

Analysis of Investment Banking Business Under the Background of “Internet+”

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Abstract. With the further development of China's market economy, banks have shown rapid development in recent years. At the same time, under the rapid rise of “Internet +” finance, the pressure on the traditional credit business of banks has surged, facing problems such as a decline in performance growth and a narrowing of net interest margin. With the opening of the financial sector, the development of multi-level capital markets and the diversification of financial needs, the investment banking business has become the most important means for banks to expand their intermediary business. This paper analyzes the problems faced by the investment banking business in the implementation of the “Internet +” financial environment, and proposes countermeasures suitable for the further development of the banking investment business, thus promoting the healthy and sustainable development of banking investment business under the background of “Internet +”.

1. Introduction

As the domestic economic structure is in deep adjustment, the development of financial markets has certain strategic opportunities and certain challenges. The development of financial innovation has gradually had an important impact on the competitive landscape of banks, and the accessibility of Internet finance has intensified cross-border competition [1]. At present, the banking industry as a whole faces a huge change in marketization, which is highlighted in the construction of a market-oriented system in terms of price determination mechanism, resource allocation method, participating entities, and cross-border finance.

In recent years, in order to better adapt to the existing environment of the financial market and build profitable growth poles, banks have focused on the development of investment banking business, and further optimized the structure and accelerated the transformation of integrated operations with the help of innovation-driven. Based on the development of “Internet +” financial technology, the investment banking business has more access to conveniently obtain information through the open market and effectively improve the ability of the banking service capital market.

With the further opening of the financial sector and the diversification of financial needs, the investment banking business has a broad space for development, but it also faces a severe test of asset quality. Especially in 2008, financial institutions in various countries experienced a serious financial crisis. The world financial structure has undergone dramatic changes. From acquisition to bankruptcy, various economic downturns occur frequently, so the development of investment banking is facing huge challenge [2].

Under the background that China's financial market is more and more developed and the capital market is becoming more and more prosperous, domestic commercial banks are also faced with the traditional financial instruments of the banks being replaced and the demand of high-end customers being increasingly diversified [3]. Under this circumstance, the investment banking business driving the growth of new intermediary business income has quietly become a new trend of profit growth in

the banking industry. In 1995, China Construction Bank and the US Morgan Stanley jointly established an international financial company, which is China's first joint venture investment institution. Subsequently, the Bank of China established BOC International Financial Corporation in 1998. In the same year, Industrial and Commercial Bank of China and East Asia Bank established the East Asia Financial Holding Company. In 2005, Shanghai Pudong Development Bank established the Investment Banking Division. The investment banking business has begun to form a comprehensive competitive landscape in China. Under this circumstance, in order to make the development of the Bank's investment banking business in the forefront of China, CCB began to formally establish the Investment Banking Department in 2006.

With the rapid development of information technology in China, the rapid leap forward in communication and electronic technology has adapted to the needs of technological innovation in the financial industry. They provide guarantees for the bank's internal efforts to accelerate the flow of funds, various products, service tools, service channels, information acquisition and exchange, and provide the impetus for the banking industry to expand the scope of business operations through the use of new technologies [4]. The bank began to develop a new asset management information system. The application of the system makes the operation of the investment banking business more standardized. The external service content has also been broadened, which has increased customer satisfaction and reduced business costs. At present, banks have formed a sound operating system through information technology with the integration of product, service and channel [5]. The establishment of a new system is conducive to making full use of customer resources in their various business areas, forming complementary business needs and good risk prevention coordination.

