

Research on the Current Situation and Future Trends of Banking and Finance Development

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Abstract: This article mainly introduces the strategic direction, business innovation, and social responsibility of the banking industry in promoting green and sustainable development. this article also explores the strategic direction, business innovation, and social responsibility of the banking industry in promoting green and sustainable development, as well as the challenges and opportunities it faces. This article aims to provide useful references for the future development of the banking industry and promote its greater role in economic and social development.

Keywords: bank, finance, development

1. Introduction

In the global economic landscape, the banking industry, as a pillar of the financial system, plays a crucial role in both economic stability and financial security due to changes in its scale and structure. In the context of economic globalization, the banking industry needs to enhance its cross-border financial service capabilities and address the complexity of cross-border risk management. Meanwhile, with the upgrading and transformation of industrial structure, banks need to keep up with the trend of industrial development and provide financial services that adapt to industrial upgrading. This article looks forward to the future development trends of the banking industry, including continuing to promote green and sustainable development, strengthening international cooperation, deepening the application of financial technology, and improving regulatory systems.

2. Current Situation of Banking and Financial Development

2.1 The overall scale and structure of the banking industry

In recent years, with the steady growth of the global economy and the deepening of financial markets, the asset size of the banking industry has shown a continuous trend of expansion. This growth trend is not only reflected in the increase in asset quantity, but also in the steady improvement of asset quality and significant enhancement of risk management capabilities. The strong global economic performance fueled by the United States and emerging markets, such as China and South East Asia, are expected to improve from increased aggregate private investment, which has supported loan origination. Global commercial banks revenue has been growing at a CAGR of 0.8% over the past five years – including an estimated 0.1% drop in the current year – and is expected to total \$2.8 trillion in 2023, with profit set to drop to 23.4%. But in 2020, the Federal Reserve and other central banks brought interest rates to historical lows in response to the COVID-19 pandemic.

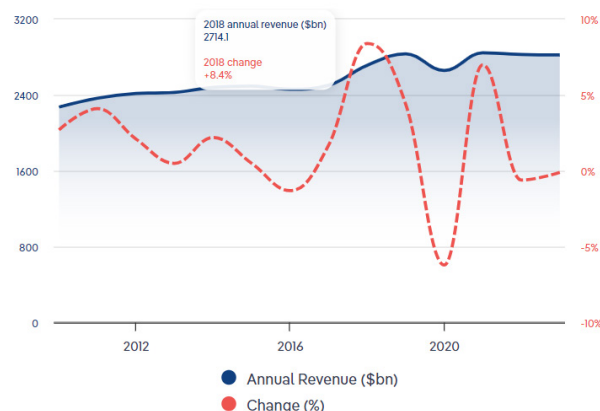


Figure 1. Total value and annual change from 2011-2029 (Including 5-year outlook; Source: IBISWorld)

In the growth process of the banking industry, the increase in the number of institutions is an undeniable phenomenon. The overall scale and structural changes in the banking industry are actually a microcosm of the evolution of the global economy and financial system. In this process, the banking industry not only plays a role as a financial intermediary, but also an important driving force for economic growth[6].

2.2 Industry Value Added Growth Rate

Table 1. Financial Industry Statistics Table (Data Source: Zhongjing Data CEIdata)

Year	Industry Value Added Growth Rate _ Financial Industry (%)
2020	5.9
2021	4
2022	3.10
2023	6.8

2.2.1 Main business and products of the banking industry

As the cornerstone of the modern financial system, the banking industry's rich and diverse business and products provide solid support for the stable development of the economy and the continuous progress of society[3]. Deposit business, as one of the most fundamental and core businesses of banks, not only provides a stable source of funds for banks, ensuring the continuity and stability of bank operations, but also allows banks to more effectively allocate funds by absorbing public deposits, thereby supporting the development of the real economy.

The banking industry, as a core component of the financial system, plays an important role in supporting economic development, meeting social needs, and promoting financial innovation. In the future, the banking industry will continue to uphold a professional and rigorous attitude, continuously improve service quality and level, and make greater contributions to economic development and social progress. The banking industry will also actively respond to various challenges and opportunities, continuously innovate and develop, and contribute to the prosperity and stability of the financial industry.

2.2.2 Risk management and compliance in the banking industry

Risk assessment, as the cornerstone of risk management framework, requires banks to systematically identify, analyze, and quantify various risks. By adopting advanced risk assessment tools and methods, banks can more accurately assess various risk exposures, providing scientific basis for formulating risk management strategies and measures. Risk assessment also needs to pay attention to the correlation and transmission effects between risks, in order to avoid the impact of a single risk event on the entire banking system.

In terms of risk monitoring, banks need to establish a sound monitoring mechanism to monitor the changes in various risk indicators in real time. By establishing a risk warning system, banks can take timely measures to prevent further expansion of risks before they reach the warning line[5]. Risk monitoring also requires strengthening cross departmental information sharing and collaboration to ensure timely transmission and processing of risk information within the bank.

Risk management and compliance in the banking industry are key factors in ensuring the stable operation of banks and preventing financial risks. Faced with the current complex and ever-changing financial environment, banks should continuously improve their risk management framework, strengthen compliance management, strengthen internal auditing, actively use information technology means, and other measures to enhance risk management and compliance levels. Banks should also strengthen communication and collaboration with regulatory authorities, investors, and other stakeholders to jointly promote the healthy and stable development of the banking industry.

3. The Impact of FinTech on Banking and Finance

3.1 The development and application of financial technology

The development and application of financial technology have had a significant and far-reaching impact on the banking industry. This reform process started from the traditional banking business model, experienced the rise of Internet finance, and finally entered the financial technology era. The application of blockchain technology in the banking industry is also eye-catching. The decentralization and high security of blockchain technology make it have broad application prospects in fields such as payment settlement and supply chain finance. Through blockchain technology, banks can achieve a more secure and transparent transaction environment, reduce transaction costs, and improve transaction efficiency.

