

DEVELOPMENT AND PROSPECT ANALYSIS OF RISK MANAGEMENT CAPABILITY OF COMMERCIAL BANKING BUSINESS

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For a long time, the stable development of the financial system has been the focus of the government, and the supervision of the banking system is the top priority to ensure the stable operation of the financial system. For commercial banks, capital is an important tool to maintain the continuous operation of commercial banks and resist unexpected risks. The capital adequacy level of commercial banks is of great significance, which is related to the stable operation and sustainable development of commercial banks. The relationship between capital supervision and commercial banks' risk-taking level with capital adequacy as the core is a very important issue.

Keywords: commercial bank; comprehensive risk management; financial market; globalization; business development.

РАЗВИТИЕ И ПЕРСПЕКТИВНЫЙ АНАЛИЗ ВОЗМОЖНОСТЕЙ УПРАВЛЕНИЯ РИСКАМИ КОММЕРЧЕСКОГО БАНКОВСКОГО БИЗНЕСА

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Долгое время стабильное развитие финансовой системы находилось в центре внимания правительства, а надзор за банковской системой является главным приоритетом для обеспечения стабильной работы финансовой системы. Для коммерческих банков капитал является важным инструментом поддержания непрерывной работы коммерческих банков и противодействия неожиданным рискам. Уровень достаточности капитала коммерческих банков имеет большое значение, что связано со стабильной работой и устойчивым развитием коммерческих банков. Взаимосвязь между контролем за капиталом и уровнем риска коммерческих банков с достаточностью капитала в качестве основного является очень важным вопросом.

Ключевые слова: банк; комплексное управление рисками; финансовый рынок; глобализация; развитие бизнеса.

Introduction

The financial system is the core of the development of the modern national economy, and commercial banks are an important subject of the financial system, taking on the lifeline and mediating role of social and economic activities. Due to the fragility of

the financial system and the linkage transmission effect of systemic risks, the stable operation and healthy development of commercial banks are related to the smooth operation and sustainable development of the global economy as a whole. Establishing a sound risk management mechanism is crucial for commercial banks to do a good job in risk management. With the progress of the times and the improvement of economic and social level, commercial banks have experienced long-term rapid development. Although their business models, business concepts and management methods are gradually modernized, their risk management level and risk prevention and control capabilities have not developed synchronously, showing obvious lag and limitations. In the context of the new era, commercial banks urgently need to improve their risk management level. Comprehensive risk management is the main concept of contemporary risk management [1]. To build countermeasures, commercial banks focus on cultivating a risk management culture, create a good risk management external environment, formulate specific and clear risk management strategies, optimize and upgrade the risk management organizational structure, strengthen the training of risk management professionals, and use information technology to establish a sharing mechanism and risk management. Early warning mechanism.

1. The impact of the tightening external regulatory environment on the business development of commercial banks

The tightening regulatory environment has had a certain impact on commercial banks' traditional credit business and non-credit business, and commercial banks' operating pressure has manifested to a certain extent.

1) Regulatory policies are increasingly guiding the direction of commercial banks' credit business. Credit business has long been the core asset business of commercial banks. However, it is subject to the pressure of assessment indicators and regulatory innovation. In addition, Internet finance continues to erode traditional financial business. Commercial banks have a strong willingness to develop non-credit business. Commercial banks must return to their origins and fully serve the real economy. They must flexibly control existing loans and speed up the disposal of non-performing loans. At the same time, they must also optimize incremental loans and implement differentiated credit policies. Resolutely withdraw from the relevant loan.

2) The outsourcing business of commercial banks has shrunk significantly, and the benefits of investment leverage have appeared. Outsourcing business is one of the important channels for asset allocation in the financial market, and commercial banks are the main participants in outsourcing business. With the development of the era of large-scale asset management, the scale of self-operated and wealth management funds of commercial banks has accelerated. Banks entrust self-operated funds or wealth management funds to funds, securities companies, trusts and private equity, and these external institutional managers will actively manage according to the agreed scope [2]. Which will help commercial banks optimize their own investment capabilities and effectively expand their investment scope in compliance with regulations. Product model and investment consulting model are the main models for commercial banks to develop outsourced business.

