. Immediate results might not be obvious, but it's bringing added benefits, like a stronger bond with the government.(D7)
Innovators	High	High	Agile market participants, capitalizing on chances to expand their clientele and introduce groundbreaking financial services.	Inclusive finance is a real opportunity for banks to get creative with their customer base and product lineup. It's not just about following policy – there's space for banks to implement their own reforms too.(D6) In our bank, the approach to inclusive finance feels more grassroots than top-down. It's similar to how the reform and opening up or the household responsibility system worked. We're pushing it boldly now because we're getting creative with how we deliver these services.(D2)

To ensure the reliability and validity of our results, we employed rigorous methods. We engaged in reflective validation by sharing detailed descriptions with key informants for feedback on analytical accuracy. Additionally, peer debriefing sessions facilitated critical scrutiny of underlying assumptions, leading to refinement of our theoretical model. Acknowledging that our study is exploratory, it presents one of many possible perspectives in this research domain.

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4. Findings

In the inclusive finance sector, Chinese commercial banks navigate the dual demands of commercial and social logics. They are tasked with pursuing economic profit in a competitive market while fulfilling social and political responsibilities mandated by national policies. The interplay between these logics is complex, often leading to conflicts due to their different goals. This raises a critical question for these banks: should they prioritize resource efficiency or align more closely with institutional directives? Their strategic responses to this dual logic vary, reflecting individual interest structures and resource attributes. This study classifies their responses into four categories: Observers, Cynics, Adapters, and Innovators, each of which is analyzed in subsequent sections.

4.1. Observers

In the inclusive finance sector, large and medium-sized commercial banks, backed by the government, face higher business assessment demands due to their substantial financial resources, technological strength, and risk management capabilities(Intarch3[27]). Meanwhile, urban and rural banks, with less motivation and limited resources for inclusive finance, encounter operational challenges and are subject to less stringent assessments. This leads to a nuanced scenario where certain banks, particularly in urban and rural areas, adopt a cautious, "wait-and-see" approach towards inclusive finance. Such banks, guided by traditional business models, allocate a minimal fraction of their resources to inclusive finance, treating it as a peripheral aspect rather than a strategic priority. A regional bank representative (C1) succinctly stated: "Government inclusive finance requirements differ by bank. In our region, the government prefers working with banks that align with its policies. For us, traditional banking remains our focus, with inclusive finance playing only a minor role in our strategy."

Certain banks, deemed as "Observers," exhibit a discernible apathy. They approach the sector primarily as a regulatory obligation, cautious of potential extra costs and risks. Interviewee B4 captures this sentiment: "We are indifferent towards inclusive finance. It's neither a priority nor a rejection, as long as it doesn't interfere with our main business." This attitude suggests a limited understanding of the sector's value, almost marginalizing its role in their strategic planning. However, this does not mean inclusive finance is devoid of appeal for them. For these banks, high-quality inclusive finance projects, especially those eligible for central bank benefits like reserve requirement reductions, can be advantageous. B6 remarks, "Inclusive finance can be profitable with central bank subsidies," and C2 points out, "It's not all negative for customer managers." This reflects an evolving perspective, indicating a gradual, albeit hesitant, realignment of their strategies with broader financial inclusion objectives, balancing immediate business concerns.

They hesitate to fully embrace this new wave, preferring a more conservative path. As senior bank executive B5 explains, "We're cautious about policy futures and opt for a wait-and-see strategy." These banks tend to allocate resources to well-understood, traditional businesses, avoiding the less familiar inclusive finance sector. B6, a mid-level bank manager, emphasizes this by saying, "We prefer investing in known areas over new, unclear fields." Their strategy focuses on steady growth, avoiding rapid responses to short-term policy changes or market fluctuations. In practical terms, these banks usually start with small-scale inclusive finance projects, as C3 notes, allowing for careful monitoring and gradual adaptation without disrupting existing operations.

