



# How Has the Outbreak of COVID-19 Effect the Market and the Way of Operating of HSBC?

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**Abstract.** As one of the biggest banks of the world, HSBC undoubtedly is one of the main enterprises around the world. The strengths, weaknesses, opportunities, and threats of HSBC is also obvious to analysis and see. However, the destruction that the pandemic, COVID-19, has brought to HSBC is serious and severe. In response to the changes in the epidemic, HSBC has made various policy changes to address the impact of the epidemic on the bank and the economy, and these policies have contributed positively to the subsequent development of HSBC.

**Keywords:** Pandemic, COVID-19, SWOT, HSBC, Economy, Business management, Business analysis.

## 1 Introduction

In my piece of work, the topic I am going to analyze is worth and meaningful to do an investigation on because of the fundamental ideas that it is providing me with. Before my analysis, I believe that there is a lot of authors who has already analyzed topic that is related to this idea. My research and study are still meaningful because ideas are being simplified into language that has been used in this piece of article is suitable for readers that is aimed for this piece of article being written. By investigating on this topic, I believe that it would support what I was trying to get knowledge from. By analyzing HSBC's management level using SWOT, I have the ability to maintain and learn new knowledge both about the analysis structure in BM and HSBC itself. The purpose of this passage is to provide basic information of HSBC with as much as what can be found on the internet and provide a knowledge background for both the reader and the writer.

## 2 The detailed information of HSBC

HSBC was founded by Thomas Sutherland, a young man working in Hong Kong for shipping firm. While sailing along the south China sea during 1864, Sutherland read an article about Scottish banking that blight him with ideas even though he had never held a bank account himself [1].

The 1864-founded HSBC offers financing and settlement services to businesses doing business with China. Business operations began in 1865. It opened its first branch in Shanghai the same year, followed by others in Tianjin, Beijing, Hankou, Chongqing, and other cities. Foreign currency, printing banknotes, deposit and lending business, controlling and releasing foreign debt owed to the Chinese government, managing China's salt tax business, etc. were the core activities of HSBC in old China. On April 2, 2007, HSBC Bank (China) Co., Ltd. made its formal debut. Its headquarters are in Shanghai. The Hong Kong and Shanghai Banking Corporation Limited owns all of the stock of this bank, which is entirely foreign-funded [2].

One of the largest investments by foreign banks in the Chinese mainland, Hong Kong and Shanghai Banking Corporation Limited has provided uninterrupted service on the mainland for 145 years. It has invested more than \$5 billion in its development, including a 19% stake in the communications bank, a 16.80% stake in ping an insurance, and an 8% stake in the bank of Shanghai. A Shanghai branch of the Hong Kong and Shanghai Banking Corporation Limited does wholesale foreign currency transactions [2].

There are now 104 HSBC branches in China, and this number is increasing. There is no other foreign bank on the mainland with a branch network as extensive as this one. HSBC China is in a unique position to provide you or your company with a comprehensive range of banking and financial services because of its combination of global experience and in-depth understanding of local markets. One is corporate banking, which includes project loans and real estate loans, import and export bill collection, securities custody and B-share operations, as well as foreign exchange fund arrangement. The other sort of activity that HSBC offices in China primarily engage in is retail banking. The second is retail banking, which includes products and services including savings accounts, money transfers, traveler's checks, credit cards, merchant services, etc. Customers can also get mortgage loans for real estate from the HSBC branch in Shanghai.

### **3 Internal Strengths of HSBC**

#### **3.1 Extensive international networks**

HSBC grows into and covers a wide range of fundamental disciplines. North America, Latin America, Europe, Africa, the Middle East, and Asia-Pacific are the principal regions covered by HSBC. More than 100 million consumers in more than 80 different nations and areas throughout the world are served by HSBC's financial services. With such extensive regional reach, HSBC has easier access to resources and data. This may demonstrate how HSBC is highly diverse and not only extends to many countries where their economic progress is driving it, but also to many other locations. It has a greater chance of understanding the global makeup by ensuring that HSBC is extended to various regions [3].

### **3.2 Diverse organizations**

Because it enables them to operate more effectively, HSBC prides itself on being a diverse organization. Many facets of HSBC can be seen to reflect its variety. For instance, HSBC has established more than 20 communities in several languages in London alone, with more than 10,000 participants. HSBC, for instance, owns more than 335,000 RMB from other companies. To better satisfy their varied demands, national and regional personnel assist more than 100 million clients from various backgrounds [4].

Three factors show how diverse HSBC is:

I. A varied workforce is better able to serve the needs of clients from various cultural backgrounds.

II. Diversified management has aided HSBC in luring and keeping exceptional employees.

Third, a more diverse cultural environment allows managers to investigate opportunities more quickly since new perspectives are brought about by the compatibility of different cultures.

### **3.3 Prudent lending policies**

In addition to developing its own lending guidelines for delicate social and environmental issues, HSBC carefully follows internationally recognized best practices like the Equator Guidelines. Because of its cautious and conservative stance, HSBC is better equipped to manage credit risk.

