

商业银行的战略转变

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Strategic Transformation of Commercial Banks

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INTRODUCTION

Enterprise management began to be introduced to commercial banks only a few years ago, although the reform of the financial system commenced as early as in 1978. Domestic theoretical, banking and industrial circles have conducted extensive and profound discussions on the standardized management of commercial banks, and the position of commercial banks in the reform of the financial system and the entire economic structure.

At present, China's economic structural reform has entered a crucial stage. The guiding principle for further promoting the nation's economic structural reform focuses on two transformations, namely, from a planned to a socialist market economic structure, and from an extensive quantitative to an intensive qualitative mode of economic growth. The change of the guiding principle for the reform of the entire economic structure will inevitably be reflected to the reform of the financial system and further to the change in the management strategy of commercial banks. The strategy of commercial banks must be shifted to enhancing efficiency. This has set new demands on all aspects of the operation and management of commercial banks, with the aim of turning commercial banks into genuine, standard economic entities under a market economy. To accomplish this strategic transformation, it is necessary to steadfastly shift the focus of the work of banks to enhancing operational and management level and the efficiency in the use of credit fund.

The book elaborates the reform of the financial system

around the transformation of the strategy of the operation and management of commercial banks, with the approach of carefully analysing problems existing in the operation and management of China's commercial banks, in order to steer all links of the reform to the right track. It not only analyzes the necessity and puts forth various demands on this strategic transformation, but also offers the methods to accomplish this strategic transformation, thereby transforming a general, abstract and framework idea into concrete and operationally feasible bank behaviors. The book is divided into two parts: On Strategy and On Practice which discuss the strategic transformation from the two perspectives of theory and practice.

Part I focuses on analysing the general framework for the strategic transformation from the theoretical point of view. Firstly, it defines the position of commercial banks in China's financial system reform. Gaining a clear understanding of the banks' historical and current positions will help us understand the inevitability and imperativeness of the strategic transformation in the operation and management of commercial banks, and enable us to proceed from overall interests, get hold of the orientation of development, and control the overall reform of the financial system.

Since Comrade Deng Xiaoping put forth the far-sighted idea of "turning banks into a lever in economic development and technological renovation, and making our banks genuine banks" in 1978, the reform of the banking sector has undergone three stages. The first stage, between 1978 and 1984 when the 14th Party Congress set the task of "establishing a planned commodity economy", marked the initial formation of China's banking system. During this period, the status and functions of the People's Bank of China as the country's central bank was gradually defined, while state-owned special banks began to en-

gage in financial business activities in the capacity of economic entities. Other financial institutions also began to participate in the country's economic life. All this laid a foundation for introducing enterprise management to commercial banks and achieving the commercialization of special banks.

The second stage, from 1984 to 1993 when the Third Plenary Session of the 14th Party Central Committee made the decision to establish "a socialist market economic structure", saw the rapid development of the financial system. During this period, the reform of the financial system focused on quantitative growth, with the initial formation of a situation in which the mushrooming non-specialized banks and non-banking financial institutions coexist and cooperate with division of work. During the period, the central bank initially accomplished the transformation of its functions, and commercial banks made their first, difficult step toward commercialization, which laid a foundation for the substantial transformation of the financial system.

The current third stage is characterized by substantial, all-round reform which gives priority to efficiency. Since the Party formally made the establishment of a socialist market economic structure as the goal of reform in 1993, the financial sector has gradually defined its own objective of reform: "Establishing a financial system with the central bank taking the lead, state-owned commercial banks as the main body, and the coexistence of a diversified variety of financial institutions". Since then, the transformation of the operational mechanisms of special banks which had been discussed for many years has been put into practice and become the key of the financial system reform. In 1996, the central authorities stated that China's economic structural reform should concentrate on the accomplishment of "two transformations", namely, transforming the economic structure from a planned to a market economic pattern, and

transforming the mode of economic growth from an extensive to an intensive pattern. During this period, the commercialization of special banks has entered a stage which seeks both quality and efficiency.

