The Development Status and Strategy Research of Commercial Banks’ Personal Financial Management Business in China

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Abstract: The personal financial management business in our country is in the initial stage, compared to the developed one in western, there’s still a long way to go. Therefore, the commercial banks in china need to review and study to estimate market direction; build excellence brand image and special services; Increase of innovation; change the products from single to comprehensive; Establish and perfect financial management business’ management system in order to promote the development of personal financial management business in our country.

Keywords: Commercial banks, Personal financial management, Strategy

1 Introduction

The commercial banks are facing the new situation: the increasing danger in traditional business, the margin of the interest rate’s turning increasingly narrowed and foreign bank’s competition. These banks should think deeply to find why that business develop so slowly and then put forward a feasible plan.

The personal financial management business is not only an important carrier for commercial banks to advance Comprehensive management strategy but also a major way of improving Intermediary business income. That business in our country is in the initial stage, compared to the developed one in western, there’s still a long way to go. Therefore, the commercial banks in china need to review and study to estimate market direction; build excellence brand image and special services; Increase of innovation; change the products from single to comprehensive; Establish and perfect financial management business’ management system in order to promote the development of personal financial management business in our country. Meanwhile, the commercial banks are facing the new situation: the increasing danger in traditional business, the margin of the interest rate’s turning increasingly narrowed and foreign bank’s competition. These banks should think deeply to find why that business develop so slowly and then put forward a feasible plan.

Among all the businesses in commercial banks, personal financial management business has the advantages of huge market capacity, low risk, wide range of business, and stable income. For those advantages the personal financial management business becomes commercial banks’ main business and vital profits source. In western developed country, this kind of business almost gets into every family. Its business income has been account for bank’s 30%. Compared to the developed one in western, there’s still a long way to go but it has a bright market expectation. However, our country’s personal financial management business is limited by some factors, for instance, the financial legal system, financial supervision system and the development of financial market. As a result, it brings some problems that need to be done while developing rapidly.

2 The Development Situation, Trait and Existing Problem of Individual Manage Matters Operation in Commercial Bank of China

2.1 The development situation of individual money matters operation in commercial bank of China

Manage money matters operation refers to commercial bank uses professional advantages like various kinds of financial knowledge, professional technique and wide fund credibility and according to clients’
financial position and investment requirement, provide clients with professional service activities, such as financial analysis, financial planning, investment counselor and assets management.

Recently, as the fast developing economy of China and the accumulating property of citizens, the need of manage money matters operation becomes stronger and stronger. There are several reasons: first of all, when people’s properties accumulate to some degree, they concern more about how to effectively keep and increase the value of their properties. Second, as the pushing on housing, education and medical treatment marketing revolution proceeding, families need the help of financial mechanism service to create a complete risk safeguard mechanism. On the other hand, we have already been in aging stage, thus it has become many people’s real need to accumulate part of their pension through manage money matters.

Under the circumstances, individual money matters operation of commercial bank develops quickly. But according to individual money matters operation situation of every commercial bank, there are still many problems that make it hard to develop individual money matters operation.

2.2 The trait of individual money matters operation in commercial bank of China
As the individual money matters operation of commercial bank has just started, financial mechanism and laws and regulations systems are special, so compared to western developed countries, we have our own traits.

Fiduciary loan product becomes the leader of manage money matters market
Recently, invest people pay more attention to the risk situation of product when they choose manage money matters product. At the same time, because the CBRC (China banking regulatory commission) adds its strength to manage money matters operation in commercial bank, the breed structure of manage money matters product changed a lot in general. Since 2009, fiduciary loan product increased largely and become the leader in all kinds of banking manage money matters product for its clear investment, simple structure, various deadline, stable income.

Public beneficial and creative product is the value of manage money matters product afoot
During the wenchuan earthquake in 2008, some banks give quickly reflect to the calamity and push out public beneficial and creative manage money matters product. This kind of manage money matters product was themed as benevolent and cares, which greatly widen the developing thought of banking manage money matters operation and validly promote brand value and social image of the bank.

The trend of product termism is more obvious, deadline structure becomes better and better and approaches perfection
Compared with previous similar product, the product termism tread of banking manage money matters product becomes more obvious. When the products are constantly terminating, the banks take notice of the perfection of product deadline structure. Commercial banks are fixed with stability and benefit-obtaining developmental fiduciary investment manage money matters product due to 16 days. Its stability and benefit-obtaining series products include 29 days, 75 days, 90 days and 12 months all kinds of deadline structure, which can meet different investors’ preference.

3 The Reasons Why We Have Problems in Personal Financial Business in Our National Commercial Banks

The reason why we have so many problems in personal financial business in our national commercial banks is not just because of one single element, but because of many aspects.

The reason that we still take separate operation in practice
The policies and regulations, idea of supervision and measures in China still not keep pace with the development of era; we still rely on separate operation and separate management to keep watching to the financial risk. But this kind of operation mode increases the cost of processing personal financial business in commercial banks, and it is hard to make good results.