2. Analysis of strategy and method

2.1 Foreign strategy

Faced with the complicated and volatile financial market situation and strict regulatory constraints, how to choose the investment banking business model and development strategy that suits its own characteristics in the context of "Internet +" has become an important issue to be considered. The development of foreign investment banking business is much earlier than that of domestic ones, so it is relatively complete and systematic in business development. How to learn from the successful experience of other countries in the development of investment banking business to avoid the traps and troubles in the development of investment banking business has very important practical significance. Foreign scholars have studied the issues of income analysis, investment business risk analysis and operation mode of investment banking development from different perspectives. Saunders (1985), Saunders (1994), and Rajan (2003) argued that the investment banking business is more beneficial than commercial banks [6, 7]. Scharfstein et al. (2000) believed that the operation of investment banking business can produce a range of economies [8]. Ye Fujing (2001) and Xia Bin (2001) analyzed the historical evolution of the global banking business model [9], Yang Zhonghai (2004) and Chen Hongzhan (2004) [10] believed that China's commercial banks should develop their investment banking business through a period of evolution and should actively expand their business scope.

2.2 Strategy of the study

It is a certain practical significance to promote the healthy and sustainable development of bank investment business under the background of "Internet +" by analyzing the problems of the current situation and proposing countermeasures suitable for the further development of bank investment business.

2.2.1 Choosing an investment banking business model that suits the national conditions

The degree of capital regulation is currently showing an increasingly strong trend in China. Even if the business model based on deposit and loan business can lead to rapid expansion of scale, it will also cause a serious shortage of bank capital adequacy. However, banks with sufficient cash flow are of great significance to the development of banks. This depends on the bank's usual business

operations to keep an eye on the Bank's business changes, and look for trends in the law. It is important to improve the bargaining power of specific investment banking business and develop high-yield projects in a targeted manner. For structured finance business: focus on supporting high-yield projects and exporting credit projects with high return on venture capital. Asset management business: focus on the development of high-yield series of rational products with high profitability of retained intermediate business. Through in-depth exploration of customers' all-round needs and product cross-selling and comprehensive services, we strive to achieve a number of investment bank incomes such as bond underwriting fees, financing arrangement fees, asset management fees, and financial advisory fees for the same customer. The profitability of investment banking business with a full financial service platform could be expanded by going beyond the traditional services of banks. Actively expand cooperation with non-bank financial institutions such as PE institutions, improve the distribution capacity of large-scale bond underwriting, syndicated loans, and credit asset trading projects; and at the same time utilize the business qualifications and product systems of peer institutions. In short, the investment banking business has great potential for development.

2.2.2 Cultivate high-quality investment banking talents

The investment banking should strengthen the reserve and training of professionals. Due to the out-of-depth understanding of the relevant financial issues related to the market environment and enterprise management, the practitioners have largely restricted the continuous development of the investment banking business. However, employees are the root and soul of a company, and the competition among the investment banking businesses of banks ultimately reflects the competition for professionals. The investment bankers focus on strengthening the team building of professional. In the operation of investment banking business, it is also necessary to improve the human resource allocation and management according to the bank's strategy and the needs of investment banking business development. It is important to increase the training and introduction of investment banking professionals. If the bank can't train talents quickly in a short period of time, it can first attract high-quality professionals through the introduction of foreign markets and other external markets to promote the short-term rapid and sustainable development of the investment banking business. On the basis of improving the methods of job evaluation and compensation management, we will step up efforts to promote the construction of dual-channel career development. It is necessary to scientifically construct an assessment system.

2.2.3 Establish a sound risk management evaluation index system

The risk characteristics of investment banking business are different from traditional banking business. In order to strengthen the risk management of investment banking business and realize effective isolation and prevention of risks, a risk management evaluation index system for investment banking business should be established. Through the evaluation of the asset quality and asset structure of the investment banking business, the process index risk is included in the process risk management of the investment banking business. Through the evaluation and analysis of the quantitative indicators, the investment bank is evaluated as the final result of business risk management, the process management evaluation of investment banking risk is strengthened.

3. Summary

The investment banking business has now become the most important means for banks to expand their intermediary business. Under the rapid rise of "Internet +" finance, this paper analyzes the problems in the investment banking business and puts forward countermeasures suitable for the further development of the banking investment business, thus promoting the healthy and sustainable development of banking investment business under the background of "Internet +".

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