

## REVIEW

# The Thinking Path of Deepening Transformation and Innovation of Chinese Banking Industry under the Background of “New Normal” Economy

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### ABSTRACT

This paper analyzes the three big impact in the development of Chinese banking industry and discusses the limitations of financial innovation of Chinese banking industry. The results showed that: (1) deepening the banking system innovation to adapt to the new situation; (2) improving customers' experience by deepening model innovation of the internet financial; (3) improving intensive of bank branch operation and the intelligent of network service with the aid of informatization; (4) Providing individualized, characteristic and differentiated services for high-quality customers of banks and enhancing customer value through lightweight network outlets; and (5) Adapting to the development of new entity economy by comprehensive management, optimizing the operation mode of outlets, and strengthening the supply side reform of commercial banks themselves.

## 1. Introduction

At present, China is in a critical period of economic growth shifting, structural adjustment painful period, and the digestion of early-stage stimulus policy. Commercial banks are facing three major shocks: the continuous promotion of interest rate marketization, the acceleration of financial disintermediation trend and the rapid development of Internet finance. It is urgent need for commercial banks to deepen transformation and innovation to help the real economy develop smoothly.

## 2. Three Shocks and Their Impacts on the Development of Domestic Banking Industry under the Background of the New Normal State of China's Economy

Firstly, with the continuous promotion of interest rate

marketization, interest spreads of deposit and loan gradually decreases, and further reducing the profit space of commercial banks, many institutional dividends previously enjoyed by commercial banks in China will no longer exist. On October 24, 2015, the central bank no longer set a floating ceiling on deposit interest rates for commercial banks and rural cooperative financial institutions, it marks that the completion of interest rate marketization reform after nearly 20 years. The profit model of the banking industry, which relies on the deposit-loan spreads as the main source of profit, is challenged. The main source of profit for commercial banks is changing to the retail banking business, intermediary business and private banking business of individual customers<sup>[1]</sup>.

Secondly, the trend of financial disintermediation is accelerating, the financing channels of high-quality enterprises are increasingly diversified, space for customers

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to choose financing methods and financing channels is greatly enhanced, and the competition between banks is increasingly fierce. Financial disintermediation firstly manifests itself as financing disintermediation, secondly as payment disintermediation, customer disintermediation, information disintermediation and channel disintermediation, which not only directly affects the growth of bank's interest margin income, but also directly impacts on the sales mode stimulated by visiting customers. From 2000 to 2015, the proportion of social financing in Chinese banking industry dropped from 95% to about 50%, which led to the diversion of deposit and loan business, the lifeline of traditional banks, and made the financing cost of financial bonds higher and higher, deposit-loan spreads narrowing, and the ability of sustainable profitability declining year after year<sup>[2,3]</sup>.

Thirdly, under the new normal economic situation, new technologies such as "Internet +", "big data" and "cloud computing" are bringing the traditional financial industry's subversion and competition upgrading, making the traditional banking management mode face enormous challenges. The deep application of Internet technology in financial field and the rapid development of Internet finance not only accelerate financial disintermediation, but also subvert the traditional banking service mode, which weakens the advantages of commercial banks in payment, deposit and channel. Commercial banks face the risk of weakening the role of financial intermediary. The application of information technology challenges the lack of supervision over risk process of traditional banks, which makes traditional banks increasingly unable to cope with industry risk, regional risk, systemic risk, internationalization risk, moral risk and even operational risk.

Therefore, with the completion of interest rate marketization, the acceleration of financial disintermediation trend and the vigorous development of Internet finance, the traditional development model of extensive, high-capital consumption and high-risk accumulation of domestic banks, which mainly rely on deposit-loan spreads and loans to drive the scale of operation, can not be maintained for a long time. It is necessary to accelerate the transformation of development and deepen financial innovation. Banking industry needs to renew its concept, adjust its business model, gradually improve its interest rate pricing system and interest rate risk management mechanism, gradually shift from focusing on deposit-loan spreads and enterprise customer to focusing on high returns and low risks, realizing diversified income structure, and from extensive growth with high capital input, low quality and low efficiency; shift from extensive growth and scale expansion with high capital input, low quality

and low benefit to intensive management with high quality, high efficiency and high connotation focusing on light assets, light capital plus investment banks and financial leases; shift from product-centered innovation to customer-centered and market-oriented, and move towards integrated and diversified financial product services Road<sup>[4]</sup>.