4.2. Cynics

A group known as the "Cynics" stands out for their wary stance towards inclusive finance. Facing the dichotomy between societal duties and financial gains in inclusive finance, they demonstrate a distinctively pessimistic pragmatism. These banks doubt the profitability of inclusive finance, seeing it as more of a political directive than a business opportunity. This viewpoint is aptly summarized by A3 and D1, who characterized the efforts in inclusive finance as "laborious and unrewarding". Despite their skepticism, they recognize the necessity to meet state requirements, as D6 elucidates, "Overlooking policy guidelines is simply not viable. If we were to do so, we might face regulatory sanctions, disrupt our business operations, and even tarnish our brand reputation." This situation has placed them in a position of strategic dissonance, where they fulfill minimum requirements of inclusive finance without genuine enthusiasm.

Under the weight of rigorous regulatory assessments, these banks find their operational flexibility limited, with every policy metric serving as a restraint. Echoing this sentiment, D6 notes the "very low

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return on investment" and D1 highlights the direct impact on performance wages when failing to meet inclusive finance criteria. The regulatory environment, with its uncompromising "one-vote veto" policy, exacerbates their hesitancy and leads to strategic vagueness and reduced effectiveness.

In response to these pressures, They employ creative strategies to find clients that fit the criteria for inclusive finance, an approach metaphorically described by D1 as "Eight Immortals crossing the sea, each displaying their divine powers". While this ensures regulatory compliance, it does not advance the true spirit of inclusive finance. Consequently, these banks operate with a lackluster commitment to inclusive finance, treating it more as a checkbox exercise than an integral part of their business strategy. This leads to a resigned acceptance, as succinctly expressed by one banker, "We have to devise countermeasures for every policy from above,"(A1) coupled with the hope that "inclusive finance won't continue in the future," (D7) as a way to escape this paradox.

4.3. Adapters

In the inclusive finance sector, a distinct group of commercial banks, known as "Adapters," are making their mark with a forward-thinking approach. These banks, particularly rural commercial banks emerging from rural credit cooperatives, naturally resonate with the principles of inclusive finance. C3, a senior manager, explains, "Originating in rural finance, our focus has always been on small businesses and the underprivileged, which aligns perfectly with the spirit of inclusive finance." This intrinsic alignment allows them to seamlessly integrate their commercial goals with social responsibilities, sidestepping the internal conflicts that plague others. Their approach to inclusive finance is more than just adhering to policy; it's about embracing it as part of their mission, beneficial for both societal development and their own growth.

The "Adapters" view inclusive finance through a comprehensive lens. They see beyond mere regulatory compliance, recognizing its broader social and economic potential. As one project manager points out, "The government's benchmarks and supportive policies aren't just checkboxes for us; they direct our growth and help us identify new opportunities." This positive outlook on policy mandates and support mechanisms positions them as facilitators rather than mere participants, enabling them to serve micro-enterprises and marginalized groups more effectively.

In terms of implementation, the "Adapters" are at the forefront of innovation in products and services tailored to inclusive finance needs. They constantly refine their lending processes, reducing costs and enhancing both efficiency and outreach. A case in point is a bank that introduced quick loan products for small businesses, dramatically cutting down loan approval times through digitalization. "Our goal is to make inclusive finance services more accessible and affordable through technology," says the head of their inclusive finance department. These efforts do not merely comply with policy requirements but also strengthen their market position, fostering trust and support among their customers.

4.4. Innovators

In the realm of banking, a forward-thinking segment identified as "Innovators" is reshaping the concept of inclusive finance. This group, characterized by sharp market insights and an eagerness to embrace new opportunities, is steering the sector towards a nuanced approach that harmonizes social responsibility with commercial viability. This balance is not just a strategic choice but a necessity in today's landscape, as highlighted by a senior executive, A3: "In our era, adopting inclusive finance as a political imperative is inescapable."

However, for these Innovators, this commitment goes beyond mere compliance. They adeptly fuse social and commercial goals, constantly scouting for fresh avenues for growth. A3 further remarks, "The potential for inclusive finance to flourish is notably high in China, due to a unique mix of policy-driven and market-oriented tactics." This comment underlines a crucial realization: the limits of a purely commercial approach in inclusive finance, especially given the disproportionate risk-reward dynamics. Consequently, Innovators are championing a blend of systemic support and social rationale, employing tools like targeted reserve requirement ratio adjustments and specialized assessments to foster inclusive finance.

