

Research on the Operation and Assessment Strategies of Chinese Commercial Banks During the Epidemic Situation

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Abstract: After the outbreak of COVID-19, the world economic situation has become increasingly unpredictable. Today, banks are still struggling in a competitive and variable market environment. Effective assessment strategies can fully mobilize the enthusiasm and creativity of employees, effectively help commercial banks to improve their performance, and successfully achieve their business goals. This study discusses the impact of Chinese commercial banks in the epidemic situation, as well as the business transformation and adjustment ideas and assessment and improvement strategies, to attract the attention of the policymakers of commercial banks and help them achieve high-quality development.

Keywords: Commercial Banks; Operating Adjustment; Performance Assessment

1. Introduction

Commercial banks are the indispensable core of the entire financial industry and are symbiotic and closely interdependent with the real economy. Chinese commercial banks are facing a complex business environment. On the one hand, the macro economy has changed from investment drove to innovation-driven, which requires commercial banks to allocate financial resources more effectively; on the other hand, digital changes are maturing, customer behavior is quietly changing, and the overall operation of commercial banks is being challenged as never before. Under the epidemic situation, this study will propose relevant recommended practices on how Chinese commercial banks can adjust their business direction and how the assessment can be supported in response to the adjustment of their operations.

2. The operating difficulties of Chinese commercial banks under the epidemic situation

2.1 Business development

For the deposit business, corporate deposit growth faces challenges. As a result of the epidemic's impact, restrictions on the movement of people have led to a depression in the vast majority of industries. As a result, the vast majority of businesses will face lower revenue and a decline in deposits. For residents' savings deposits, the overall income of residents declined, consumer demand slowed, and low-cost funds were deposited in the short term. In the longer term, residential savings deposits are likely to grow significantly.

For the credit business, credit issuance has changed compared with the pre-epidemic situation. On the one hand, there will be a significant reduction in personal and consumer loans as a result of weak consumption due to the impact of the epidemic and the restrictions on the movement of people. On the other hand, due to the epidemic prevention and control policies and other reasons, the capital chain of enterprises is tight, so there will be obvious capital demand. However, the Central People's Bank of China will release funds by lowering the deposit reserve ratio of financial institutions in 2021 to avoid liquidity risks for banks, and also provide sufficient capital supply.

2.2 Service channel

In order to prevent and control the further spread of the epidemic, the country has introduced a series of policies to restrict the flow of people. At the same time, people avoid the infectivity of the virus and avoid contact with people. In this case, the physical branches' channel dependence weakened, and the number of closures and closures gradually increased. A total of 2,087 bank branches were closed in the first three quarters of 2020, according to the CBRC's official website. To meet their daily financial needs, more and more customers will transfer to online transactions, and the banking Internet business and e-banking business will rapidly grow. Nowadays, customers are more willing to try the services of different banks than before, and the service channels' convenience and digital intelligence will affect the service's reputation and the customer acquisition ability of the banks. The change of service channels has undoubtedly accelerated the transformation of banks and exacerbated the differentiation.

2.3 Product Innovation

Under the influence of the epidemic, banks' operating environment has changed, and the banking business products also need to be adjusted accordingly. They can be quickly innovated to meet the change in customer needs. However, the existing talent team is more familiar with traditional business products in a traditional financial industry. To innovate and apply new products, the banks need the process of conceptual change and learning. Currently, commercial bank development and relevant assessment systems still need to be completed. They have yet to become a long-term mechanism for serving private, small, and micro-enterprises. Product innovation pace also has differences between Banks, large commercial Banks, such as the industrial and commercial bank of China, China construction bank due to talent gathering, solid technical foundation, has gradually to mobile Internet, big data, cloud computing, blockchain these main technology used in product innovation, and establish an effective due diligence exemption mechanism. Due to regional limitations, small and medium-sized banks have a weak foundation and a late start, so there is excellent space for progress in product innovation.

3. Operating strategies of China's commercial banks under the epidemic situation

3.1 Adjust the annual business strategy deployment

In the annual business deployment of most banks, the first quarter of each year is the annual marketing peak season of banks, which can achieve half or more of the annual performance. However, the current epidemic is bound to impact traditional offline work in the peak marketing season. Therefore, the bank needs to adjust the business strategy deployment for the year and redeploy various resources. For example, in the first quarter, the bank will focus on the online marketing channel and increase the online marketing efforts so that some offline marketing performance can be transferred to the online to make up for it, meeting the customer's financial service demand of "staying at home". In the second, third, and fourth quarters, the Company achieved stable business performance throughout the year by appropriately deploying personnel and resources. When the epidemic ends, the bank may usher in a demand outbreak period, so the bank needs to pay close attention to the industry dynamics and adjust the business deployment promptly.

3.2 Focus on online channels

Commercial banks can take the change in consumer behavior brought about by COVID-19 as an opportunity to focus on the following two tasks: First, strengthen online marketing efforts. In the case of a surge of online traffic, the marketing and promotion of online products should be strengthened. For example, the counter staff should be appropriately released to participate in online marketing when the counter business is not saturated. At the same time, with the help of the epidemic, customers are forced to transfer to online business, cultivate user habits, improve customer stickiness; Second, promote the construction of online channels. In addition to the rising demand for online banking services, most other behaviors of customers are also transferred online. Banks can make use of more grounded platforms such as Tik Tok, TaoBao and Jingdong for promotion, and improve the business types and service functions of online platforms.