Generally speaking, the outsourced business of large banks and joint-stock banks is more inclined to carry out product cooperation in the form of trust plans and fund channels, while urban commercial banks, agricultural Due to the restrictions of policies and other conditions, commercial banks are more inclined to participate in the form of investment consultants when conducting outsourcing business. With the joint promotion of banks and market investment institutions, outsourcing business has developed rapidly in recent years. At the same time, its own the existing problems and the resulting credit risks, liquidity risks and other issues are also accumulating and accelerating exposure. In the face of strict regulatory pressure, some large banks and joint-stock banks have changed their risk preferences, and large-scale outsourcing redemptions have occurred [3]. Many banks have chosen a more cautious attitude towards outsourced funds that have expired, which has caused the scale of outsourcing to be affected. Restrictions, the growth rate of outsourced debt sources continued to slow down.

2. Analysis of the current situation and risk management capability of Chinese commercial banks

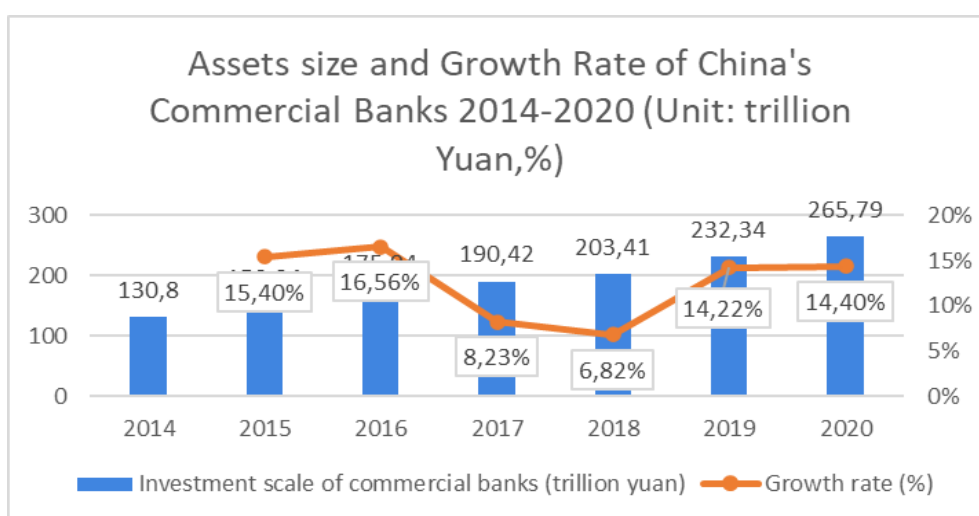
Released according to the «China Listed Banks Analysis Report 2021». A few days ago, the «Report» shows that by the end of 2020, the number of listed banks in China has reached 54, including 6 large banks, 10 joint-stock banks, 28 city commercial banks, and 10 rural commercial banks. According to the 2020 annual report data, the total assets of 54 Chinese listed banks reached 218,26 trillion yuan, a year-on-year growth rate of 10,20 %, and the growth rate increased by 1,30 percentage points over the previous year. The proportion of asset size in the total assets of Chinese commercial banks was 82,12 %.

The «Report» believes that in the face of many challenges in 2020, listed banks should focus on preventing and defusing financial risks, deepening the structural reform of the financial supply side, and improving the quality and efficiency of serving the real economy.

In recent years, with the advancement of the structural reform of the financial supply side, commercial banks have been actively embracing financial technology and promoting digital transformation, and the overall operation of commercial banks has been stable. In 2020, commercial banks will focus on risk capabilities, with net profit showing negative growth for the first time. In five years, and remarkable achievements in comprehensive risk management capabilities. The overall operation was good, and the net profit declined for the first time.

In recent years, commercial banks have been actively embracing financial technology and promoting digital transformation, and the overall industry scale has continued to expand. From 2014 to 2019, the total assets of China's commercial banks increased from 130,8 trillion yuan to 232,34 trillion yuan, and continued to develop steadily.