### **3. Limitations of Financial Innovation in Chinese banking industry**

The main motivation of financial innovation of commercial banks in China is not the active pursuit of performance growth, but the passive promotion of external factors. Before entering WTO, the financial innovation of commercial banks in China is mainly to deal with the management uncertainty brought about by the marketization reform of interest rate and exchange rate of RMB, and the funds of commercial banks in China after entering WTO. Financial innovation is mainly to cope with the related risks brought about by the entry into WTO. The financial innovation in these two stages is the result of the change of the external environment, which is a kind of "stress response" of commercial banks to the change of the external environment. After entering twenty-first Century, the "Internet +" financial innovation is mainly financial and technological innovation. It is a passive "pick up" for banks to apply Internet technology in the financial field and the rapid development of Internet finance<sup>[5]</sup>. Therefore, the financial innovation of commercial banks in China has the following limitations:

#### **3.1 Financial System Innovation Lags Behind**

Firstly, because the financial innovation of commercial banks in China is a kind of "backward" innovation, the main manifestation is that the financial system innovation of commercial banks lags behind and the system supply is insufficient. Secondly, the way of system innovation is single. The main way of institutional innovation of commercial banks in China is mandatory institutional change, while the way of induced institutional change is relatively scarce. The main manifestation is the contradiction between the relatively developed financial system and the more developed credit modes (including financial commodities and credit instruments) and the backward credit morals and concepts, which has obviously affected the institutional innovation. And the efficiency of the system implementation mechanism. Commercial banks have the social responsibility to set an example for the sound development of China's financial informal rules. However, China's commercial banks are not ready to take on the responsibility of cultivating personal credit concept, which

leads to the possibility of using informal rules to promote the reform of financial institutions and the innovation of financial system no longer exists. The financial innovation and development of China's commercial banks have been seriously affected<sup>[6]</sup>.

Financial product innovation is becoming more and more abundant, but most of them are financial technological innovation and imitation of foreign commercial banks' related products and services. Independent innovation is not enough.

In the 1990s, with the commencement of market-oriented reform of interest rates and exchange rates, the trend of comprehensive and diversified operation of commercial banks has become increasingly evident, and the scale and volume of financial derivatives and related businesses have continued to increase.

With the process of interest rate marketization in China, for hedging, the financial innovation activities of commercial banks in China began in the early 21st century in the aspects of assets and liabilities, financial derivatives, etc<sup>[5]</sup>.

In 2001, China formally joined the WTO. With the help of the policy dividend of commercial bank in line with international standards, the financial innovation of commercial banks in China has entered a rapid development stage, and the business of commercial banks has become more and more extensive. After 2005, China's commercial banks continue to introduce personalized financial products comparison; after 2006, commercial banks began to engage in investment business of precious metals, design innovative financial products and services for enterprises, such as entrusted loans, enterprise consultation, enterprise tax planning, etc., and basically achieved the goal before China's entry into WTO. Foreign banks already have financial innovative products and services, and our commercial banks have the same or similar business.

After entering the end of the 20th century and the 21st century, relying on the platform of Internet technology, China's banking financial innovation has been carried out on the outskirts of traditional commercial banks. From the "quick payment" method of development and payment innovation, we can get rid of the "Alipay" to develop the network platform system for commercial banks, sell deposits, transfer accounts, loans, buy financial products, and fund consignment business, so as to realize the innovation of service channels, and then to imitate the Internet financial products, such as "baby products" to develop independently. A series of products combined with the Internet, a large part of which belongs to financial technological innovation, a large number of imitations of foreign commercial banks related products and services become

the main way of financial product innovation of commercial banks in China. Although the results of financial innovation can be seen in the short term, it will also go for Chinese commercial banks. The road to self-innovation has laid hidden dangers<sup>[7]</sup>.