The drive towards innovation is further fueled by the ever-increasing benchmarks set for inclusive finance. A1 underscores this escalating challenge: "The incremental value of tasks is consistently rising." Similarly, E3 points out the career risks associated with failing to meet these evolving standards. Banks are thus compelled to realign their traditional customer and product frameworks with these new criteria.

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"Our shortcomings are increasingly evident," A3 admits, signaling an urgent need for product innovation amid stiff competition. Reflecting on the past oversight of SMEs and small loans, which led to a skewed customer base, A3 indicates a strategic pivot towards servicing previously neglected market segments. This refocus aims not only for operational excellence but also for significant growth in the sector.

In this changing environment, banks are realizing that social and commercial goals can be synergistic rather than antagonistic. E2 succinctly states: "Tackling social challenges can unify social and commercial values." The shift from a profit-centered model to one that emphasizes service and philanthropy is becoming increasingly apparent. D4 observes, "We must transition from a profit-driven mindset to a socially service-oriented one." This strategic realignment is a response to persistent market competition, with entities like Bank D approaching inclusive finance from a grassroots level. For these institutions, inclusive finance has evolved into a strategic pillar, touching upon resource allocation, training, product innovation, and risk management. The effectiveness of these strategies is evident in organizations like Bank E, where inclusive finance now significantly contributes to profits, demonstrating that commercial success and social benefit can coexist harmoniously.

5. Conclusion and Discussion

This study, through interviews with personnel involved in inclusive finance at Chinese commercial banks and a comprehensive review of public secondary sources, identifies distinct behavioral responses to the corporate social responsibility of "inclusive finance." These responses are categorized into four types: Observers, Cynics, Compliers, and Innovators.

5.1. Theoretical Contributions

This study, with its focus on representative local commercial banks within China's distinctive economic institutional framework, carries practical significance. It sheds light on how local enterprises, particularly in the Chinese context, strategically respond to sudden increases in external institutional pressures and navigate the balance between social and commercial imperatives. The findings raise broader implications for how businesses in developing economies perceive corporate social responsibility and generate value amidst economic transitions.

In the context of the Chinese government's regulatory approach to commercial markets, a pronounced dominance and assertive market control are apparent. While market players often find themselves reacting to these dynamics, there is scope for proactive preparation. Historically, companies in transitional economies have assumed implicit social responsibilities. Moving forward, there's an opportunity for a paradigm shift in corporate social responsibility, emphasizing holistic enterprise value and meeting stakeholder expectations, thereby solidifying their organizational resilience in adapting to the institutional environment.

From a policy perspective, it is vital to guide enterprises beyond the conventional zero-sum mindset while enacting people-centric policies. This extends beyond traditional measures like assessments, subsidies, and penalties. It entails reshaping corporate mindsets, spurring innovative practices, and making timely adjustments to promote systemic innovation and transformation. Policymakers must also remain vigilant against policy deviations and mission drift, ensuring that people-focused policies are effectively executed and yield tangible benefits at the grassroots level. This approach is key to fostering an environment where businesses can thrive while aligning with broader societal goals.

5.2. Limitations and Future Research

This research primarily undertakes a horizontal comparison of inclusive finance practices among different commercial banks in China. While the interview sample was carefully selected for its concentration and representativeness, this approach restricted the depth of exploration into each bank's institutional logic and behavioral processes. Future studies could enhance the depth of analysis by increasing the sample size, diversifying data sources, and extending the data collection period. Such expansion would facilitate a more thorough longitudinal examination of the developmental trajectories of various strategic respondents within the field.

Additionally, the current study relies mainly on qualitative research methods. Future research could be enriched by incorporating quantitative approaches, such as using panel data spanning multiple time points in inclusive finance operations. This would not only deepen the data resource base but also diversify the methods of argumentation, providing a richer and more multifaceted understanding of the dynamics in the sector.

Employing these enhanced research methodologies would offer a more holistic view of the evolving strategies of commercial banks in responding to the complex challenges and opportunities of inclusive finance. This methodological integration promises a more detailed and nuanced exploration, contributing significantly to the body of knowledge in financial studies. Such an approach would not repeat findings but rather build upon them, providing fresh insights and a more comprehensive understanding of the strategic responses in inclusive finance.

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