The Optimal Allocation of Financial Resources for Commercial Banks to Serve the Real Economy in the Construction of New Urbanization

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Abstract: Real economy is the foundation of a country's economic development. In view of the major strategic tasks of stable growth, structural adjustment and reform of China's macro-economy, how to better serve the real economy by commercial banks has become a major problem in China's banking industry. With the opening of the supply side reform, China's commercial banks are facing the transformation of credit operation and the only way to support the real economy. For the state-owned commercial banks, it has a strong practical significance to further strengthen the research on the transformation strategy of commercial banks' credit operation. The state-owned commercial banks should allocate the scarce financial resources to the most effective areas, actively provide efficient financial support for the development of the real economy and industrial transformation, and constantly improve the efficiency and level of serving the real economy. This paper analyzes the current situation and impact of the state-owned commercial banks' service to the real economy, and puts forward specific measures on how the state-owned commercial banks can unswervingly serve the real economy.

1. Introduction

In recent years, with the slowdown of China's economic growth and the acceleration of the pace of economic restructuring, the curtain of China's supply side reform has quietly opened. However, under the current situation, the financing channels are not unblocked, which seriously restricts the development of the real economy [1-2]. The real economy, as the pillar of the national economy, will inevitably fall into a vicious circle of economic level decline, employment rate reduction, tax burden increase and so on, resulting in the lack of economic growth and the decline of national strength. Serving the real economy is an inevitable requirement for the return of finance to its original source, and also a fundamental measure to prevent financial risks [3-5]. However, under the current background, China's commercial banks are facing a series of risks and pressures in serving the real economy. For the state-owned commercial banks, it is of great practical significance to fully realize the current risk situation and further strengthen the research on the credit operation transformation strategy of commercial banks serving the real economy [6-7]. The state-owned commercial banks should overcome all difficulties, allocate scarce financial resources to the most effective areas, actively provide efficient financial support for the development of the real economy and industrial transformation, gradually change the focus of loan capital investment into market-oriented, and constantly improve the efficiency and level of serving the real economy.

2. Commercial Banks Should Take Serving the Real Economy as the Foundation

Real economy is the solid foundation of a country's economy; economy determines finance and finance serves economy; this is the basic law of market economy. The relationship between economy and finance. It is the demand of real economy for financial function that leads to the emergence, existence and development of financial institutions with commercial banks as the main body. The decisive effect of economy on finance is mainly reflected in two aspects: first, finance is generated in the development of commodity economy and develops with the development of commodity economy; second, the demand for financial services is different in different development stages of commodity economy, which determines the structure, stage and level of

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financial development [8-9]. Therefore, only with the development of solid real economy can the financial industry develop continuously, stably and healthily. The financial industry without the support of real economy can develop in a false way in the short term, but in the long term, it is difficult to continue. Therefore, the development of the financial industry with commercial banks as the main body needs to firmly grasp the solid foundation of the real economy and the essential requirements of financial services for the real economy.

2.1 Commercial Banks Must Realize the Transformation of Their Own Development Mode

Commercial banks should change the profit growth mode of pursuing interest rate multiple times higher than economic growth rate through credit expansion. Banks gain high returns with high-risk behavior, which may increase asset price bubbles, aggravate the risk of local government financing platform, and even become the source of usury funds, and lay down the foreshadowing of systemic risks. Or the bank obtains the interest margin income through the inefficient expansion of credit scale [10]. As a result, there are serious structural mismatches in credit allocation, small and medium-sized enterprises can not get the financial support, and large enterprises may transfer the use of credit funds due to the excess credit lines, increasing the bank's bad debt risk. Therefore, the banking industry itself must also realize the “transformation” of its development mode, especially from the self expanding development mode of the financial institutions closely following Wall Street to the intermediary function dedicated to serving the real economy, which is an important foundation for the sustainable and healthy development of the banking industry in the future.

2.2 Accelerate Product and Service Innovation and Improve Financial Services for Small and Medium-Sized Enterprises

Small and medium-sized enterprises (SMEs) are the vital force of China's economic development, and also an important force to solve the problem of employment of a large number of labor force. According to the property right system, business nature and operation characteristics of small and medium-sized enterprises, commercial banks should carry out targeted product innovation to boost the business development of small and medium-sized enterprises, ensure that human resources and credit resources of banks are invested in the small and medium-sized enterprise segmentation field, and build a long-term mechanism to serve small and medium-sized enterprises [11-12]. At the same time, through service innovation, the “process bank” serving the business of small and medium-sized enterprises will be established. Through business process reengineering, organizational process reengineering and management process reengineering, the existing operation mode of serving the business of large enterprises will be broken through, and a new business system centered on serving the customer needs of small and medium-sized enterprises will be formed to meet the customer needs in a timely manner.