### **3.2 The Phenomena of "Financial Vacancy" and "Liquidity of Funds" are More Serious at Present**

Firstly, more funds have not flowed to the real economy. Research shows that in 2016, the proportion of government departments in total social credit increased from 15% in 2009 to 20%, the proportion of residential departments increased from 15% in 2009 to 19% in 2016, and the proportion of non-financial enterprises decreased from 71% in 2009 to 61% in 2016. It can be seen that although enterprises are still the main source of "money" flows, after the 2008 crisis, "money" flows more to the government and residential sectors.

Secondly, the financing difficulties of real enterprises, especially small and medium-sized enterprises, always exist. Many small and micro enterprises have difficulty in lending, expensive loans and slow loans. When they need funds urgently, they have to go to private lending. Statistics show that in 2016, the average interest rate of private lending in small and medium enterprises is as high as 18%. Only by speeding up the reform of financial market, regulating and managing financial risks can we ensure the long-term and steady development of the new real economy<sup>[8]</sup>.

### **4. Thoughts and Countermeasures of Deepening the Transformation and Innovation of Chinese Banking Industry under the Background of New Normal Economy**

In order to cope with the increasingly fierce competition and enhance the competitiveness of retail business and the profitability of outlets, commercial banks have been actively exploring and practicing the transformation and innovation of outlets. It has experienced three stages of service quality upgrading transformation from 2000 to 2005, sales transformation before and after 2005 and overall transformation after 2010, which effectively transformed the sales concept of employees and improved the service quality of outlets and sales ability of employees<sup>[9]</sup>. With the in-depth application of Internet technology in the financial field, the financial ecological environment is undergoing profound changes. The transformation of banking industry in China has entered a new stage of customer-centered, internal and external consideration, customer diversification needs satisfaction and customer

experience intellectualization. At present, the trend of strategic transformation of banks can be achieved with six keywords. Summarize: Internet finance, internationalization, intensive, comprehensive, lightweight and intelligent finance<sup>[10]</sup>, will build the network into customer relationship management center, customer experience center and O2O landing service center, and reshape the advantages and value of bank physical channel. The specific implementation path is as follows<sup>[10]</sup>:

#### **4.1 Deepening the Banking System Innovation to Adapt to the New Situation**

To sum up, in view of the fact that China's financial innovation is backward and financial system is imperfect, in order to promote the development of real economy under the background of the "new normal" economy, it is necessary to speed up the institutional innovation of China's commercial banks through institutional incentives and reducing the uncertainty in the process of innovation. It mainly includes the following aspects:

First, the restructuring of organizational structure and system. At present, the organizational structure of commercial banks in China is mainly bureaucratic system, especially the organizational structure of large state-owned banks, which is similar to the bureaucratic system of the government. This organizational form, originally proposed by Max Weber, has obvious advantages, such as stable structure, tight organization, ensuring the effective realization of organizational goals, etc.<sup>[6]</sup>. With the gradual weakening of the monopoly position of commercial banks, especially the entry of private banks and foreign banks, the problems of inefficient bureaucracy, poor creativity and low enthusiasm, which can not meet the needs of customers to the greatest extent, erupt centrally. Therefore, the financial innovation of commercial banks in China must first make two important changes. Reform: Firstly, the organizational structure is flat, and the service concept centering on customer needs is established; secondly, special financial innovation departments are set up, which have equal status with traditional business. To some extent, this will stimulate the financial innovation of commercial banks.

Secondly, further optimization of bank ownership structure. At present, most banks in our country are state-owned. The ownership of state-owned holding commercial banks is mainly in the hands of Huijin Corporation and Ministry of Finance. This reality has greatly hampered the enthusiasm of innovative subjects of commercial banks. The primary task of further optimizing equity is that the Ministry of Finance must transfer the equity of state-owned holding commercial banks to non-governmental

departments. If we are worried that the sale of equity will affect the state-owned nature of commercial banks, we can adopt the mode of remittance fund and adopt the method of cross-shareholding of corporate to optimize the ownership structure of state-owned holding commercial banks in China. In addition, Huijin's shareholding mode should also be further optimized. We can try to divide the responsibilities of many committees within the framework of "one-session system". The board of directors not only has the function of effective decision-making, but also has the function of mutual supervision. With the improvement of bank ownership structure and the further liberalization of financial market, the self-management of commercial banks in China will be strengthened, and the situation of insufficient motive force for financial innovation will be changed accordingly. Moreover, in the process of such innovation, more and more innovative ways will be transformed into induced institutional changes caused by changes in the external environment, endogenous innovation power will gradually be released, and government-led mandatory institutional changes will gradually decrease<sup>[5]</sup>.

