

Asset Management Business Trend and Development Strategy of Chinese Commercial Banks under the New Normal

¹LI Liang and ²Wang Qing

¹School of Economics, Shandong University of Technology, Zibo, Shandong, China

²School of Marxism, Shandong University of Technology, Zibo, Shandong, China

Abstract—Commercial banks occupy a special and important position in China's financial system. Asset management business is the main way for commercial banks to achieve income generation. Optimizing asset management business of commercial banks can improve the profitability of commercial banks, optimize the management and operation mechanism of commercial banks, and make them achieve sustainable development. This paper expounds the development status of asset management business of commercial banks under the background of the new normal economy, analyzes the main problems existing in the development of asset management business of Chinese commercial banks under the new normal economy, and puts forward corresponding strategies and suggestions according to these problems.

Keywords: *New Normal; Commercial Banks; Asset Management Business; Sustainable Development*

I. INTRODUCTION

Asset management business of commercial banks refers to that commercial banks raise funds from customers on the basis of complying with national laws and regulations, for their own profit-making purposes, relying on their own strong credibility, a wide range of business outlets, and staff with professional knowledge. Commercial banks, as asset managers, provide corresponding financial services to customers and manage funds on behalf of customers. It is an asset management behavior to plan the use of funds, sell and purchase financial products on behalf of customers, so as to realize the appreciation and preservation of assets. Asset management business is the main means for commercial banks to achieve business objectives. The healthy development of asset management business is not only of great significance to the development of commercial banks, but also provides important support for the development of China's real industry and the improvement of residents' consumption level. Since 1985, asset management business has gradually emerged in China's commercial banks. At present, commercial banks are struggling to survive in the cracks of the Internet financial impact, the slow development of the real economy and financial disintermediation. Facing the thorny survival situation, it is urgent to promote the transformation and upgrading of asset management business.

II. ANALYSIS ON THE CURRENT SITUATION OF ASSET MANAGEMENT BUSINESS OF CHINA'S COMMERCIAL BANKS UNDER THE NEW NORMAL

China's economic new normal has three basic characteristics: first, it no longer blindly pays attention to the high speed of economic growth, but pays more attention to the quality of economic development; second, it optimizes and adjusts the industrial structure; third, it optimizes and upgrades

the development power. At present, China's economic development no longer only focuses on the improvement of development speed, but also pays more attention to the improvement of economic quality. With the change of the times, China is increasingly aware that only relying on resource advantages can not achieve long-term development. It should vigorously develop the tertiary industry and high-precision industries, and give consideration to the development of primary and secondary industries, so as to promote the optimization and upgrading of industrial structure. At the same time, we will vigorously support innovation and product upgrading to transform the driving force of economic growth. Due to the slowdown of economic development, the adjustment of industrial structure and the optimization and upgrading of development power, it inevitably has a negative impact on the development of some traditional real industries, and many traditional resource-based industries have gone bankrupt. Commercial banks are the main providers of funds for China's traditional real industries. The depression of many traditional real industries directly leads to the continuous increase of bad debts and bad debts of China's commercial banks. China's commercial banks are facing the dilemma of increasing non-performing loan ratio, which is difficult to extricate themselves for a while.

A. *The growth rate of asset management scale is decreasing year by year*

Commercial banks are the largest and most influential financial institutions in China. They play an important role in China's financial market with their extensive business outlets, professional technical support and strong financial strength. Asset management business is an important tool for commercial banks to achieve revenue. The operation of asset management business can increase the liquidity of commercial banks and reduce operational risks. Asset management business of Chinese commercial banks has a huge amount of capital. If it is not operated in a standardized way, it will bring crisis to the society and the country. However, the total liabilities and total assets remain basically equal, indicating that the development of asset management business of commercial banks is still in good condition. Under the new normal of economy, the slowdown of economic growth and the optimization and upgrading of industrial structure have also impacted the development of some resource-based industries. After 2018, the growth rate of asset management scale of China's banking industry has slowed down.