2.3 Innovating Management Mode to Really Improve the Service Level of Real Economy

At present, the modern information technology represented by the Internet has reshuffled many traditional industries. Internet finance, with its vast trading platform and huge trading data, is shaking the stable position of the traditional banking industry for one hundred years, making the banking industry face great challenges. In addition, the deep integration of information technology, network and service is promoting the formation of new enterprise forms and business ecology [13]. The change of customer business model will promote the great change of marketing service model of banking industry in the future. Under this background, the banking industry should be guided by science and technology, constantly innovate management mode, improve organizational structure and industry segmentation, and improve the efficiency of marketing services. Especially in the new era, large banks must realize the balanced development of large, medium and small customers. At the same time, we will strengthen the construction of online banking outlets, improve the service capacity of basic outlets and online banking channels, and truly improve the service level for the real economy.

3. Financial Resources and the Allocation of Real Economy

In recent years, leaders of the party and the state have attached great importance to the support and promotion of finance to economic development, vigorously promoted financial reform, and emphasized the optimization of financial resources allocation to serve the development of the real economy, especially in promoting the banking industry to serve the real economy. However, there is a strong demand for the adjustment of economic structure, the transformation of economic growth power, the allocation of financial resources can not meet the needs of the development of the real economy, and the problems such as “from the real to the virtual”, “currency idling”, and “financing difficult and expensive” of small and medium-sized enterprises are prominent. The allocation of financial resources and the development of real economy are not suitable and coordinated in terms of total amount and structure, and there is no match between different levels of financial resources.

From the perspective of the real economy, with the prominent contradiction in the economic structure, the continuous decline in economic growth, the continuous decline in real economic benefits, the decline in the willingness of internal investment and expansion of enterprises, the trend of “virtual real separation” between financial resources and the real economy intensified, and part of monetary funds transferred from the real economy to the virtual economy. In particular, some enterprises take the initiative to “get rid of the real and turn to the virtual”, not only do they not invest the funds in the real economy, but also draw some funds out of the real economy to invest in the stock market, bond market, foreign exchange market, housing market or entrusted loans, or even to lend at a high interest rate. In pursuit of “making money”, “making fast money”, there are also some engaged in “art collection investment” and put the funds into “cultural finance”. The above-mentioned performance of financial institutions and real enterprises “from the real to the virtual” reflects the imbalance between financial resources and the allocation of real economy. Table 1 shows that the actual data such as entrusted loans and private loans can further confirm this point.

Table 1 Scale of Entrusted Loan and Private Loan Unit: 100 Million Yuan

Year	Entrusted loan balance	Entrusted loan growth	Scale of private lending	Private lending growth
2012	19599	30.2	3.8	76.8
2013	26269	46.9	3.9	-0.8
2014	37533	55.3	4.2	23.6
2015	45243	32.3	5.4	46.8
2016	52694	28.2	5.9	23.8
2017	92326	40.8	6.4	21.3
2018	123295	45.8	9.7	44.1

During the period of economic downturn, some enterprises with more retained funds are willing to invest less, giving up industrial investment and engaging in entrusted loan to reduce business risk and earn stable interest income. Financial institutions such as commercial banks are also willing to engage in such risk-free business. The return of funds from enterprises to financial institutions indirectly leads to the “disembodied” of funds; financial institutions also use this off balance sheet business to obtain service fees and intermediate interest from it, which in turn increases the financing costs of other enterprises in urgent need of funds, and also hinders the direct flow of funds to the real economy. In addition, with the development of stock, bond, futures, foreign exchange and other markets, the money demand for virtual capital trading is increasing, which attracts a large number of money and monetary capital, provides a channel for the capital to “go from the real to the virtual”, and promotes the imbalance between financial resources and the allocation of real economy.

The diversification of financing methods is conducive to optimizing the allocation of financial resources and meeting the different financing needs of the real economy. However, the mode of financial development in China is dominated by institutions, with indirect financing as the main mode and direct financing as the auxiliary mode, with relatively single financing mode. In the indirect financing market, the state-owned holding commercial banks are in a relative monopoly position; in the direct financing market, the implementation of the approval system in the stock market has a high threshold, the development of the multi-level stock market is not mature, the registration system has not been implemented, which hinders the listing and financing of all kinds of enterprises; the bond market is not complete, the bond issuance mechanism is not perfect, and the enterprise debt financing is limited. In the whole social financing, the average proportion of indirect financing through bank credit is about 75%, and the average proportion of direct financing through capital market is about 10%. As a result, the financing structure of enterprises is unreasonable, the debt financing occupies the main position, while the proportion of equity capital is low, and the debt leverage ratio of enterprises is high, which affects the further development of enterprises. Table 2 illustrates this.