After making a historical review of the progress of the reform of China's financial system, the book outlines a general framework for the reform which aims to establish a macro-control system with the central bank, under the leadership of the State Council, independently enforcing the monetary policy and exercising the management of all financial institutions; establish a financial organizational system with the separation of policy-related and commercial banking, with state-owned commercial banks constituting the main body and with the coexistence of diversified forms of financial institutions, and achieve the commercialization of special banks; and establish a unified, open financial market system featuring orderly competition and strict management. The new financial system, therefore, must realize two transformations: from the financial system under the traditional planned economic structure to a new financial system under a socialist market economy, and from the extensive to an intensive management pattern in the use of credit fund. To achieve the two transformations, commercial banks should do a good job in the three aspects of "total amount, efficiency and structure". "Total amount" refers to the central bank's control over the total amount of currency issue; "efficiency" is the operational principle for commercial banks; and "structure" means the establishment of policy-related banks, the separation of commercial and policy-related banking, and the realization of commercialization of special banks. They indicate that the introduction of enterprise management to commercial banks is the core of new banking mechanisms.

Chapter Two is devoted to several important questions

concerning the exercising of enterprise management in commercial banks. Some questions are old problems currently hunting commercial banks, such as harmful creditors' rights. It attempts to answer some orientation-related questions from a theoretical point of view. The first two questions discussed are: What are standard commercial banks? What are the management principles of commercial banks? On this basis, the chapter sets some basic demands on the operation and management of commercial banks, as well as the orientation of development for the banks in terms of ownership, business functions, operational principles and mechanisms, management methods and principles on the establishment of branches and sub-branches.

This is followed by ideas on how to enhance the operational and management level of commercial banks. After analysing problems existing in the management of commercial banks, the chapter lists the weak links in the management of commercial banks and puts forward counter-measures, namely, carrying out reform in seven aspects—capital operation, organizational structure, financial management, legal function, means of management, system construction and intellectual development, in order to comprehensively raise the operational and management level of commercial banks.

The third question discussed by the chapter is the mode for the growth of economic returns, or how to achieve the transformation from the extensive, quantitative to an intensive, qualitative and efficiency-oriented mode of economic growth. On the basis of an analysis of existing problems, measures for transforming the mode of growth are put forward, with the focus on lowering cost and enhancing efficiency. To achieve this, it is not only necessary to use the thinking of "efficiency first" to guide the management of commercial banks in an all-round way, but also strengthen management in financing, credit and

all other links of bank operation and create new points of economic plus.

The fourth question discussed is the theory on profits. To maximize profits has been set the goal for the management of commercial banks. First, it is necessary to understand the necessity for commercial banks to pursue maximum profits, and that the pursuance of maximum profits is an instinct of commercial banks to seek competition, survival and development under a market economy, as well as a basic characteristic of enterprise management introduced to commercial banks. Commercial banks are required to combine the maximization of profits with their socialized service nature. The chapter lists the forms for such combination, and points out that commercial banks' motive to pursue maximum profits is not free of any restraint and is, in fact, restrained by the socialist nature of China's market economy. The socialized service nature of commercial banks is reflected by the relationships between state-owned commercial banks and the central bank, other commercial banks, non-banking financial institutions and clients. Basic factors affecting the realization of maximum profits are also listed in the capture. They are divided into external and internal environment factors. Only by overcoming these factors, can the methods for achieving maximum profits be found. The methods, with the precondition of clearly defined property rights, include strengthening capital cost accounting, scientific operation of capital, making the inventory of the reserved assets of credit as an imminent task, establishing a work post responsibility system and introducing risk management and the management over the liability rate on assets.

The fifth question is a hot topic in the current management of commercial banks—harmful creditors' rights. China's economic structural reform is a comprehensive reform. At present,

the reform of the operational system of enterprises has entered a crucial stage which is also full of difficulties. The harmful creditors' rights formed under such circumstance will withhold not only the advance of the reform of enterprises, but also the progress of the standardization procedures of commercial banks. The formation of harmful creditors' rights has diversified reasons, including the lack of the concept of credit, interference by local governments, and problems left by history. But, in the final analysis, it lies in the failure to conduct a thoroughgoing reform and form an independent and equal market economy by both enterprises and banks. Hence, the only way to solve the problem of harmful creditors' rights lies in reform and the realization of independent management by enterprises and commercialized management of banks.

At present, there are many ideas concerning the resolution of harmful creditors' rights. The chapter lists five ways. None, however, regards the debts of enterprises as merely a burden and believes that enterprises can be enlivened, achieve the separation of government administration and enterprise management and transform operational mechanisms if only they can throw away their debts to banks. The chapter makes suggestions on both macro-policies and macro-behaviors for resolving harmful creditors' rights. Macro-policies should give priority to the formulation of relevant policies and laws and the employment of the power of market mechanism. With regard to micro-behaviors, firstly, it is necessary to remold a new-type bank-enterprise relationship, transform from a passive to a positive position, help enterprises improve operation and management, and adopt different strategies in different enterprises; secondly, it is necessary to strengthen the risk management of commercial banks' credit mechanisms and internal precaution mechanisms; and lastly, it is necessary to provide legal protec-

tion for the creditor's rights of banks, including the application of negative prescription and priority right of recourse.