3.3 Develop intelligent financial products with the "epidemic" theme

Commercial banks need to meet market demand and actively respond to the state's call to launch financial products with the theme of "epidemic" to support the fight against the epidemic. Commercial banks should focus on innovating characteristic products to avoid market loss under homogeneous competition. For example, Laiwu Agricultural Bank in Shandong launched the "white angel loan", "public servant loan" and additional products to respond to the epidemic actively and expand product channels; Beijing Rural Commercial Bank divided the service enterprises into "industries greatly affected by the epidemic" and "other small and micro enterprises", and matched the credit products for different enterprises with different preferential interest rates. In order to make the new product model achieve good results, banks should improve the level of product intelligence by introducing technical talents, strengthening capital investment, and using digital means to bring new business growth points to banks.

4. Assessment strategies of commercial banks under the epidemic situation

While making business adjustments, banks also need to make supporting adjustments to the assessment plan. Firstly, at the overall planning level, the assessment resources need to be relocated; Secondly, to implement specific measures, the business level needs to optimize the channel layout, product innovation, customer management and personnel structure, so as to achieve the purpose of high-quality development of banks.

4.1 Compensation resource reconfiguration

The annual business strategy of the bank has changed, and the salary investment also needs to be adjusted accordingly, which can be started from the following three aspects: First, it is necessary to reduce the investment of salary resources in the first quarter, and focus on the concentrated outbreak period of demand after the end of the epidemic; Second, in the current offline marketing difficulties, online demand growth, so the assessment resources should be appropriately tilted to the online; Third, compensation resources are skewed toward epidemic-related businesses. In response to the call of the state and fulfilling their social responsibilities, most banks will successively launch products related to the epidemic, and a certain degree of tilt should be made in terms of compensation resources to ensure the enthusiasm of employees.

4.2 Strengthen the assessment of online business and channel construction

During the epidemic period, the demand for online business has surged, and banks need to respond quickly and favor assessment resources. The assessment layout of online business and channel construction can be divided into the following three parts: First, to strengthen the assessment of new extension households. During the epidemic period, offline business promotion is weak, and customer demand shifts to the online line. At this time, the assessment of the new expansion households can be strengthened, and the online customer base can be expanded; second, the operation assessment can be strengthened. Based on increasing the number of customers, cooperating with the centralized online transfer of the customers, cultivating the user use habits, strengthening the operation of the online customers, and emphasizing the assessment of the online activity and effectiveness of the customers; third, strengthen the assessment of the channel construction. The epidemic has made it more common for customers to transfer their business from offline to online business, which is the best time for banks to build online channels. Banks should encourage banks to communicate with

customers through online channels and handle business, and assess the utilization rate and use the effect of online channels of employees.

4.3 Focus on the assessment of the "epidemic" theme of smart financial products

To encourage bank staff to market more new products, it is suggested that banks strengthen the assessment of innovative credit products and give higher credit reward coefficients compared with ordinary credit businesses. At the same time, we should also reduce the strength of the profit assessment of the staff. The reason is that at present, most of the profits of domestic banks come from the traditional deposit and loan interest rate spread. Faced with enterprises' favorable credit interest rates, rising non-performing loans, and other factors, operating profits will be further narrowed. If we blindly increase the pressure of assessment at this time, it will lead to employees' resistance to working content. In addition, considering that objective reasons cause many non-performing loans, banks should relax the assessment of bad tolerance, reduce the burden of employees, and ensure their work enthusiasm.

4.4 Strengthen the assessment of customer relationship management

In the post-epidemic period, commercial banks will inevitably strengthen the maintenance of customer relations. For example, China Minsheng Bank has formulated assistance plans for corporate customers that have been greatly affected by the epidemic, and adjusted repayment plans appropriately to enhance customer stickiness. To improve the quality of customer relationship management, the bank needs to constantly enrich and improve customer information internally, and suggests assessing customer information filing content, such as the customer maintenance number of the CRM system. In addition, banks can expand their customers through WeChat groups, TikToks, Little Red Book, and other ways, and guide residents to use online services such as mobile banking and electronic banking to promptly respond to customers' needs. In order to improve the quality of online service, banks can focus on the assessment of "deep marketing" related indicators, such as assessing the effective customer conversion rate.

4.5 Optimize the personnel assessment structure

Banks usually conduct assessments by combining individual incentives with the institution's overall performance. In the case that the overall market is not conducive to business development, the evaluation of individual performance should be appropriately reduced and the weight of the assessment of the general secondary distribution of the institution should be increased to ensure the normal income of employees. In addition, the structure of employee performance pay should be appropriately adjusted to increase the evaluation weight of behavioral process indicators and reduce the evaluation weight of performance indicators. For internal staff, the assessment weight of counter business volume should be reduced, part of the counter staff should be released to participate in online marketing, and the assessment weight of online marketing for the internal team should be increased. For some seriously affected banks, funds from their compensation packages can be allocated to set up special epidemic subsidies, and special subsidies can be given to staff involved in epidemic prevention and control work.

Conclusion

As an important part of financial system, commercial banks have great significance to the stable development of Chinese economy. For a long time, performance appraisal has been an important engine of commercial banks' business transformation and the core force of high-quality development. Based on the current complex international and domestic environment, this study aims at the existing difficulties and solutions of commercial banks under the epidemic situation, and further puts forward that commercial banks need to carry out forward-looking business transformation. and in the channel layout, product innovation, customer management, personnel structure and other aspects to optimize the assessment, in order to ensure that commercial banks achieve strategic goals and be in an invincible position in the fierce market competition.

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