

Channels for Capital Replenishment of Urban Commercial Banks and Their Optimization Options

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Abstract: commercial banks have an important position in the national economy, and they can effectively communicate the exchange of social funds. However, as a special enterprise, it has a very high debt ratio, so it needs to make reasonable capital replenishment in order to improve its ability to resist risks. Since the reform and opening up, china's commercial banks have continued to expand their capital replenishment channels, but they still cannot meet the needs of social development. Based on this, this article focuses on the optimization measures for capital replenishment of commercial banks, hoping that it can provide some reference opinions for related research on capital replenishment channels of commercial banks.

1. Introduction

The profit model of city commercial banks is mainly based on the interest rate difference of deposit loans, and the overall business is highly similar. However, financial resources are very limited in the market, which requires banks to obtain high profits by expanding their scale. This is also the case. The expansion of the city's commercial banks has led to the need for capital replenishment. Secondly, if a commercial bank wants to achieve sustainable development, it needs to use sufficient capital and capital to improve its ability to resist risks. This will not only be able to carry out related business, but also be conducive to absorbing deposits. In addition, the adequacy of capital of a commercial bank is also an important criterion for its international rating, which to a certain extent demonstrates the bank's ability to conduct international financial activities [1].

China has always attached great importance to the capital supervision of commercial banks, and has also issued a lot of laws and regulations. According to the relevant regulatory requirements, it is necessary to increase the core capital of commercial banks and limit the cross-holding of subordinated bonds between banks. Through these two measures, risks can be effectively transferred outside the banking system. However, this also places higher requirements on commercial banks to a certain extent, and requires them to have sufficient capital. Therefore, commercial banks need to go through different channels. Make capital replenishment.

2. Channels for Capital Replenishment of City Commercial Banks

2.1 Replenishing Core Capital with Profits

The flexibility of profit increase is strong, it will not have much impact on the operation of the bank, and it will not bring about excessive changes in the proportion of shareholders' equity, so it is the best way for commercial banks to replenish capital. In the development in recent years, the system of China's financial market has become mature. However, the profitability and operating efficiency of commercial banks need to be improved. Capital can be replenished through profit transfer, but it takes time to complete. In addition, replenishment of core capital by means of profit increase must be fully taxed, which further limits the effectiveness of using the increase to replenish core capital.

2.2 Replenishing Core Capital with Capital Increase and Stock Expansion

In the early stages of the development of commercial banks, their capital replenishment methods

were relatively simple, usually by offering shares to new and old shareholders. However, in 2004, the China Banking Regulatory Commission issued an announcement encouraging private capital and foreign investment in commercial banks, encouraging private enterprises or high-quality enterprises to inject capital into commercial banks, which provided new ideas for capital expansion of China's commercial banks. Private capital and strategic investment to increase core capital. The use of capital increase and share expansion should appropriately determine the amount and scope of the capital increase, select the fund-raising objects according to law, reasonably arrange the share ratio, and issue a premium to increase the equity premium ratio in capital reserves.

2.3 Introducing Supplementary Core Capital with Strategic Investors

In order to effectively alleviate the lack of core capital of commercial banks, China has also proposed relevant policies to encourage qualified foreign strategic investors to invest in financial institutions. For example, Beijing, Nanjing, Xi'an, Shanghai and other places have successfully introduced IFC. HSBC, foreign investors such as the Commonwealth Bank have invested in commercial banks. The fundamental purpose of introducing foreign capital is to supplement the capital of commercial banks, while also introducing their advanced management experience [2]. However, the method of introducing supplementary core capital by strategic investors also has its own shortcomings. It requires long-term negotiations, and the corresponding management philosophy also needs to run in.

2.4 Supplementing Core Capital with Listed Capital

Not only can the normal capital replenishment mechanism be established through listing, but it also has positive significance for improving the corporate governance of commercial banks. At present, some of our commercial banks have chosen to go public, which not only provides capital support for their rapid development, but also facilitates refinancing in the secondary market. However, from the actual situation in China, most urban commercial banks do not have the conditions for listing and financing. This is because of the uneven development of commercial banks and the uncertain factors of the securities market. The overall fluctuations are relatively large. This leads to insufficient investor confidence [3].

2.5 Supplementary Subsidiary Capital with Bond Issuance

Commercial banks can also supplement subsidiary capital by issuing subordinated bonds, which is also one of the important channels for commercial banks to replenish capital. However, there are also many restrictions on commercial bank bonds. It stipulates that banks with high capital adequacy ratios can only issue mid-to-long-term bonds. This has led to the policy only meeting some banks with sufficient capital and willingness to issue bonds. Stronger banks cannot issue funds due to insufficient capital per se, which leads to structural contradictions.

3. Optimization of Capital Replenishment of City Commercial Banks

3.1 Characteristics of Capital Replenishment of City Commercial Banks

The development of China's urban commercial banks is relatively late, and the overall business model is more traditional, and profits are mainly obtained through the interest rate difference between deposits and loans. After the 21st century, the operating scale of China's city commercial banks has been expanding. Therefore, continuous development and expansion is one of the important characteristics of city commercial banks, and the annual growth rate of their assets is above 20%. The expansion of commercial banks will inevitably bring about a large amount of capital demand, and at the same time bring the contradiction of weak profitability and capital expansion demand [4].