Thirdly, we should reconstruct the informal rules of credit morality in our country. At present, due to the weak credit foundation, outdated credit concept and lack of credit ethics in China's financial market, the motive force of financial innovation of commercial banks is seriously damaged. For example, when introducing this kind of credit consumption and loan, it will increase the screening cost in the early stage and the inquiry cost in the later stage. Although China has initially established a personal credit rating system, there are still many loopholes, and in the specific implementation process, we can make up for the shortcomings of personal credit in the past by other ways, which leads to the virtual personal credit rating system. Therefore, our country should strive to do a good job in the cultivation of credit ethics, which not only requires the improvement of the system, but also requires strict supervision in the process of bank implementation, and more importantly, personal compliance with credit ethics.

#### **4.2 Improving Customers' Experience by Deepening Model Innovation of the Internet Financial**

Internet financial universal, convenient and low-cost service mode challenges traditional banks. More and more customers are no longer satisfied with traditional services, but are pursuing high-quality personalized services, forcing traditional financial industry to integrate into the Internet spirit and business philosophy of "opening, equality, cooperation and sharing" and realize "production". The product and benefit center should be transferred to the customer center. Internet technology should be intro-

duced. Customer experience should be highly valued. Innovations should be made to meet the rapidly changing needs of customers, so as to realize the transformation of customers from “arrival shop” to “window shopping”.

Firstly, we should build a business operation system under the Internet financial model, speed up the integrated transformation of online and offline business processes, and make the traditional offline business as online as possible, so as to improve the convenience of the original business and reduce costs and expenditures. Network is a display area, an experience store, a platform for information dissemination, and a resource. It is not necessary to regard the network as the object of profit assessment. When enterprises come to the network to finance, what they need to do is to help enterprises reduce their operating costs, whether online or offline, or through crowd-sourcing, O2O or PPP. If customers do not want to queue up, they need to cultivate their habits of using electronic channels, and optimize mobile banking, online banking, telephone banking and Wechat Bank. E-channel service functions such as bank, do a good job of platform-based products, enhance scenario services.

Secondly, with the help of the Internet, innovative financial products, cross-industry and cross-border, expand new profit space. By developing assets and liabilities on the Internet, expanding the proportion of retail banking business and intermediary business income in profits will help banks to transform into “light” banks and “middle-income” banks. At the same time, through financial business innovation, the development of new products such as asset securitization, financial deposit Internet and financial derivatives will help banks to enhance the benefits of serving the real economy, expand profit channels, avoid and guard against various risks and enhance the overall market competitiveness. In the future, the innovation of commercial banks’ financial business will mainly focus on syndicated loans, M&A loans, loan asset securitization, futures and options agency, off-balance-sheet business, etc. They will continue to expand their business scope and profit model to increase profit growth points.

Thirdly, using the Internet thinking mode to plan the way of development of e-bank and e-bank, the network platform not only provides a brand-new marketing channel for the original products and services of banks, but also is the main direction of bank product innovation. How to compete for virtual customers in the Internet market, how to provide financial services according to the characteristics of virtual customers, and how to obtain more effective data from customers are three issues that should be considered by electronic banks and network banks. On the one hand, various banks have upgraded their network

banks, vigorously developed mobile banking business, and launched various public and personal financial services products based on electronic banking, bringing new experiences to customers. On the other hand, with the rapid increase of network merchants, banks actively rely on the network platform, with the help of network technology, vigorously develop the network financing business, to achieve the integration of industry and finance. For example, Industrial and Commercial Bank of China (ICBC) launches “Internet Credit Link” products on the basis of Internet banking platform for enterprises with high frequency of capital demand and short cycle; Bank of Communications develops an exclusive platform for small and micro enterprises and individuals. The system can customize the optimal loan scheme according to the relevant information of customers’ online applications, and conduct online pre-examination and credit granting. The process is realized through the network, which maximizes the convenience advantage of the network<sup>[10,11,12,13]</sup>.

