

New Business Management Strategies of a Financial and Credit Institution in the International Banking Market

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Abstract – More and more payment transactions are being made in the digital space. For the effective development of the cash settlement system in a financial organization, it is possible to use innovative mechanisms. An increasing number of Chinese banks are switching to new technologies in the payment system and investing from revenues in the IT segment. All this affects the competitiveness of banks in a tough financial environment.

Keywords – digital economy, Bank of China, strategies, business management, financial market, information technology, modern payment technologies.

1 INTRODUCTION

The 21st century is characterized by China's growing role in global finance, with its four major banks ranked as the largest in the world in terms of assets, and a domestic banking sector that has emerged as the best provider of resources for allocating and diversifying risks. One of the most important strategic goals of financial institutions in China is to ensure financial stability and development of the payment system in the country.

China is a major global authority in the country's economic development, and its pace is constantly increasing.

The number of banks in China is growing. There are state, commercial, joint-stock, private, credit, cooperative financial organizations in the country. Financial institutions also operate in autonomous territories such as Macau and Hong Kong. All financial institutions are regulated by the Chinese government.

China's banking system is based on second-tier state-owned commercial banks, among which the banks of the “big four” are in the lead (Figure 1).

Rank	Previous rank	Bank	Country	Tier 1 capital (\$m)
1	1	ICBC	China	380,189
2	2	China Construction Bank	China	316,122
3	3	Agricultural Bank of China	China	277,608
4	4	Bank of China	China	258,431
5	5	JPMorgan Chase	US	214,432
6	6	Bank of America	US	188,492
7	7	Wells Fargo	US	158,949
8	8	Citigroup	US	155,805
9	9	HSBC Holdings	UK	148,359
10	10	Mitsubishi UFJ Financial Group	Japan	143,729

Figure 1. TOP-10 world banks in 2020 [5]

The world's largest bank by total assets and the most valuable by market capitalization in 2021 is the Industrial and Commercial Bank of China (ICBC). It ranks second in The Banker's Top 1000 World Banks ranking, as well as second in the Forbes Global 2000 list of the world's largest companies [1]. China Construction Bank (CCB) is another Chinese bank in the Big Four, headquartered in Beijing. In 2015, it became the second largest bank in the world by market capitalization. Subsidiary bank CCB is open in London, and its branches - in cities such as Barcelona, Johannesburg, Frankfurt, Luxembourg, New York, Tokyo, Singapore, Hong Kong [3].

Bank in China ABC (Agricultural Bank of China) is the third largest lender in terms of assets. In 2015, the financial company was ranked 3rd in the annual Forbes ranking as the largest and most influential bank in the world. Bank branches are located in Hong Kong, Japan, Great Britain, Germany, the United States, Australia, South Korea and Singapore [3].

Another powerful Chinese bank from the Big Four is Bank of China. It has the status of a state commercial and is a joint stock company. Its representative offices are open in 27 countries of the world, including in Russia, where a subsidiary bank was founded. Its branches operate in Moscow, Vladivostok and Khabarovsk.

Over the past ten years, most of the innovations in the payments industry have focused on improving client interfaces without fundamentally changing the payment instruments themselves. Recently, a number of important trends have emerged [2]:

- all over the world, the payment industry, the state and society as a whole are undergoing digital transformation;
- the payment process as a whole has become more invisible, integrating into other services and services using new technologies;
- new players, the largest fintech and IT companies, have begun to play an increasingly active role in the payments industry, challenging traditional payment institutions;
- the need for seamless interaction and interoperability of all participants in the payment market is increasing;
- risks of dominance of the largest players are increasing, requiring the creation of conditions for maintaining competition in the payment sector;
- the role of regulators is increasing in maintaining the uninterrupted provision of payment services, creating conditions that stimulate the transition to digital payments with high security standards, and maintaining consumer confidence in non-cash payments.

As part of the Development Strategy, major Chinese banks, together with payment market participants, have implemented key projects to improve the national payment infrastructure, ensuring the sustainability of the entire payment space in China.

The payment system of Chinese banks has been transferred to a modern centralized platform and ensures uninterrupted interbank settlements under a single extended regulation.

The strategy for the development of Chinese payment systems for 2021–2023 is aimed at creating favorable conditions for providing consumers with convenient, safe and affordable payment services, developing a competitive and innovative payment market, and improving the payment infrastructure.

Methods - Research methods, such as search, systematization, evaluation and structural analysis of new business management strategies of a financial and credit institution in the international banking market were used in order to characterize China Construction Bank financial activities. To carry out the research, the authors used statistical data from the official data base of China Construction Bank and Chinese banking system at whole.