As of the end of 2020, the assets of China's commercial banks have grown to 265,79 trillion yuan, an increase of 14,40 % compared with the same period in 2019, and the development trend is good (Picture 1).



Picture 1 – Asset Size and Growth Rate of Chinese Commercial Banks from 2014 to 2020

Note – Source: China Banking and Insurance Regulatory Commission.

From 2015 to 2019, the overall net profit of Chinese commercial banks showed an upward trend. With the advancement of the structural reform of the financial supply side, the operation of Chinese commercial banks is generally stable. From 2014 to 2019, the net profit of Chinese commercial banks continued to expand, reaching 1,99 trillion yuan in 2019, a year-on-year increase of 8,7 %.

Since 2020, the total amount of credit in the banking industry has remained at a high level, and the abundant sources of funds have supported the acceleration of asset expansion. Coupled with the «increase in volume and price decline» and the periodic pressure on asset quality, the overall profitability of commercial banks has improved compared with the same period last year. Dropped.

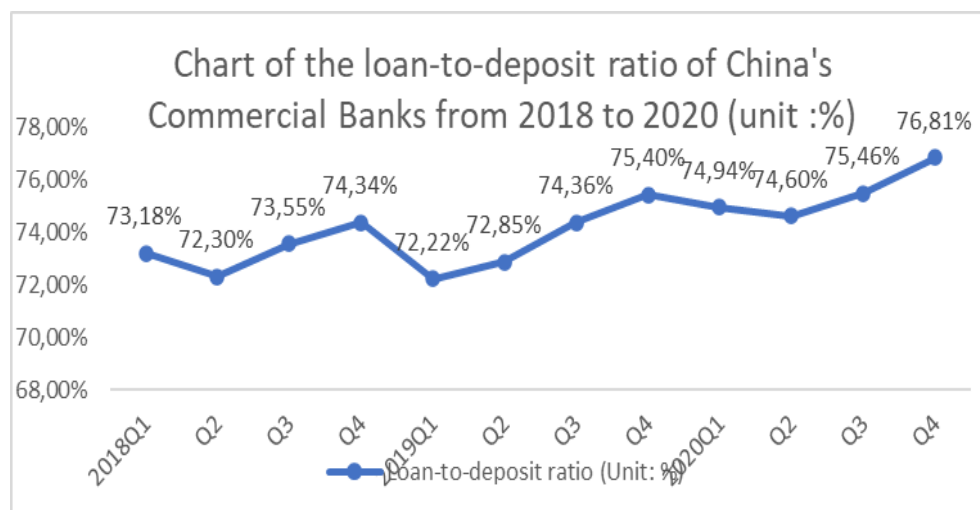
In 2020, the return on assets of Chinese commercial banks was 1,1 %. The net profit of commercial banks was 1939,2 billion yuan, down 2,5 % from 2020, the first drop in net profit since 2015.

The improvement of risk management capabilities has been significantly improved, and the non-performing loan ratio has decreased.

Since 2018, the balance of non-performing loans of commercial banks in China has been on the rise as a whole, and the non-performing loan ratio has fluctuated on the rise, mainly due to multiple factors such as slowing economic growth, shrinking external demand, and business difficulties. As of the fourth quarter of 2020, the balance of non-performing loans of Chinese commercial banks was 2,7 trillion yuan, and the non-performing loan ratio was 1,84 %, a decrease from the third quarter of 2020.