Commercial banks' capital replenishment also has problems of instability and high constraints. This is because its capital replenishment does not have a long-term mechanism, so it often appears in a bad circular state. On the other hand, the size of banks continues to expand. So there is a strong demand for capital. Therefore, from this perspective, the capital replenishment of commercial banks

is also subject to certain restrictions. If you want to break the bad capital cycle, you must not only improve the profitability of the bank, but also continue to expand the business space and achieve business innovation. Of course, diversified capital replenishment channels are also an important measure to alleviate the instability of capital replenishment and the strong constraint of capital replenishment. Commercial banks need to make overall plans for their development strategies, meticulously tap the potential tools of capital, and properly encourage financial instrument innovation. Can effectively solve the problem.

Judging from the characteristics of commercial banks, the most stable channel for capital replenishment is profit. They can achieve capital replenishment by transferring profits, and they can also achieve it through the form of stock premium. These two methods are currently available in commercial banks. Is very common. Various capital replenishments of commercial banks are subject to strong supervision and constraints. This is not only to achieve market perfection, but also to help the development of commercial banks. However, from the specific situation, China's current financial supervision system is not mature enough, and the overall macroeconomic environment is more complex and changeable. Therefore, the intensity of financial supervision is gradually becoming stricter, which requires urban commercial banks to implement supervision requirements at the same time. Optimize itself and continuously expand the leading edge to avoid various financial risks and achieve sustainable development

3.2 Constraints Facing Capital Replenishment of City Commercial Banks

Capital replenishment of city commercial banks is also subject to certain constraints. First of all, it is necessary to digest historical losses. Because historical losses have been accumulated during the development process, many capitals need to be used to make up for it, which has a restraining effect on its own expansion and profit, and it is not possible to quickly obtain capital supplements. Second, there are certain difficulties in listing and financing. First, the development of city commercial banks is uneven, and some city commercial banks are far from listing conditions; second, the current commercial banks are listed on the premise of introducing strategic investors, which raises the threshold for listing; third, the uncertainty of China's securities market. In the case of large fluctuations in the securities market, investors have uncertainties about the market expansion and acceptance of new bank shares, which also determines the uncertainty of city commercial banks' listing and financing.

3.3 Optimization of Capital Replenishment of City Commercial Banks

3.3.1 Capital Replenishment under the Leadership of Development Strategy

The capital replenishment of a city commercial bank needs to effectively integrate its strategic objectives, especially in the process of expansion, it is necessary to focus on business adjustments, clear strategic positioning and market competitive advantages, and only in this way can it improve its own profitability. In combination with the specific situation of a commercial bank in Shandong Province, he can adopt a strategy of large customers to stabilize the foundation when developing a remote market, and then comprehensively promote and integrate, focusing on the traditional advantages of commercial banks, and focusing on small and medium-sized businesses with business transformation The competitive advantages of enterprises and civil banks will form business brands and improve their profitability.

In the process of expansion, city commercial banks should also pay attention to the concept of "moderate scale". When it reaches a certain level, it gradually slows down the expansion, and then focuses on optimization and integration, so as to enhance its inherent management capabilities. This is because banks are high-risk industries, and if they are allowed to expand in scale, they will likely increase their risk levels.

3.3.2 Diversified Capital Replenishment Centered on Improving Profitability

The rapid expansion of commercial banks will result in huge capital needs. However, capital replenishment other than profit is an unstable capital replenishment channel for listed banks. Based

on this, banks must replenish capital with the core of improving profitability in order to increase their attractiveness to strategic investors. Of course, relying solely on profit is difficult to meet the need for capital replenishment. Therefore, we must adhere to the principle of diversified capital replenishment, strive to balance the basic interests of all parties, reserve a certain space for our own development, and adhere to the “capacity determines scale”. Development concept, so as to lay the foundation for the stable development of commercial banks [5].

3.3.3 Selection of Strategic Investors

At present, when China's commercial banks introduce strategic investors, overseas financial institutions are given priority. Moreover, China's regulatory authorities once requested that the introduction of overseas financial institutions be focused. Its fundamental purpose is to optimize the management and system of commercial banks. However, as China's financial institutions are becoming more sophisticated and most of the outstanding commercial banks have received new investment in strategic investment, it is now difficult to find partners. Based on this, China's commercial banks can focus on the introduction of standing investors, and look for large and outstanding banks to cooperate in order to achieve optimized market competition. In this regard, state-owned enterprises can be considered to take effective measures. Replenish bank capital.

3.3.4 Long-Term Capital Replenishment

Commercial banks' long-term capital replenishment can start from the perspective of listing. After initial management optimization, they can obtain long-term capital integration through listing. The listing and financing of city commercial banks can establish an effective capital replenishment mechanism and provide strong capital support for the continuous development of business, which is a condition for expanding city commercial banks from a small local area to the outside. The listing of a city commercial bank is not only the choice of a few outstanding city commercial banks now, but also the choice of a city commercial bank with a large amount of business expanding in the future.

4. Conclusion

From the perspective of the development of China's commercial banks, the main problem is that there are fewer channels for capital replenishment during the development process, which cannot meet the needs of their own expansion. Moreover, capital replenishment mainly replenishes core capital with profit increase and capital expansion with capital increase. Replenishment of core capital, introduction of supplementary core capital by strategic investors, supplementation of core capital by listing of funds, and supplementation of subsidiary capital by issuing bonds. This article analyzes these measures accordingly, combining the characteristics and constraints of capital supplementation of city commercial banks. , Explored the four measures of capital replenishment under the command of development strategy, diversified capital replenishment with the core of improving profitability, selection of strategic investors, and long-term capital replenishment, hoping to provide a certain direction for the development of commercial banks .

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