B. *Decline in the quality of credit assets*

In recent years, under the influence of the new normal economy, the quality of credit assets of Chinese commercial banks is not as good as before. From 2018 to 2020, the quality

of credit assets of China's commercial banks has been in a state of continuous decline, and the scale of non-performing assets has continued to rise. Due to the development of stock market, securities market and Internet finance, the competitive pressure of commercial banks is increased, the sustainable development of asset management business of commercial banks is restricted, and the ratio of non-performing loans of commercial banks is increased to a certain extent. In addition, under the new normal of economy, the traditional resource-based industry economy has declined or even closed down, which has led to the rise of non-performing asset ratio, the decline of revenue and the shrinkage of profits of commercial banks. At the present stage, China has strengthened the regulation of the channel business, which has also restrained the rise of the total amount of credit to a certain extent, resulting in the increase of the rate of non-performing assets.

C. *The distribution of funds is not dispersive enough*

On the whole, the distribution of capital in asset management business of commercial banks is not dispersive, and the proportion of capital is uneven. The main performance is that bank off balance sheet financing and trust asset management account for a large proportion, while insurance asset management accounts for the smallest proportion. At present, bank off balance sheet financing and trust asset management account for more than 40%, while insurance asset management accounts for less than 3%. The proportion of fund credit, securities company asset management plan and fund asset management plan entrusted by trust companies decreased significantly.

III. THE MAIN PROBLEMS OF ASSET MANAGEMENT BUSINESS OF CHINESE COMMERCIAL BANKS UNDER THE NEW NORMAL

Due to the complex and changeable social and economic environment, China is at the node of industrial structure transformation and upgrading. With the development of Internet finance, the promotion of financial disintermediation and interest rate marketization, some problems of asset management business of commercial banks are gradually revealed, which increase the operational risk of banks, reduce the efficiency of capital utilization of banks, and narrow the interest margin. It affects the profitability of banks and is not conducive to the sustainable and healthy development of commercial banks.

A. *Rigid cashing problem*

In order to promote the normal circulation of funds and the normal operation of business, commercial banks will absorb new funds to pay the principal and interest of the existing deposit business. In order to attract more customers and improve the competitiveness of commercial banks in the same industry, they often issue products of on balance sheet business. Commercial banks have strong credibility all the time. Due to the particularity of social positioning, they lead to the loss of customers. It is easy to ignore the risk of asset management business. This makes the customer take it for granted that this kind of product is not risky, is guaranteed income, so there will be rigid cashing. However, the economic risks are complex and diverse, and commercial banks can not avoid all kinds of risks perfectly, which makes the financial risk fully shared by commercial banks. The loss of financial management is not only borne by commercial banks, but also

paid the agreed interest to customers. The adverse effects of rigid cashing are mainly reflected in the following aspects: first, customers do not pay attention to the process of capital utilization, which increases the opacity of capital utilization in the process of transaction; second, the lack of proper supervision mechanism increases the risk of capital utilization in commercial banks; second, customers only pay attention to the level of income, completely ignore the risk of asset management business, and can not form Third, the risk is uncontrollable. Due to the uncertainty of risk occurrence time and cycle, in case of collective rigid cash at a certain time and commercial banks are facing losses at this time, a large number of rigid cash will make it difficult for commercial banks to cope with, easily lead to bankruptcy and cause public panic. Therefore, commercial banks should take relevant measures to change the role of participation, vigorously develop net worth products and reduce the risk of asset management business.