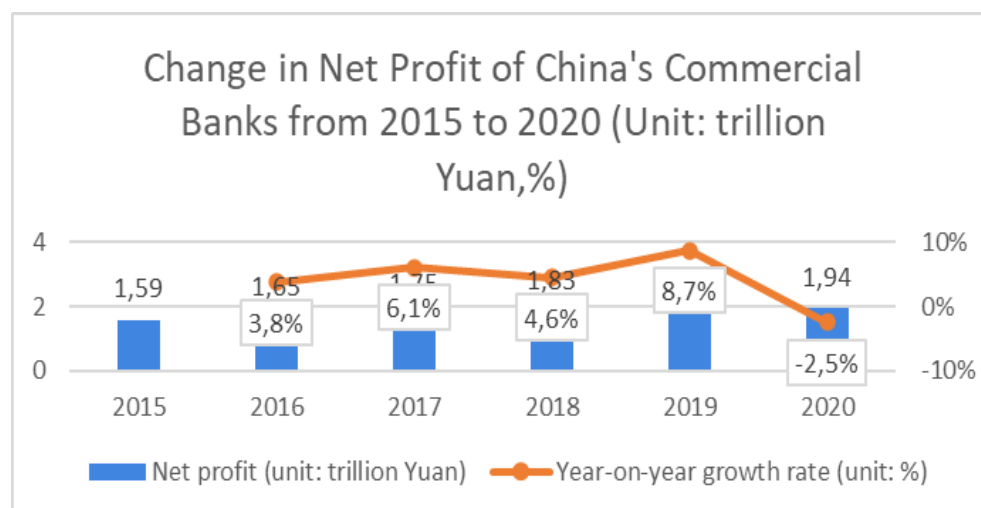
The liquidity of the bank refers to the ability of the bank's assets to be quickly realized, and the liquidity is mainly measured by the loan-to-deposit ratio and the liquidity ratio. Generally speaking, the lower the loan-to-deposit ra-

tio, the higher the liquidity ratio, and the higher the liquidity of the bank. City commercial banks have lower loan-to-deposit ratios due to geographical restrictions on business operations. However, after the implementation of the cross-regional business strategy, its loan-to-deposit ratio will have room to increase. Since 2018, the loan-to-deposit ratio of Chinese commercial banks has been on the rise as a whole. In the fourth quarter of 2020, the loan-to-deposit ratio of Chinese commercial banks was 76,81 % (Picture 2).



Picture 2 – Changes in Net Profit of Chinese Commercial Banks from 2015 to 2020

Note – Source: China Banking and Insurance Regulatory Commission.



Picture 3 – Non-performing Loans of Chinese Commercial Banks from 2018 to 2020

Note – Source: China Banking and Insurance Regulatory Commission.

3. Development Prospects of Commercial Banking Business

As strict supervision will become the new normal in the industry for a long time in the future, commercial banks should change their business strategies, pay close attention to changes in regulatory policies, carry out various financial businesses legally and compliantly, appropriately adjust business models, and strive to promote business continuity. Develop.

From a global perspective, the future development trend of the banking industry has gradually become clear, and cross-border mixed expansion is its main theme. More and more international banks will become giants under mixed operation. For example, Citibank in New York set foot in securities brokerage institutions; Merrill Lynch Investment Bank began to operate deposit and loan business; AXA Insurance Group and MetLife Insurance Co [4]. Ltd also began to build their own banking systems; Deutsche Bank, as a comprehensive large-scale financial institution, began to operate Marketing of insurance products. Although the financial supervision departments of various countries intend to slow down this trend, from the perspective of banks, resource integration and business competition on a larger scale are conducive to maximizing their growth. Therefore, the strategic positioning of the bank is constantly being adjusted, and the profit maximization of the bank itself is not the only key factor to be considered. More consideration is how the bank can play its role in the holding parent group. It can be seen that under the new situation and trend, how to carry out accurate strategic planning is related to the success or failure of commercial banks' future operation and management.

Conclusion

It is necessary to rationally use the financial market mechanism to resolve the risks of commercial banks and improve the ability of financial services to the real economy. In different economic environments, it is necessary to distinguish the different roles of different types of banking business, correctly guide and encourage the development direction of banking business, rationally use tools, and promote the healthy development of commercial banking business risk management capabilities. The core competitiveness of all commercial banks lies in improving operational efficiency, focusing on cost management and adhering to customer-centricity. The combination of business diversification and humanization is also the future development direction and trend of commercial banks, and commercial banks will have an increasingly competitive advantage in the world in the future.

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