#### **4.3 Improving Intensive of Bank Branch Operation and the Intelligent of Network Service with the Aid of Informatization**

Intensification of network services includes not only the operation logic centralization of service delivery layer dealing with business activities, but also the construction of “cloud operation” of management platform. Service Delivery Layer’s operation logic centralization for business activities refers to the sharing of operational management platform, which can make operational resources of different regions and different levels of organizations support each other and improve the flexibility of resource scheduling even when the physical location of existing operators remains unchanged. Especially for the physical centralized operation activities which can not be realized due to the influence of site, talent supply and risk considerations, it can fully open up the whole operation resources, break through the restrictive factors of institutional attributes and physical location, and maximize the benefit of operation resources sharing. Large domestic banks have actively tried to establish an “integrated cloud production platform”. Under the condition of keeping some second-level branch operators “unmoved”, they have fully tapped the operational resources at the cross-regional and institutional levels to achieve a “logical” operation concentration<sup>[14]</sup>.

Banking network operation and management platform has accumulated a wide range of channels, customers and operational data. Banking industry has entered the era of big data. How to effectively promote the pilot application of big data and form a data-driven business management

model in business innovation, internal audit, marketing, risk management and control has become a commercial bank. The main issues facing the bank. By upgrading the intelligence level of network information, reforming the network business process and risk prevention and control system, and introducing high-tech energy equipment into production links, the processing efficiency of various complex business will be effectively improved, the operational risk of business will be reduced, and the abundant product lines of commercial banks will be supplemented to enhance customer service. Level. VTM, Intelligent Robot Interactive Touch Screen, Point Mobile Terminal (PAD), Automatic Business Processing Equipment and Face Recognition Technology, Electronic Signature Technology, Electronic Printing Technology, Geographic Position Location Technology, Image Slicing Technology, Customer Behavior Analysis Platform, High Risk Business Real-time Early Warning Platform, Centralized Work Platform, Remote Shadow A series of information-based and intelligent financial technologies, such as authorization platform, anti-fraud platform, anti-money laundering platform, post-event business supervision platform and product data mining model, have been widely used in commercial banks. On this basis, traditional business processes have been transformed, taking account of customers' financial needs and bank management requirements. We will expand the breadth and depth of online and offline linkages, build an operational service system of "business online access, seamless online and offline docking, strict risk control", and strive to provide customers with high-quality financial services at any time, anywhere and at will. Intelligent construction includes seven aspects: building integrated operation mode online and offline; building integrated service mode online and offline; building intelligent and effective risk management mode; building intelligent business operation platform; improving offline business operation support system; building intensive and efficient backstage operation center system; and integrating. Establishment of Operational Logistics Management Center.

Intelligent network is not only the transformation of network layout and the use of intelligent machines, but also the innovation of network service process and the improvement of business philosophy. It is the centralized embodiment of "customer-centered" operation mode. Under this mode, the human resources are released from the simple and repetitive work, and the network staff no longer play the role of teller, but become the role of integrated services. The bank marketing service personnel have been effectively supplemented, and the way of communication with customers has become "side by side

consultant". Through the rapid introduction of innovative functions, services and experiences to get customers and live guests. Intelligent network makes a fundamental change in the way of banking services, customer experience and customer satisfaction significantly improved.

From the perspective of ICBC Hebei Branch, the bank's smart network, which has been put into operation for more than 70 days in 2015, has achieved great results in terms of cabinet compression and staff transfer. Intelligent network outlets average cabinet release rate of 23%, cabinet release rate of 22%; Increase service marketing personnel to enrich the lobby guidance, on-site auditing, outreach marketing and other posts. The human resource structure of the network has been optimized, and the transformation of operation mode and service process to "customer-centered" has been preliminarily realized.