B. *Interest rate risk*

Before 2015, China has been implementing the planned control policy on interest rate, that is, the Central Bank specifies the interest rate standard, and commercial banks carry out their own asset management business according to the interest rate standard set by the central bank. At that time, the quality of economic development was not high. On the one hand, due to the short development time of asset management business of commercial banks, immature technology and concept, and not rich experience, the state decided to regulate the interest rate in order to guide and regulate the development of asset management business of commercial banks and stabilize the economic market order; on the other hand, the construction of national infrastructure and the operation of many state-owned enterprises Commercial banks are required to provide capital for the project. In order to reduce the cost, the state regulates the interest rate. However, with China's economy entering the new normal, asset allocation requires higher efficiency, and the traditional interest rate regulation implemented by the central bank can not meet the needs of economic development. At present, China's economic policy has given commercial banks greater operational autonomy. Commercial banks can determine the interest rate according to the market demand, and the interest rate level is completely determined by the market supply and demand, so as to promote the marketization of interest rate. Although it improves the efficiency of resource allocation and gives commercial banks greater autonomy, it also brings risks to the operation and development of asset management business of commercial banks. The risks of interest rate marketization to the asset management business of commercial banks are mainly shown in the following aspects: firstly, interest rate marketization may lead to vicious competition among banks, and commercial banks may reduce interest rates in order to compete for customers, which will have a huge impact on some commercial banks that can't bear low profits. In order to complete the required performance, banks have to actively search for customers, which is a big problem. This will increase the bank's non-performing loan ratio and increase the operational risk of the bank's asset management business. Secondly, the marketization of interest rate increases the operational autonomy of the asset management business of commercial banks, which makes some customers pay low interest rates in order to reduce costs, or commercial banks reduce interest rates in order to retain customers, which greatly reduces the scale of

profitability of commercial banks. Thirdly, because the interest rate is completely determined by the market, it increases the risk of the expected return of commercial banks. In order to deal with the unexpected situation, commercial banks are bound to draw a part of reserves, which reduces the capital flow of asset management business, limits the liquidity of capital in asset management business, and brings risks to asset management business.

C. Non performing assets

Non performing assets occupy a large amount of bank funds, which seriously affects the liquidity of commercial banks and restricts the sustainable development of asset management business of commercial banks. In the face of the increasingly complex social and economic environment and fierce industrial competition, we must be aware of the harm brought by non-performing assets, which is of great significance to the healthy development of asset management business of commercial banks. In order to improve the operation stability of commercial banks, safeguard the interests of depositors and promote the healthy competition of banking industry, China has introduced the deposit insurance system. The introduction of deposit insurance system weakens the supervision of depositors over deposit banks. In the current new normal economy, the competition of commercial banks is becoming increasingly fierce. In order to improve competitiveness and absorb more deposits, banks have to raise deposit interest rates. High debt drives banks to invest in high-yield projects. However, high-yield projects are usually accompanied by high risks. When the economy fluctuates, high-risk investment is easy to turn into non-performing loans, leading to the financial system into a crisis. The reason for the formation of non-performing assets is that the commercial banks have miscalculated the future economic situation, which means that the investment projects can not pay the agreed interest on a specific date, but also can not repay the principal. The commercial banks can not obtain profits on schedule, but also lose the principal. The commercial banks have to continue to pay the interest to the deposit customers when facing huge losses, and huge capital losses must be avoided. However, commercial banks misappropriate other funds to make up for their daily operation, and most of the bank's collateral is fixed assets such as real estate. The flow rate of such assets is low and can not be realized quickly in a short time, which seriously affects the capital adequacy ratio of commercial banks, greatly reduces the capital flow efficiency of bank asset management business, and is not conducive to commercial banks. The sustainable development of the bank's asset management business.

D. Asset risk of non standardized creditor's rights

At present, in the face of the complex and changeable social and economic environment and the intensification of horizontal competition, commercial banks begin to turn to the investment of non-standard creditor's rights assets in order to obtain high returns and meet the needs of operation. This kind of trust products have high transparency, such as the trust products that can be sold in the public trading place have high yield. Nonstandardized debt assets refer to the financial debt products corresponding to the standardized bond assets that are not publicly issued and sold on the open platform, such as acceptance bills. This kind of products often have low transparency and high yield, but they are often accompanied by

high risks. Due to the characteristics of non-public offering, the liquidity of non-standard debt assets is low. Therefore, once the risk occurs, it is difficult for commercial banks to withdraw quickly in a short time, which makes the asset management business of commercial banks face a huge risk of loss. Commercial banks generally obtain operating income through interest margin. The funds collected through deposit business are put into the virtual capital pool, and the money from the virtual capital pool is used to repay customers' due deposits and agreed interest rates. At the same time, loans are issued. The remaining funds will be uniformly planned by commercial banks for asset management business, and most of them are transferred into non-standard creditor's rights assets and non-standard creditor's rights. Once the assets are at risk, commercial banks will not be able to repay their loans, leading to bankruptcy and even financial crisis. Some commercial banks invest in non-standard creditor's rights assets by borrowing from other financial institutions and issuing certificates of deposit for other financial institutions. The nested business capital transactions among various financial institutions also increase the leverage and further increase the risk of asset management business of commercial banks.