2 ANALYSIS OF THE ACTIVITIES OF CHINA CONSTRUCTION BANK IN THE INTERNATIONAL MARKET

China Construction Bank is the largest and most important bank in China. For 2019, the Bank is in third place among 2,000 other large and significant corporations in the world. Since 2015, the Bank has been the most significant bank in the international market [5].

The modern network of China Construction Bank has 15 thousand branches in mainland China, as well as 10 branches outside. The bank has over 92 thousand ATMs. The bank issues its own payment cards, in 2020 there were more than a billion debit cards and 121 million credit cards, the volume of transactions on them amounted to 21 trillion and 3 trillion yuan, respectively [8].

The Bank is actively practicing a new financing strategy. Adhering to the strategy of digitalized operations, which provides for the creation of environmental conditions, creation of scenarios and expansion of the user base, the Bank strives for a breakthrough in the client community in order to be a comfortable bank for clients.

The Bank pays special attention to empowering the business community to create an environment that combines coexistence and shared prosperity, and to become a partner throughout the life cycle for its corporate clients. The Bank maintains its links with the government community to support social governance in order to become a reliable national financial backbone.

The bank specializes in providing corporate and investment banking services to large local and Chinese companies, manufacturing and construction companies operating in the international market [6].

Today, CCB's customer base is gradually increasing. The client structure has been optimized over time, and the Bank currently serves over 3.7 million corporate clients and 500 million

individual clients. Today, the number of online banking personal clients exceeds 200 million, the number of mobile banking clients has reached more than 170 million, and the number of online banking corporate clients has reached 3.66 million, maintaining the Bank's leading position among competitors [4].

As seen in the period 2015-2020 the Bank's indicators are growing (Table 1, Figure 2). At the present stage, the Bank is intensifying its efforts to serve the real economy and expand the possibilities of digital operations. Since the beginning of 2020, the bank has continued to develop its key strategies and is actively exploring digital business models and ensuring financial sustainability for the recovery of production after the pandemic, as well as the economy and social sphere.

Table 1. Financial Performance of The Bank in Yuan [5]

Year	2015	2016	2017	2018	2019	2020
Revenue, billion	452,9	534,8	637,3	687,4	728,4	825,6
Net profit, billion	234,2	226,6	265,7	237,1	262,3	325,6
Assets, trillion	14,7	19,8	22,3	24,5	29,7	43,8
Equity, billion	1274	1531	1688	1863	2342	2768

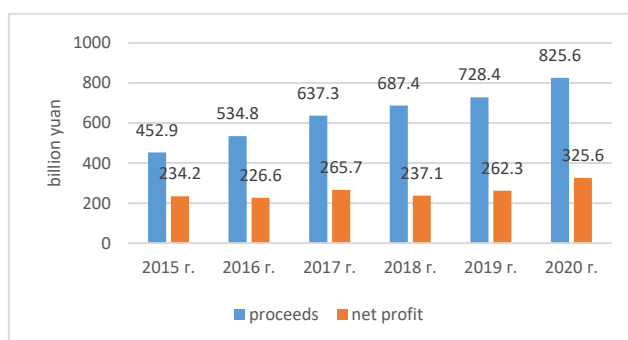


Figure 2. Dynamics of financial indicators of China Construction Bank [5]

Let's describe the scope of activities of China Construction Bank.

1. Providing measures to prevent and combat a pandemic. Since the beginning of the year, the Bank has improved the quality and efficiency of its efforts to serve the real economy, freeing up credit resources through several channels, increasing the provided support in key areas to improve its economic development and efficiency in the international market.

The Bank has streamlined its emergency response mechanism, improved its emergency response plan and strengthened business continuity management to maximize the health of its employees and the safety of business operations [7].

The Bank has adjusted its risk limits and lending policies, as well as optimized customer ratings and loan approval procedures.

2. Expanding business opportunities through FinTech.

The bank provides high quality and efficient online financial services for private and corporate clients using the Cloud Workshop. He launched the “Quick Loan” series and other consumer finance services that are processed online throughout the entire process to offer private clients more convenient consumer finance services. It took full advantage of its Match-Plus online platform to enable digital online platforms to operate fully. The Bank uses science and technology to expand its inclusive finance client base [7].

The Bank has created online e-commerce and related platforms, as well as a new model of poverty alleviation through consumption. He also launched the Smart Community Management Platform to help urban and rural communities build an integrated online + offline pandemic prevention and control system.

3. Take forward-looking measures to eliminate risks and strengthen assets. China Construction Bank adheres to the guiding principle that business development should be limited by its risk management and control capabilities. The Bank has developed a comprehensive and intelligent system for risk prevention, monitoring and risk management. The Bank has fully taken into account the uncertainties that may face the macroeconomy, prudently prepared reserves, stepped up the sale of risky assets and increased its ability to offset risks.