From ICBC's Suzhou Branch, after the completion of the intelligent transformation of the network, the efficiency of customer service and customer satisfaction have been significantly improved. Taking debit card issuing and opening electronic bank as an example, the average processing time of the network points is reduced from 15 minutes before the intelligent commissioning to 3 - 5 minutes. In December 2015, the average number of four-star or more customers arriving at stores per day in the bank's smart network increased significantly, and customer satisfaction reached 99.13%, which increased by 3.57 percentage points over the same period of last year.

In the future, on the basis of the comprehensive intellectualization of the main business, the network will be transformed to the following two directions: one is community, i.e. the network channels in a certain area cooperate with each other and form a network group with flexibility, complementarity of functions and interaction of experience, so as to maximize the resource utilization and efficiency output of the network. Transforming the competitive relationship between the Internet into the competitive relationship; the second is to make the network into a social platform and a link to link customers, so as to enhance the ability of the network to receive, gather and stick customers, and optimize the evaluation of the value of the platform network, break the restriction of the current assessment mechanism on such networks, and make the network point. Value creation ability has made a greater leap <sup>[9,16,17,18,19]</sup>.

### **4.3.1 Providing Individualized, Characteristic and Differentiated Services for High-quality Customers of Banks and Enhancing Customer Value through Lightweight Network Outlets**

The emergence of big data and mobile Internet impels

commercial banks to realize the transformation from “high capital consumption”, “heavy asset operation” to “light bank”. The so-called “light bank” means that commercial banks establish assets and business systems with less capital consumption, low risk weight and controllable risk. How to continue to promote the transformation strategy of “light bank”? Firstly, we should make assets “light”. We should actively adjust the credit structure, dramatically reduce risk assets in areas such as excess capacity withdrawal, and increase the investment of low-risk and high-quality retail assets. Corporate finance will shift the strategic focus to professional business areas such as trading banks and investment banks. Debt should be “light”. Deposit pricing and differential authorization mechanism should be optimized. Structural deposits with high cost should be greatly reduced. Cost should be “light”. Business and management modes should be improved to achieve more efficient development and more lucrative value returns. Accelerate business development and upgrading, improve service quality, build light assets, light capital, personalized, diversified and sustainable business development model, and realize transformation and leapfrog development.

First, customer positioning is lightweight. Reduce the focus of operation of large customers, and increase the development and operation of small and medium-sized enterprises and low-end retail customers. For small and medium-sized enterprises, banks have a strong bargaining power and can make a big interest margin. Developing and operating middle and low-end retail customers can improve the stability of savings, enlarge the savings scale and increase product sales.

Secondly, for specialized customers, layered value-added services should be established to reduce customer churn rate and improve customer asset concentration. The survey found that besides products, there are more customer experience needs that can really impress customers. Establishing a systematic value-added service system and improving customer’s consumption experience in an all-round way have a greater impact on customer loyalty. This value-added service system includes contact hall consumption experience, non-contact customer daily contact relationship maintenance, non-regular contact value-added rights and interests and value-added activities design.

Thirdly, strengthen the existing advantages and continuously expand customer resources. Firstly, we should strengthen the ability of nets to get customers. There are two kinds of work to be done in this respect: creating the marketing atmosphere of the outlet hall and developing the area. Second, revitalize the stock of customers. After careful analysis, the inventory of customers focus on

three things: activation of low-end customers, promotion of middle-end customers and loss prevention of high-end customers; third, to improve the per capita value mining. Since there are fewer visitors, we need to improve the value of each customer mining. The survey found that if the cross-selling rate of customers can be raised to more than 2.8 through cross-marketing of products, the customer’s dependence on the bank will be significantly increased, and their disposable assets will naturally concentrate on the bank. By analyzing the data of more than 28 million customers in 2014, we found that if the insurance products were added to the middle and high-end customers, their savings would increase by about 160,000 a day in three months, the fund products would be added, and the savings would increase by about 140,000 yuan a day in three months. Customers transfer their bank deposits to our bank. Fourth, give full play to the advantages of customer resources accumulated over a long period of time, the advantages of network outlets, product diversification and specialization, and emphasize “one-stop” service to enhance customer stickiness. Fifth, highlight the advantages of risk management and control. Compared with Internet enterprises, traditional commercial banks have relatively perfect management framework in risk control, information security management and other aspects because of long-term external supervision. Continuing to enhance this ability and highlight this advantage will help to improve people’s trust in banks and enhance bank strength [3,7].