IV. THE STRATEGIC SUGGESTIONS ON THE DEVELOPMENT OF ASSET MANAGEMENT BUSINESS OF COMMERCIAL BANKS IN CHINA UNDER THE NEW NORMAL

Under the background of new normal economy, the traditional asset management business of commercial banks can not adapt to the current situation of the times. Some risk defects of asset management business are gradually exposed. If relevant countermeasures are not taken to prevent them in time, it is not only harmful to the sustainable development of commercial banks, but also negative effects on the development of China's real economy and the improvement of domestic consumption level. The impact is not conducive to the effective allocation of social resources, even directly affecting the overall situation of the national economy. Therefore, in view of the problems at present, we should take corresponding measures to rectify, adjust the disadvantages, give full play to the advantages of asset management business, and promote the sustainable and healthy development of asset management business in the context of new normal economy.

A. Strengthen risk awareness and break rigid cash

Rigid cash increases the operational risk of asset management business, which is not only conducive to the formation of correct financial concept of customers, but also to the long-term development of commercial banks. Therefore, commercial banks should strengthen the publicity of relevant financial knowledge, improve the transparency of capital use, strengthen the regulation and supervision of sales links, prevent relevant departments from neglecting the safety of products in order to exaggerate the profit-making of products deliberately to complete the performance, and fully explain and disclose the risks that may be faced in the process of capital operation, so that customers can fully realize the existence of risks and let customers know the risks. Gradually realize that high income usually accompanied by high risk, can not blindly to maintain the stock customers and the risk that should belong to the customer to the bank itself.

Net worth products are products that have been popular in recent years and have been developed rapidly. These products do not specify fixed rate of return. The product income is

determined by the market price and market demand when the products expire. Commercial banks, as intermediaries, only collect the corresponding service fees and handling fees in the process of asset management, and the customers will obtain all profits and bear all risks. Commercial banks should actively enrich product types and develop more net operating products, while making customers gain profits, keep customer stock, gradually break rigid cash and reduce their own operational risks.

Commercial banks should improve their risk prevention literacy, establish special risk prevention and control departments, help customers to make more effective investment and financing, minimize the risks they take. In this way, they can gradually break the rigid cash payment, maintain strong social public reliability, retain old customers, attract new customers, and Benefit Asset Management of commercial banks The smooth and healthy development of business.

B. Improve the mechanism of interest rate risk prevention

The promotion of interest rate marketization, while increasing the efficiency of asset allocation, also brings great challenges to the development of asset management business of commercial banks. In order to adapt the development of asset management business of commercial banks to the promotion of interest rate marketization, it is urgent to establish a set of interest rate risk prevention mechanism. First, because the interest rates of intermediate business and off balance sheet business are not affected by the marketization of interest rates, in order to hedge the risk of uncertain income brought by the marketization of interest rates, we should vigorously develop intermediate business and off balance sheet business to ensure the security of capital flow of asset management business and improve the operating ability. Secondly, the marketization of interest rate gives commercial banks great autonomy in business development. To make full use of this autonomy, on the premise of conforming to the market law, we should guide the adjustment of interest rate level and guide the flow of funds to high-quality and profit-making business categories, effectively avoid the risks brought by uncertainty of traditional business income. Third, we should adhere to the combination of internal supervision and external supervision. To establish an internal supervision organization, prevent the internal personnel of banks from using the characteristics of adjustable interest rates to seek personal interests, adhere to the combination of internal supervision and external supervision, so that commercial banks can prevent risks from multiple perspectives. Fourthly, establish a special risk estimation and expected income estimation department, introduce professional talents, develop financial products, predict the future popular product trends, and carefully evaluate the credit rating and risk tolerance of customers, realize accurate matching between customers and products, predict the trend of market interest rate, attract customers to flow to high-quality businesses, enrich business types, improve asset transportation Operating efficiency, improving asset management business and avoiding risks.

