



# A Study on the New Roles of China's Commercial Banks in the Construction of Digital Government

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**Abstract:** Digital government is a new government operation mode supported by the new generation of information technology, which is based on the reconstruction of e-government and the integration of intelligent technology. In terms of the relationship between economic foundation and superstructure, digital government is an inevitable requirement and adaptation form for the development of digital economy. As an important participant of digital economy, commercial banks play an active role in promoting the construction of digital government. This paper focuses on the new roles of commercial bank of China in the construction of digital government, namely the integrator of digital government scenario extension, the promoter of digital government platform application and the partaker of cost-sharing for digital government construction. Based on the relationship between banks and governments in the new era, the paper also briefly analyzes the driving force and innovative development path of domestic commercial banks in digital construction.

**Keywords:** digital government, commercial bank, the relationship between banks and governments, new roles

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According to the Fifth Plenary Session of the 19th CPC Central Committee, it's necessary for China to strengthen the development of a digital society and a digital government, and raise the level of digitalization and intelligence in public services and social governance. The 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Outline of Long-term Goals for 2035 has stated that to welcome the digital era, China will activate the potential of data elements, promote the construction of a strong network, accelerate the construction of digital economy, digital society and digital government, and drive the transformation of production mode, lifestyle and governance mode with digital transition. As the organizer, promoter and researcher of digital technology research, digital government is not only an important part of the development of digital economy, but also a backbone force. Therefore, the construction of digital government will stimulate the reform and innovation of dividend, which will make the digital government become a powerful driving force for social transition. At present, China is facing unprecedented changes in a century. Thus, it is the value of building a digital government in China to enhance strategic capacity and lead the course of history. The financial industry, especially the commercial banks that dominate it, will play an important role in the development of digital economy and the construction of digital government. Both the industrial revolution and the scientific and technological revolution in history could not have been achieved without the support of financial capacity. Now China's commercial banks are gradually changing their roles. With years of experience in the application of fintech and their own driving forces of transformation and upgrading for development, commercial banks are constantly subverting the traditional credit cooperation relationship with local governments, thus becoming the catalyst and booster for the construction of digital government and even digital China. The following new roles of China's commercial banks can be summarized in accordance with the digital government construction projects in recent years.

## 1. The integrator of digital government scenario extension

Commercial banks have become the integrators of digital government scenario extension by taking advantage of their good relationship with local governments, the familiarity with B-end and C-end clients, and the accumulation of experience in fintech and Internet thinking.

Commercial banks have transformed from simple offline services to integrated scenario applications. At first, the government authorities set up self-service terminal machines in the service outlets of commercial banks to realize simple services such as inquiry and payment of fines. Now, a wide variety of scenario applications for government affairs can be implemented through the service end of commercial banks. In some economically developed regions of China including the Yangtze River Delta and Pearl River Delta, part of commercial banks have embedded financial services in some front-end applications such as "Guangdong Affairs", "Anhui Affairs", and "Zhejiang Affairs", realizing the integration of commercial banks and digital government. Users can implement all kinds of business processes including tax declaration, social security

service, business registration and account opening in an integrated digital government platform, without having to travel back and forth between government departments and bank branches. It is in response to the requirements of the State Council in the Implementation Plan for Further Deepening the “Internet + Government Services” and Promoting the Reform of “One Network, One Gateway, and One Time” in Government Services, accelerating the deployment of “One Network to Handle all Government Affairs” for government departments, and “Enter One Gateway Only” and “Travel at Most One Time” for enterprises and masses in government affairs.

The enabling commercial banks developed from technology and finance can provide diversified services. With the significant improvement of domestic commercial banks in data processing capabilities and scene access capabilities, some large banks can output schemes and undertake the whole output projects with outstanding fintech capabilities and integrated service capabilities, gradually becoming the main force of digital government financial services. These large commercial banks have strong financial resources, aiming to seek strategic advantages through a long-term layout instead of pursuing short-term returns. By the first half of 2021, China’s major commercial banks, including Industrial Bank of China, China Merchants Bank, China Construction Bank, China Minsheng Bank, and Industrial and Commercial Bank of China, have established 13 fintech subsidiaries. Domestic commercial banks export their technological and business advantages through their subsidiaries to provide services for the entire financial industry and the government, which also provides technical support and guarantee for participating in the government’s digital transformation.