The last question discussed by the chapter is about the new points of economic plus—real estate banking service. Commercial banks should energetically develop service to the real estate sector and achieve the integration with this most promising industry.

The Third Chapter discusses the strategic transformation of the operation and management of commercial banks on the basis of a historical review and analyses of current status and theories made in the first two chapters. The strategic transformation refers to the transformation from the traditional, planned management pattern to a new management pattern under the market economy, and from the extensive to an intensive method in the use of credit fund, in order to enhance quality and efficiency and shift the focus of the bank work to strengthening management and enhancing the efficiency in the use of credit fund.

The book analyzes the strategic change from two aspects—operational and management patterns, and the improvement and management of internal and external environment under a standard commercial bank management pattern. The two aspects, mixing together and mutually influential, form the general framework for the strategic transformation of the operation and management of China's commercial banks.

The chapter first analyzes the current operational environment of commercial banks, pointing out that this strategic change is an inevitable choice of both history and reality. It then states that the strategic transformation of the operation and management of commercial banks should give priority to two points: firstly, introducing an enterprise management system, and secondly pursuing efficiency in management. To achieve this strategic transformation, commercial banks must

take maximizing profits as their goal. To attain this goal, the banks must be turned into "financial department stores" dealing with all kinds of businesses related to assets and liabilities. In addition, they must learn to seek development amidst competition, promote a clear definition of property rights, and establish mechanisms of independent management, self-accumulation, self-development and self-restraint.

In order to set a framework for this strategic transformation, the chapter also lists main obstacles stemming the process, including vague property right relationships, socialized operational targets, unitary and extensive business operations, administrative organizational establishments and management, equalization of economic returns, and primitive operational means. Hence, the strategic transformation is divided into the change of operational and management patterns, and the transformation of external and internal environment management systems. This, in fact, has further divided the behavior of commercial banks into macro- and micro-relations, with the former referring to the appropriate handling of relations between commercial banks and the government, market, state treasury and the central bank, and the latter involving the appropriate handling of internal affairs, including capital utilization and management, organizational structure, personnel, and division and execution of responsibilities. The strategic transformation of the operation and management of commercial banks requires all-round changes. Partial and limited changes cannot fundamentally solve existing problems and will definitely return to the old road.

The overall strategy for the operation and management of commercial banks can be divided into eight sub-strategies, including development strategies for financing, international business, real estate banking and intermediate service, and strate-

gies for improved service, informationized and computerized management, management over liability rate on assets, new banking service, intellectual resources development, bank image and cultural construction. The analyses of these sub-strategies, which detail the overall strategy, help readers to gain a comprehensive understanding of the strategy for the operation and management of commercial banks, and raise the level of understanding to approach that of operation.

The Fourth Chapter makes a concrete delineation of operational and management patterns, and the internal and external environment management—two major aspects in the strategic transformation of commercial banks. To help readers gain a correct understanding of the transformation of the operational pattern, the chapter first gives an introduction to the trend of development of commercial banks in Western countries—transforming from a pattern featuring the division of work between banks to an all-round service pattern. The operational pattern of modern commercial banks is characterized by comprehensive service. While establishing the operational pattern for China's commercial banks, this feature should not be neglected. The establishment of the operational pattern for China's commercial banks, therefore, must follow two principles: firstly, it should be based on seeking maximum profits, or establishing the operation pattern with the focus on economic returns; and secondly, developing comprehensive and integrated services of banks.

To achieve this, the property right of commercial banks should firstly be reformed, to enable the banks to acquire full vitality to readjust their own operational pattern. Secondly, it is necessary to introduce an appropriate operational scale which helps breach monopoly, stimulate competition and lower supervision and control costs, clearly defines responsibilities, rights and interests, and can yield large-scale economic returns.

Thirdly, it is necessary to diversify businesses related to liabilities, pluralize banking assets, and exercise comprehensive operation. With regard to external management methods, it is necessary to develop a new-type relationship between banks and enterprises featuring mutual promotion and joint development, and mutual influence and mixing. It is also necessary to promote the internalization of business operations and the marketization of interest rates.