3 PAYMENT INSTRUMENTS CHINA CONSTRUCTION BANK

The bank provides its clients with access to bank accounts, offers a wide range of payment instruments and provides the ability to make payments and money transfers, including through remote channels. The Bank also engages non-banking organizations in the provision of payment services. Nonbanks play a critical role in ensuring financial inclusion by providing cash desks and offices to provide payment services. Together, the Bank and non-banking organizations ensure the operation of ATMs and payment terminals in the domestic and international markets [3].

87% of the Bank's clients use digital channels (mobile applications, Internet banking, bank websites) [8].

Consumer confidence creates favorable conditions for the introduction of new technologies in the payment field. Almost 75% of non-cash payments for goods and services in 2020 were made using contactless payment technology, of which every fourth payment was made using smartphones and other contactless payment devices. Chinese consumers quickly got used to using new payment services faster than residents of most other countries.

The COVID-19 pandemic in 2020 has further accelerated the development of digital services, remote channels and contactless payments.

The developed payment infrastructure allows banks to provide businesses with additional payment services, including liquidity management through the formation of pools, offset of incoming payments, execution of periodic payments, and others.

4 NEW STRATEGIES FOR MANAGING THE BANK'S BUSINESS

The penetration rate of new technologies into the financial sector has grown in recent years. Online payments are the most popular use for financial technical instruments. China ranks first in the world for this indicator.

This leads to a transformation of the customer experience:

- the ability to obtain information online creates the need to perform an ever larger set of operations also instantly;
- the time spent by the client on transactions becomes the main one today
- value.

Therefore, the demand for fast, secure, affordable and convenient payments using simplified identifiers (mobile phone, email address, social ID, etc.) is increasing. At the same time, consumers are becoming more demanding for transparency and simplicity of conditions for the provision of payment services. It is extremely important for a consumer today to be able to compare offers from different suppliers "here and now" and instantly choose the best offer for himself.

Innovation and digitalization are increasingly changing the traditional principles of making payments. To increase the loyalty of its client base, the bank began to abandon traditional channels and payment instruments, introducing both new products and services and methods of initiating payments using digital technologies.

Today, the Bank is actively developing in the direction of using digital methods for initiating and making payments, including using biometrics and voice assistants, payment bracelets and other wearable devices, instant messengers and chat bots.

1. Biometrics in the payment field. In recent years, the Bank has widely used biometrics technologies to identify and authenticate users, initiate and receive payments. Bioequiring is being piloted by many retail outlets today, including large Chinese retailers and fast food restaurants. The Bank actively uses technologies based on the recognition and use of the following biometric (Figure 3).

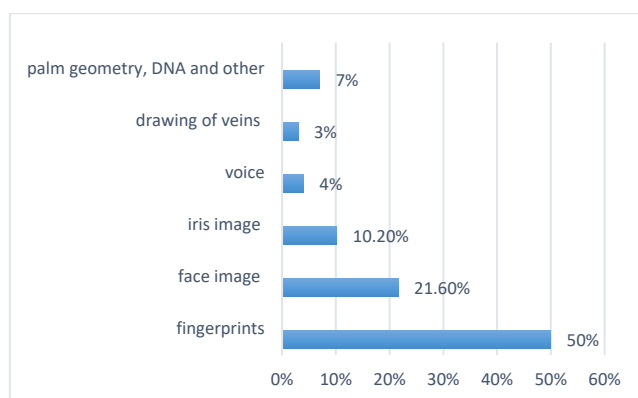


Figure 3. Biometric data used by the Bank

2. Payments using wearable devices. The bank is actively introducing payments through smart devices: payment bracelets, rings, and other gadgets. This segment will grow at an outstripping pace, since it combines convenience and security, and the loss or theft of a payment bracelet is estimated to be significantly lower than in the event of a loss or theft of a smartphone.

3. Payments through instant messengers and chat bots. The bank is increasing the growth in the volume of payments through instant messengers and chat bots. This is largely due to the huge client base of messengers. Therefore, in 2020, about 2 billion customers used WhatsApp, Facebook Messenger - almost 1.3 billion users, WeChat (Weixin) - more than 1.2 billion. In China, where the payment functionality of instant messengers has been widely available for 4-5 years, it is used more than 30% of the population.

5 CONCLUSION

With new high-tech products and services, China Construction Bank has a competitive position in the financial market, high competencies, infrastructure for using new technologies, and a large and loyal customer base. The bank claims a leading role in the digitalization of retail payment services.

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