Table 2 Change of Financing Channel Structure

Year	RMB loan / social financing scale	Foreign currency loan / social financing scale	Domestic and foreign currency deposit / social financing scale	Corporate bond / social financing scale	Domestic stock / social financing scale of non-financial enterprises	Bond stock / social financing scale
2012	89.74	4.27	82.21	3.89	4.31	7.99
2013	87.72	4.75	81.36	5.33	3.7	8.92
2014	83.45	4.44	76.78	5.96	3.91	9.76
2015	82.23	4.2	75.32	6.86	3.8	11.65
2016	79.77	4.5	73.17	8.29	3.57	12.75
2017	77.82	4.2	70.82	8.76	3.25	12.8
2018	77.41	3.9	70.21	9.6	3.41	13.9

The capital market is not perfect, the financing function is low, the proportion of direct financing is very small, and the proportion of indirect financing is unbalanced, which is not conducive to equity financing. Third, the bank system structure is unreasonable, the concentration is high, the five state-owned holding commercial banks are relatively monopolized, which is not conducive to serving the small and medium-sized real economy. As shown in Table 3 and Figure 1, since 2012, the deposit concentration of the five state-owned holding commercial banks of industry, agriculture, China Construction and communications has decreased from 65.21% to 52.44%, but they are still in a state of “relative monopoly”, which is not conducive to bank market competition. Similar to this, the loan concentration and asset concentration are roughly the same. At the end of 2019, the loan scale of the five state-owned holding commercial banks reached 40 trillion yuan, 2 trillion yuan more than that of all small and medium-sized banks, which is obviously not conducive to the balance and optimization of financial resource allocation structure.

Table 3 Deposit Concentration Of Five State-Owned Holding Banks Unit:%

Year	Industrial and Commercial Bank	Bank for economic construction	Agricultural Bank	Bank of China	Bank of Communications	Concentration degree
2012	20.14	25.84	24.88	22.42	6.25	64.99
2013	29.13	27.55	24.66	22.77	6.66	66.32
2014	27.59	24.61	24.22	21.83	5.94	69.76
2015	27.25	24.55	23.76	22.33	5.99	69.43
2016	26.95	24.44	23.81	21.5	5.95	68.31
2017	25.56	23.33	23.12	21.12	5.82	64.52
2018	25.26	23.11	22.85	10.11	5.67	63.55

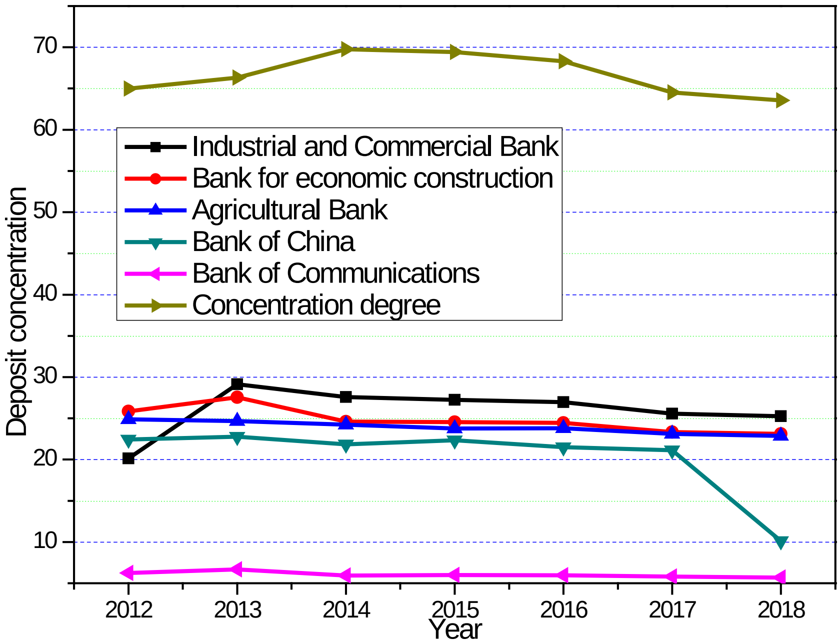

Fig.1 Deposit Concentration of Five State-Owned Holding Banks

The overall goal of optimizing the allocation of financial resources is to achieve the balance between the allocation of financial resources and the demand for the development of the real economy, to fully meet the needs in terms of the total amount, to coordinate and adapt in terms of the structure, to continuously improve the efficiency of financial support for the development of the real economy, and to promote the healthy, coordinated and sustainable development of the real economy.Commercial banks should base on the “new normal” of economic development, establish a correct view of financial development, promote banking reform, dredge the financing channels of the real economy, improve the capital market system, increase the proportion of direct financing, strengthen the reform of the financial system, and improve the ability of financial services to the real economy.

4. Conclusion

Looking back on the past, China's banking industry has undergone tremendous historical changes, completed a series of important reforms, and significantly improved its comprehensive strength and anti risk ability. However, there are still some outstanding problems and potential risks: the general extensive operation mode of commercial banks, many problems in corporate governance and risk management, the relatively backward development of rural finance and small and medium-sized financial institutions, the insufficient combination of credit policy and industrial policy, and the insufficient support for the real economy. Looking forward to the future, commercial banks will continue to firmly grasp the essential requirements of serving the real economy, continue to promote reform, innovation, transformation and development, comprehensively improve the quality and level of serving the real economy, and strive to contribute to the sustainable and healthy development of the national economy.

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