C. Reducing non-performing assets and innovating the disposal methods of non-performing assets

Non performing loans are the main factors that affect the efficiency of commercial banks' capital flow, restrict the expansion of operating profits and restrict the development of asset management business of commercial banks. In order to

avoid the risk of non-performing loans, relevant measures must be taken: first, under the constraints of new economic normal and diversified customer demand, commercial banks cannot ignore costs and risks The way of scale expansion must be constructed with low cost, low risk and high quality connotation development mode. By re expanding customer group, tapping its own advantages and innovating financial instruments, the financial service technology level of commercial banks can be improved, and the strategic goal of intensive growth from scale speed type extensive growth to quality efficiency type must be achieved. Secondly, it is the key period of China's industrial structure adjustment and upgrading. The economic growth rate is slowing down. Commercial banks should vigorously recruit professional financial talents, establish a group of senior talents with professional financial knowledge, evaluate the product orientation of investment projects, estimate the future development prospects, profitability and future capital flow of investment projects before investment, and combine with the current economic conditions Background, quantitative analysis is carried out systematically in many aspects. Third, establish and improve the accountability mechanism for non-performing assets. The losses caused by non-performing assets are directly responsible to all departments, even individuals, improve the transparency of accountability process and the enforcement of accountability mechanism, strengthen supervision and prevent the emergence of cover up phenomenon. Accountability mechanism can effectively prevent employees from blindly choosing investment projects for high-income, and make commercial banks suffer direct losses. Fourth, innovation of non-performing assets disposal methods. At present, the main ways of handling non-performing loans in China are write off, independent liquidation and external transfer. Write off refers to hedging bad debts with reserves and all losses borne by themselves; independent accounting is to entrust other institutions of commercial banks to collect non-performing assets, but the speed is slow and inefficient, and the collection success rate is not high, The transfer of non-performing assets to the outside world refers to selling the non-performing assets to other institutions at a lower price, thus obtaining a part of the capital return. At present, the transfer of non-performing assets to the outside world is the most important way for commercial banks to deal with non-performing assets. At present, China has innovated a kind of non-performing assets treatment method, namely, securitization of non-performing assets, packing non-performing assets into securities for centralized sale to obtain cash flow, which makes the speed of return and success rate of bank funds greatly improved, and has become the most efficient and effective measures to deal with non-performing assets, which greatly reduces the risk faced by asset management business of commercial banks. In the future, we should actively innovate the treatment methods of non-performing assets, and promote the return of funds as much as possible, so as to improve the security of asset management business of commercial banks.

D. Adjust business structure and pay attention to standardized equity assets

When the following social and economic situation of China's new normal economy, it is difficult for commercial banks to increase their total assets business in a short period of time. Facing the current situation of asset management business, in order to improve the utilization rate of funds and ensure the

safety of funds, to obtain more profit margin, the following suggestions are put forward: first, increase the transparency of the operation of "capital pool", actively accept the supervision of relevant departments of the state, standardize investment channels, and increase investment in standardized equity assets. Secondly, eliminate the nested business model among financial institutions, remove leverage crisis, reduce risk and ensure the security of commercial bank asset management business funds. Third, establish subsidiary financial management subsidiary of commercial bank, introduce senior professional talents, and serve asset management business of commercial banks, and independently separate large-scale investment and financing business in commercial banks, which improves the professionalism of business and efficiency of capital utilization. At the same time, we should strengthen the cooperation between commercial banks and the financial subsidiaries, and realize that commercial banks attract capital flow in the front end, and provide high-quality asset management business in the rear by subsidiaries, and cooperate to improve the profit rate of commercial banks. Fourth, avoid the high risk of non standardization, reduce the investment of non standardized equity assets, and turn to the investment of standardized equity assets. From the above four aspects, it is suggested that it can maintain the high income of non standardized equity assets, but also avoid the risks effectively, and benefit the long-term development of asset management business of commercial banks.

CONCLUSION

Asset management business of commercial banks is an important part of financial business. It plays an important role in supporting the healthy development of China's economy and meets the requirements of China's economic transformation. China's banking industry should understand the new normal, adapt to the new normal, recognize the reality in the wave of China's economic transformation and development, deeply adjust its own development mode, and strive to become a model of bank asset management business.

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