### **4.3.2 Adapting to the Development of New Entity Economy by Comprehensive Management, Optimizing the Operation Mode of Outlets, and Strengthening the Supply Side Reform of Commercial Banks Themselves**

The new real economy is a new economic form which can effectively meet the real needs of customers, have high technology content, accommodate the employment of modern talents and sustain the sustainable development of ecological environment protection. The business model of “new real economy” is a new model that traditional industries have been transformed by new technologies such as Internet and artificial intelligence. It includes service links such as retail, wholesale, production, manufacturing, logistics, finance and so on, and finally forms a brand-new business form represented by new retail and new manufacturing.

In order to adapt to the development of the new real economy, the non-interest income-oriented comprehensive management strategy is the inevitable choice for commercial banks to adjust their business model under

the background of interest rate marketization. Integrated operation is a cross-border business in the financial field, that is, bank concurrently operates securities, trust, leasing, investment banking, insurance and other businesses, which is conducive to providing diversified financial services for customers, meeting the increasingly diversified financial needs of consumers, and realizing the economic effects of commercial banks. Large banks will follow the path of group development of integrated operation, while small and medium-sized banks will pay more attention to the road of characteristic operation, and single industry financial institutions will emerge one after another. For example, the recent acquisition of Shanghai Trust by Pudong Development Bank has taken an important step towards the goal of the financial holding group, which is a trend of comprehensive and group development centered on commercial banks. In the future, the transformation of commercial banks should adhere to the essence of Finance and further focus on the functions of information integration, resource allocation and risk management of commercial banks. Give full play to the unique information advantages of commercial banks, such as customers and channels, and vigorously promote integrated management. Comprehensive operation has become an important trend of commercial banks, and also an important way for commercial banks to expand and enhance their functions.

Firstly, commercial banks should take advantage of the long-established advantages of reputation, channels, customers, funds and information to provide more specialized and diversified financial services, especially to grasp the direction of structural reform and development on the supply side, establish a mechanism of group coordination and sharing, and strengthen the management and overall planning ability of integrated operation. Over-investment and loan linkage, asset securitization and other financial products innovate to link the credit market and capital market, provide a comprehensive package of financial services for customers, meet the diversified financing needs of customers, and gradually realize the effective expansion of market functions.

Secondly, we should increase the supply of diversified financial products to meet the new needs of residents. In recent years, with the continuous development of China's economy, China's national income has increased significantly, and residents' investment needs have diversified and high-end development. Therefore, in order to achieve more stable development, commercial banks must change the traditional demand-side-based operation mode, enhance the productivity of all elements of commercial banks, increase the effective supply of financial capacity through comprehensive innovation, improve the service

quality and efficiency of commercial banks, and optimize the limited financial capital. The most effective allocation of resources makes the supply structure of our commercial banks more suitable to the demand structure of customers. Innovation of financial derivatives should be the focus of product innovation in our recent stage, while asset securitization and innovation of bank and securities guarantee portfolio should be another focus of product innovation after innovation of financial derivatives<sup>[20,21,22,23]</sup>.

Thirdly, give full play to the function of risk management to meet the growing wealth management needs of customers and further improve the efficiency of resource allocation. The marketization of interest rate makes the main body of market transaction have the right of capital pricing and more choices. At the same time, it also means that the risk of customer choice increases, and the identification and dispersion of risk becomes particularly important. We should give full play to the information and specialization advantages of commercial banks, enhance the ability of asset management through strong risk management functions, provide personalized financial service programs for customers, and meet the growing needs of all kinds of customers. The increasing demand for wealth management promotes the efficiency of financial resource allocation, so as to further enhance customer loyalty and satisfaction.

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