The chapter emphasizes two questions related to the operational pattern suiting an overall management strategy. First, decisive factors influencing the operational level, namely, the actual strength of capital, scale of assets and creation ability. China's special banks, acquiring the first two factors, are weak in their creation ability, an important factor for enhancing operational levels. Second, the important position of profit-making goals. To achieve the goals, it is necessary to oppose such ill practices as self-expansion that neglects efficiency, one-sided pursuance of a single business target, going into ostentation and extravagance and excessive income distribution.

The new management pattern of commercial banks embraces two aspects: external and internal environment management. Banking is closely linked to politics and economy. The transformation of operational and management strategy undoubtedly involves many departments and links. Hence, only by straightening out external relations, creating a sound external environment and relying on all quarters to jointly promote the effort, can the strategic transformation be achieved smoothly. The external environment management firstly calls for straightening out the relationship between the banks and state, through the means of reforming the property right system, with the shareholding system as the main form.

Second, it is necessary to straighten out the relationship

between commercial banks and the central bank, with the focus on replacing direct regulation and control with indirect regulation and control and forming a new-type supervision and regulatory relationship featuring the mutual cooperation and support between the two.

Third, it is necessary to straighten out the relationship between the banks and fiscal and taxation authorities. Commercial banks should return fiscal responsibilities which they should not bear to state fiscal authorities as quickly as possible, while the latter should return the former's credit fund it has occupied and standardize fiscal credit to prevent its buffet to the commercialization process of commercial banks. As a matter of course, attention should be paid to strictly enforcing fiscal and financial policies accompanied with necessary flexibility and the balance between bank credit and the comprehensive plan for fiscal credit, so as to prevent mutual curtailment.

Fourth, it is necessary to straighten out the relationship between commercial banks and local governments. The banks should actively win the support and help of local governments. The banks can only acquire a relaxed operational environment and gain the understanding and trust of local governments through their own endeavors.

Fifth, it is necessary to establish a new-type relationship between the banks and enterprises. Only a bank-enterprise relationship based on cooperation can promote their joint development.

Sixth, it is necessary to straighten out the competitive and cooperative relationship between various commercial banks.

Seventh, it is necessary to straighten out the relationship between various branches of each commercial bank.

The external environment also includes the aligned relationship between commercial banks and other trades.

The establishment of internal environment management mechanisms must also stick to the center of enhancing economic returns. The targets for internal environment management undoubtedly include the establishment and perfection of self-development and self-restraint mechanisms, and the establishment of the management goal responsibility system and interest mechanisms. These are the starting points for establishing internal environment management mechanisms in commercial banks. The focus of the effort should be put on the management of internal organizational structures, credit fund, investment risks, labor and personnel. This suggests: firstly, reestablishing organizational and management systems in line with the requirements of the new strategy; secondly, establishing a liability rate management system which uses liabilities to restrain assets; thirdly, introducing the accountant settlement system based on negotiable instruments; fourthly, exercising brand-new labor, personnel and salary management systems; and lastly, establishing a financial management system facilitating maximized profits.

The chapter also puts forward the idea of an internal control system, an important component of the internal management system. Following an analysis of the influence exerted by the control system to bank operation and management, it lists the problems existing in commercial banks' current supervision and management systems, such as the narrow coverage of internal supervision and management, incomplete internal control, the lack of authority in supervision and management, lagging construction of internal supervision and management systems, and backward means of internal supervision and management.

The new internal control system must cover the whole process of all business activities of commercial banks. As an organic combination of specialized and self-control, it is character-

ized by follow-up dynamic supervision over complete business processes, which is different from the examination and auditing of operational results carried out by internal supervision and management departments. Specifically speaking, it calls for the establishment of internal control guarantee mechanisms related to decision-making control, the establishment of a relatively independent and authoritative internal control organ based on specialized control, the introduction of post exchange and internal restraint mechanisms with the focus on standard management, the exercise of whole-process control in supervision and management with the goal of enhancing efficiency, and the transformation of supervision and control methods through the means of high and new technologies. After setting the basic framework for the internal control system, the chapter puts forward the measures which can be put into practice immediately.

The above are the basic contents of the first part of the book which draws a full picture of the strategy for the transformation of the operation and management of commercial banks. The strategy, however, needs to be materialized. Part II focuses on practice. Yet, it cannot make detailed analysis and exposition of all problems encountered in the practice of the operation and management of commercial banks. The part, therefore, concentrates on issues of crucial importance. Readers may find from it that the accomplishment of this strategic transformation requires the understanding, knowledge, master and practice of so many things.

Chapter One gives a general introduction to the operation and management of commercial banks. The operation and management of commercial banks must follow the objective law governing economic activities. They represent the whole process in which, in line with set goals, principles and