By collecting, integrating, and analyzing massive amounts of data, banks can obtain more comprehensive and in-depth customer insights and market analysis, providing strong support for business decision-making. At the same time, big data

also helps banks achieve precise marketing and service customization, improving customer satisfaction and loyalty.

3.2 The transformation of banking business by financial technology

With the rapid development of financial technology, banking business is undergoing an unprecedented digital transformation[1]. The impact of financial technology on banking business is profound and extensive. Digital transformation, product innovation, and improved customer service experience are the three major changes brought by financial technology to banking business. In the future, with the continuous development and innovation of financial technology, banking business will continue to develop towards digitization, intelligence, and personalization[2]. In this process, banks need to continuously strengthen their own financial technology capabilities and sensitivity to market changes to cope with market challenges and opportunities. Banks also need to pay attention to risk management and customer privacy protection, ensure the compliance and robustness of financial technology applications, and provide customers with better quality and convenient financial services.

3.3 The impact of financial technology on bank risk management

The development of financial technology has had a profound impact on bank risk management. This transformation not only promotes the improvement of banks' ability in risk identification, but also leads the innovation of risk control methods and promotes the transformation of bank risk management culture.

Financial technology has had a profound impact on bank risk management. By utilizing advanced data analysis techniques and algorithmic models, innovating risk control methods, and promoting the transformation of risk management culture, financial technology is driving the development of bank risk management towards more efficient and precise directions. Looking ahead to the future, banks need to keep up with the development pace of financial technology, continuously improve their risk management capabilities and competitiveness, in order to cope with the increasingly complex and changing financial market environment.

4. Future Trends in Banking and Finance

4.1 Digital transformation of the banking industry

The digital transformation of the banking industry has become an inevitable trend for future development, marking the continuous pursuit of technological innovation and service upgrading in the banking industry. In this transformation process, banks will pay more attention to innovation in digital services to meet the growing convenience needs of customers. By continuously expanding and optimizing digital service channels such as mobile banking and online banking, banks are committed to providing more convenient, efficient, and personalized financial services, thereby significantly improving customer experience.

By continuously innovating digital services, optimizing business operations, actively responding to competitive challenges, and strengthening cooperation with other institutions, the banking industry will achieve transformation and upgrading towards efficiency, convenience, and intelligence, providing customers with higher quality and safer financial services. This will also drive innovation and development in the entire financial industry, providing more powerful and efficient financial support for the real economy.

4.2 Internationalization development of the banking industry

The internationalization of the banking industry has gradually become a core issue in the global financial field. With the acceleration of global economic integration and the improvement of financial market openness, banks are actively responding to this change, deepening the layout of cross-border financial services, and responding to the growing demand of multinational enterprises for global payments, settlements, and financing. Internationalization not only brings opportunities for banks to diversify their business and expand their markets, but also encourages them to continuously optimize their services and improve operational efficiency in global competition.

In the process of internationalization, banks are actively increasing their expansion efforts in overseas branches. This strategy aims to directly reach more target markets through physical layout and provide customized financial solutions for customers in different countries and regions. This strategic layout not only strengthens the bank's global service capabilities, but also allows the bank to more accurately grasp customer needs, optimize products and services through direct contact with local markets[4]. In this context, the internationalization development of the banking industry will rely more on technological innovation and digital transformation. By introducing advanced technologies such as artificial intelligence and big data, banks can achieve real-time monitoring and analysis of global financial markets, improve risk management and decision-making efficiency. Digital transformation will also promote innovation in banking service models, providing customers with

more convenient and efficient cross-border financial services.

4.3 Green finance and sustainable development in the banking industry

Firstly, banks have taken a series of targeted measures in formulating green credit policies. Banks have implemented more favorable loan policies for green industries such as environmental protection and clean energy, reducing their financing costs and encouraging their development and growth. Secondly, banks actively participate in the carbon finance market and provide more diversified financing channels for enterprises. In the carbon finance market, banks provide financial services such as carbon emission trading and green bond issuance to enterprises, promoting the development of low-carbon economy. In addition, banks actively pay attention to social welfare undertakings and promote the achievement of sustainable development goals in fulfilling their social responsibilities.

5. Challenges and Opportunities Faced by the Banking Industry

5.1 The impact of changes in the economic environment on the banking industry

The impact of economic cycle fluctuations on the operation of the banking industry cannot be ignored. During the period of economic growth, there is strong demand for credit and relatively high asset quality, which brings abundant profits to the banking industry. During economic downturns, credit risk increases and asset quality declines, bringing enormous operational risks to the banking industry. Banks must closely monitor changes in economic cycles, adjust credit policies and risk management strategies in a timely manner to ensure the stable development of their business.

5.2 Challenges and opportunities brought by the development of financial technology

The banking industry is standing at a historical turning point, facing the dual challenges and opportunities of Internet finance and financial technology development. At the same time, the widespread application of big data technology has brought enormous development opportunities to the banking industry.

5.3 Changes and Countermeasures of Banking Regulatory Policies

The changes in banking regulatory policies and their response strategies are the core challenges currently facing the industry. With the intensification of global financial risks, it has become an inevitable trend for regulatory authorities to implement stricter regulatory measures on the banking industry.

6. Conclusion

The banking industry needs to comprehensively strengthen compliance awareness, establish and improve internal risk management systems, to ensure stable operation in an environment of increasing regulatory pressure. This includes but is not limited to strengthening internal controls, improving risk management levels, optimizing business processes, ensuring compliance operations, and other key links.

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