The reason why all the products have the same quality
As it is limited by the idea, the analysis of personal finance business from our commercial banks are not totally correct, there still exists some deficiencies to the research of clients, as a result, nearly all the financial products are the same.

The reason why we have a shortage of high-quality financial managers
The capability of training finance managers in our country is still undeveloped and the mentality relatively falls behind with developing countries, so most of excellent managers choose to enter foreign banks, and it will be reasonable that the managers couldn’t reach the requirements in national commercial banks.

The reason why we are lack of the consciousness of financial management
As we are developing our economy in recent years, it results in a lack of financial culture and financial consciousness. Firstly, people just have some egg money; they can hardly adjust to the life style which adds the finance management into it. Secondly, the influence of traditional concept and shortage of understanding the personal financial business in banks result in the lack of financial consciousness and the deficiency of sense of identity and safety.

The reason why we are lack of cultivation
Our national commercial banks are limited by system, thinking, technique and objective environment and some influences so that our national commercial banks’s cultivation stagnates, in some high-profit area, we couldn’t keep the pace. And if we don’t solve the problem of lack of cultivation, it is hard for us to complete with foreign banks.

4 The Questions Exit in Individual Managing Financial Services in Commercial Bank of China

Recent years, the individual managing financial services in Commercial Bank of China is developing very quickly, but compared with the commercial banks in foreign countries which has developed systems, there is still many questions existing in the Commercial Bank of China.

China’s financial industry is still operated dividedly
Banks can’t set foot in security, insurance, foundation and many other services. This situation greatly restricts the development of individual managing financial services. Now, the Commercial Bank’s individual managing financial services are only in the simple list, sack and integration deposits, loan and foreign currency.

Homogeny trend
In today's investment area, almost all the products are simple combination of security, insurance and foundation, but seldom of them can meet customers’ individual requirement, and the most important thing for individual managing financial services are personalization. So the proper way to develop the individual managing financial services is to provide different services according to the customers’ different preference and investment requirements.

The shortage of good financial planner
A good financial planner should know everything about a product and have a good knowledge of security, bank, insurance, laws, revenue, finance etc. He must be experienced and good at communication and organizing. But the shortage of good financial planners in China leads to the irregular selling of commercial banks’ individual managing financial services.

Restricted by financial demand and custom
Nowadays in China, individual financial demand is quite small. There are many reasons. Firstly, it is uneven distribution of wealth, so there few people really need financing. Secondly, Chinese are always lack of investment and financial senses. Thirdly it’s China’s tradition that they don’t need to hand their property to others for financing and the common opinion is “not let people know how much money he has”. At last, Chinese don’t know the meaning and process of the services, and don’t identify the individual managing financial services.

Innovation deficiency. For quite some time, commercial banks’ financial innovation consciousness and
capability is not strong, level is low, range is narrower and scientific and technological content of products is low. Using the effect to be bad, especially that business innovation is badly backward, which is the leading cause of individual wealth management products homogeneity large.

5 The Personal Financial Services for Bank of China Yantai Branch (BCYB) Came into Practice

To connect the theory with the present situation in development of the services, the personal financial services for Bank of China Yantai Branch has been studied. And the survey showed some advantages that can be learned in the spread of the services for BCYB.

BCYB’s value is focused on customers’ requirement and the protection for costumers’ benefit. And the financial management system has been consummated. Till now, a financial center, 16 management center and 80 offices have been built, including all kinds of shoppes which is spread during diffident managing departments.

The financial crisis warned the whole world in 2009. However, BCYB took advantages of this opportunity and disseminated the importance of the personal financial management and the risk escaping. This action broadened the field of costumers and developed the potential costumers.

Furthermore, BOC Group is making a comprehensive platform which includes financing, securities, insurance, bonds etc. And BCYB’s management method has turned from simplification into diversity. The financing consultant group has been updated continuously since 2005. These experienced broadminded professional clients provide management services for clients from three aspects, including marketing, financial services and product innovation.

Meanwhile, taking the unique advantage of China Bank in domestic foreign exchange area, currency financial business run by BCYB continues to keep an absolute leading position in the whole city in occupation and scale. BCYB makes use of overseas branches net of China Bank to provide overseas value-added services, for instance, business travel, children studying abroad for clients.

BCYB has the disadvantages indeed and the innovation is inadequate and the technical conditions are restricted. In addition, most business banks have suffered in personal financial management. However, as one of the first 50 national financial management centers, BCYB individual financial service indeed has some bright points to be learned.

6 Conclusion

It is national special financial legal system to decide the personal financial business’ particularity in commercial banks. With the rapid development of our economy and regulations, the personal financial management business increasingly reveals its value, and customer demand is growing. The commercial banks in our country should perfect themselves in terms of technique, staff, idea and strategy in order to makes itself be the engine in economy and make contributions to the construction of socialist modernization country.

References