### **3.4 Strong capital ratio and high liquidity of working capital**

Flexibility in capital deployment has improved HSBC's capacity to respond to crises and effectively control market risk. For instance, HSBC might quickly transfer capital to a few banks in the area in the event of a bank panic, reducing the pressure on the financial environment at the time. Because of its conservative outlook, HSBC was able to weather the financial crisis on its own and continue to be profitable, making it one of the few major multinational banks to do so [5].

## **4 Internal Weaknesses of HSBC**

### **4.1 Security Settings and internal management failures**

Related: In 2006, researchers from Cardiff University discovered a bug in HSBC's online banking platform that gave hackers access to more than 3 million consumers' accounts. The Data Commissioner found that HSBC had improperly handled customers' personal data in 2006, including putting account information in trash cans on the street and endangering consumers' privacy. An HSBC Kwun Tong Yu Man Fang

branch lost data on roughly 160,000 customers in 2008. A former employee was involved in a serious data theft by HSBC Private Bank (Switzerland) in 2010, which resulted in the theft of 24,000 records.

## **4.2 Strong conservative attitude**

Although HSBC's strict mentality probably helped it perform well throughout the financial crisis, it also restrained the company's ability to grow to some level. Because HSBC might abandon some investments if one or more aspects of them depart from its policies, losing out on some promising ideas [2].

# **5 External opportunities of HSBC**

## **5.1 The economic recovery**

Asia's developing nations, led by China, have recovered from the subprime crisis the quickest, while the global environment has experienced subtle shifts. Overseas banks are not an exception to the trend of foreign businesses turning their attention to China, a rising market. After an unsuccessful attempt to concentrate on Europe this year, HSBC, which is now the largest foreign bank in China, is also increasing its footprint on the mainland.

(February 2010), HSBC announced that its headquarters would relocate to London before returning to Hong Kong. Reiterating its bullish stance toward the Chinese market, HSBC bank (China) co., LTD. opened its first branch in an exotic location in foshan at the start of the New Year, bringing the total number of its national outlets to 99. HSBC also stated that the Chinese mainland market would be its long-term business focus.

Economic recovery will undoubtedly bring more business opportunities to banks: for one thing, it means business as a whole

On the one hand, as the overall financial environment improves, more investment opportunities will gradually emerge in the market, and the demand for loan investment by enterprises and individuals will increase, so banks' pricing power for loans will be strengthened. On the other hand, as the overall financial environment improves, more investment opportunities will gradually emerge in the market, and the default risk of corporate loans will be reduced, so banks can better develop loan business. Additionally, when the economic climate improves, there will be a slight uptick in demand for personal financial management, which will result in an expansion of the banking sector's related activity.

## **5.2 China's economic restructuring**

In order to increase domestic demand, economic promotion strategies in the future will prioritize increasing domestic demand. As a result, HSBC should be flexible enough to adapt its China business to these changes in the economic environment, so that wealth

management products can rise appropriately in the closely related categories of consumer financial products.

## 6 External threats of HSBC

### 6.1 Competition with various banks

The local government will generally protect the local banks and limit the foreign banks, but as foreign banks enter different markets, they must compete with local banks, especially with the local dominance of the big banks, which banks in the country's economy play a pivotal role. On the other hand, in addition to these local banks, HSBC frequently has to face competition from other foreign banks, making it difficult for HSBC to compete for influence.

As a result, HSBC's primary plan is to enlarge its business through mergers, acquisitions, and the purchase of shares from companies like the Bank of Communications, Ping An Insurance, and the Bank of Shanghai, which serve as the foundation for its expansion strategy [6].

### 6.2 Impact of debt sovereign crisis

Following the Dubai crisis, the PIGS (Portugal, Italy, Greece, and Spain) and other euro zone nations experienced financial crises and are still experiencing significant deficits. Many nations in the euro zone have had their credit ratings reduced recently, and some of them have had multiple downgrades. If banks hold their bonds, they are exposed to a significant risk of default.

"On the other hand, countries in the euro area, especially important to Spain or members, so that the financial crisis was a significant blow to the euro area, many people anticipated that the euro area is likely to collapse, it will have to let people worry about the consequences of these against the euro, if Banks to keep a lot of euros or euro-denominated assets, They need to pay attention to the risks of hedging against the euro, and the cost of hedging is fairly high.

The uncertain financial climate in many European nations also exposes banks in those nations to a number of hazards, including the potential for bank runs. As a result, HSBC should be adaptable in handling different scenarios, dilution, or temporary withdrawal from these markets, and find a better market [2].

**Table 1.** The SWOT analysis of HSBC

Internal		External
Strength	Extensive international networks	The economic recovery
	Prudent lending policies	China's economic restructuring

	Strong capital ratio and high liquidity of working capital.	/
Weakness	Security Settings and internal management failures	Competition with various banks
	Too conservative an attitude	Impact of debt sovereign crisis

## 7 Conclusion

In the process of investigating the internal structure of HSBC, I found out that the impact COVID-19 has brought to the enterprise is quite significant. Ways of transactions had to change and others services that has been provided needed to change it's ways. In the future, HSBC would probably stay constant with this kind of services being provided while adding in some original services as the pandemic gets more steady. The limitations of this piece of essay quite scoped. Because of limitations both physically and on-line, not enough sufficient information was found by the writer. By looking at the solutions, the writer believes that it is quite impossible for one to extract knowledge from this piece of essay.

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