## **2. The promoter of digital government platform application**

Faced with the trend of digital government, commercial banks are re-recognizing and defining government business. As supporters of local governments, commercial banks often try their best and take the initiative to cooperate with local governments. Government business has always been an important part of commercial banks, which make institutional clients always be their important strategic clients. Previously, as for government clients, commercial banks focused on marketing financing services and expanding financial accounts. However, with the reform of the national fiscal and tax system and the rectification and liquidation of local government debts, especially the development requirements of the domestic digital government in the past two years, commercial banks have gradually begun to re-recognize and redefine government business, and reshape the cooperative relationship with local governments. Government is not only the main body of resource allocation, but also the hub of credit, information, capital and flow. Therefore, commercial banks take the initiative to connect with the government, actively build digital government ecology with the government, and put services reflecting their strategic intentions into digital government scenarios and various ecologies, which can realize mutual diversion and improve the users’ number and coverage rate of application projects in a relatively short time.

Definitely, local governments also rely on commercial banks. Commercial banks have a certain physical network especially some state-owned banks with high service penetration rate, the network density of which usually covers every village and town in China. And these commercial banks have their own channels and influence. Therefore, local governments push digital government services through the wide reach of commercial banks, which can effectively solve their own shortcomings of fewer service points and service personnel. Besides, commercial banks also have strong fintech capabilities. In addition to numerous physical service outlets, the mobile services of major commercial banks have a huge user base. At present, many large commercial banks and local city commercial banks have implanted service portals of digital government in their client services. A variety of government services, including inquiry and deposit of social security fund, medical registration services, booking tickets of scenic spots and other services, can be popularized and diverted from the service end of commercial banks.

## **3. The partaker of cost-sharing for digital government construction**

The fund-raising methods of the expenditure required by the digital government construction of local governments are generally as follows: the first is the way of government purchasing services, namely government procurement, which is the most important expenditure form of the current digital government construction costs. Local governments use budgetary funds to purchase services in system platform construction and daily operation and maintenance from third-party service providers. The disadvantages of this approach are also obvious. Local governments often need to plan the fiscal expenditure of next phase far in advance, which are not given much approval and flexibility in the use of funds and are sometimes subject to local financial constraints. In addition, most of the third-party service providers are technology companies with state-owned enterprises, the project operation efficiency and effect of which are relatively ordinary.

The second is that local governments sign agreements with commercial banks and other entities to clarify their rights and obligations, and the cost for digital government construction is shared by one or more commercial banks or other

entities. This method is more common when it comes to financial services or capital flow business and has been used in many parts of China. For example, as for the construction of land auction deposit system in the Ministry of Land and Resources or the construction of the maintenance fund supervision system for commercial housing and residence of the Ministry of Housing and Urban-Rural Development of the People's Republic of China, the competent authorities of local governments usually only build a basic principal system platform which is directly connected with the internal systems of many commercial banks through API interface connection or system co-construction, making the two sides exchange business processes and transaction data in real time. The resulting system construction costs are mostly borne by the commercial banks of the docking business.

As participants, commercial banks sometimes need to compete for project cooperation through open bidding. In some of the more popular services or qualifying programs where local governments limit the number of commercial banks that can participate, especially the businesses that can generate significant deposit returns or customer flows for commercial banks, competition among commercial banks is extremely fierce, such as the service of margin accounts for government land auction, the service of trading accounts for public resource and so on. In the bidding for digital government construction of these projects, the amount of money invested by each commercial bank is usually a crucial judging criterion. More investment and sharing of construction costs means that it is easier to win the bidding and carry out such business.

In the future, this approach will be more popular, making the banks and other entities participate in digital government projects more openly and transparently. Meanwhile, there will be more banks and entities to jointly participate in the projects, share the expenditures, design programs and provide financial and non-financial services, which will effectively relieve the financial pressure of local governments in the construction of digital government and enhance the vitality of market.

#### 4. Conclusion

Commercial banks have become the partners of digital government. Participating in the construction of digital government through scenario finance, mutual diversion and shared co-construction and laying out G-end financial services is an important port and channel for commercial banks to connect to the future digital world. From this, it can be seen that the cooperative relationship between China's commercial banks and the government is gradually breaking away from the relationship focusing on the traditional credit business model and regarding human relations as the bond. Commercial banks and local governments have really established a new bank-government cooperative relationship embedded in each other, jointly built and jointly promoted. This cooperative relationship may be based on administration-led or innovation-driven, in which both sides have sufficient driving force and interest relationship. The extensive linkage, interactive innovation and open-sourcing cooperation of China's commercial banks in the construction of digital government have played a positive role in promoting the upgrading and service extension of both banks and governments, exerting a profound impact on the competitiveness and influence of commercial banks in China and even in the world.

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