

A study about how banks help Wuxi's Industrial Transformation and Upgrading -- Based on Yangtze River Delta Integration

Qianhao Meng*

The Ulink College of Shanghai

*Corresponding author: 1063939419@qq.com

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Abstract: As financial institutions serving the real economy, banks should fully support the national policy after the Strategy for integrated development of the Yangtze River Delta was proposed. Wuxi, as one of the central cities in the Yangtze River Delta region, quickly released the Wuxi Action Plan for the Integrated Development Plan of the Yangtze River Delta Region, which focuses on the transformation and upgrading of industries. In the context of the integration of the Yangtze River Delta, how banks can assist in the transformation and upgrading of local industries is worth researching. This paper first introduces the background of the study, followed by an analysis of the financial needs of modern industries such as advanced manufacturing, strategic emerging industries and modern service industries in Wuxi, and explains the opportunities and challenges brought by industrial transformation and upgrading for banks. Finally, it discusses the implementation paths for banks to help Wuxi's industrial transformation and upgrading from five aspects: implementation strategies for different industries, product innovation, improving the financial service guarantee system, strengthening special incentives and assessment, and making efforts to improve service competitiveness.

1. Introduction

The Strategy for integrated development of the Yangtze River Delta is a major strategic deployment at the national level proposed by the Party Central Committee with Comrade Xi Jinping at its core. On 5 November 2018, the General Secretary announced at the first China International Import Expo that he would support the upgrading of the Yangtze River Delta regional integration to a national strategy, complementing and coordinating with the "Belt and Road" construction, Beijing-Tianjin-Hebei coordinated development, Yangtze River Economic Belt development, Guangdong-Hong Kong-Macao Greater Bay Area and other plans to further improve the regional spatial pattern of China's reform and opening up. Industry is the core of urban construction and the cornerstone of economic development. Under the impact of the new crown epidemic, it is a major and urgent strategic task at this stage to seize the new opportunities for industrial development in the post-global financial crisis era and win the initiative in accelerating industrial transformation and upgrading as well as the new round of regional development in the Yangtze River Delta region [1]. Wuxi is one of the important central cities in the Yangtze River Delta region, with a GDP of RMB 1,185,232 billion in 2019. Wuxi has a relatively complete industrial system, but labour-intensive industries account for a relatively large proportion of the city, so industrial transformation and upgrading is imperative. How banks can seize this opportunity to contribute to the industrial transformation and upgrading of the Wuxi region while laying a solid foundation for their own healthy development deserves deep consideration. Therefore, the study of banks' contribution to the transformation and upgrading of local industries in the context of the integration of the Yangtze River Delta is of great practical significance.

2. Financial needs of Wuxi city's industrial transformation and upgrading in the context of Yangtze river delta integration

On 10 December 2019, Li Xiaomin, Secretary of the Wuxi Municipal Party Committee, presided over the 148th Meeting of the Standing Committee of the Municipal Party Committee to analyze matters related to the implementation of the Yangtze River Delta integration strategy in the Wuxi region, and released the Wuxi Action Plan of the Yangtze River Delta Regional Integration Development Plan. The Wuxi Plan emphasizes the importance of the transformation and upgrading of industries. The main objective is to accelerate the construction of a core area for advanced manufacturing in the Yangtze River Delta as well as a pioneering area for technological innovation, and to enhance Wuxi's ability to gather and allocate high-end resource elements as soon as possible. The goal is to integrate Wuxi into the construction of the Yangtze River Delta as "one pole, three regions and one highland", and to transform the city's "unparalleled" overall superiority into an "irreplaceable" overall competitiveness. In the implementation of the national strategy, Wuxi will fulfil its role, give full play to its advantages and make its due contribution. In the context of the integration of the Yangtze River Delta, the industrial development of Wuxi is aiming at intelligent, green, service-oriented and high-end, constantly improving the ratio of secondary and tertiary industries, transforming and upgrading the industry. A modern industrial development system led by emerging industries, advanced manufacturing industries and modern service industries is being comprehensively built. In this process, banks should actively adjust their credit structure, write off bad debts through mergers and acquisitions, liquidate bankrupt enterprises and other means to resolve debt claims, to achieve the objective of gradually liquidating ineffective or inefficient assets. In order to allocate limited financial resources to senior manufacturing industries, strategic emerging industries and modern service industries [2].

3. Opportunities and challenges for banks arising from industrial transformation and upgrading in the context of the integration of the Yangtze river delta

The purpose of industrial transformation and upgrading is to develop from a low value-added to a high value-added direction, from high consumption and high pollution to low consumption and low pollution, and from a rudimentary to an intensive direction, to achieve results that are more conducive to economic and social development [3][4]. The process of industrial transformation and upgrading in Wuxi requires the continuous development of advanced manufacturing industries, strategic emerging industries and modern service industries. At the same time, continuously compress support for traditional backward industries such as low value-added, high-consumption and high-pollution industries.

In terms of opportunities, Wuxi has actively integrated into the Strategy for integrated development of the Yangtze River Delta. It relied on the relative concentration of manufacturing industries in national and provincial-level economic development zones, implemented plans to foster advanced manufacturing industries, strategic emerging industries and modern service industries. Wuxi also accelerated the construction of key parks such as the Huishan Industrial Transformation Cluster and the Yixing Industrial Transformation Cluster. To cultivate and grow some modern industrial groups with large industrial scale, strong innovation capability and high technology level [5]. According to the statistics of the 21st Century Institute of Economic Research, in 2019, Wuxi ranked second in the country in terms of GDP per capita, and as a prefecture-level city with a GDP of over a trillion, the city was approved by the State Council as one of the central cities of the Yangtze River Delta. Following the rise of the Yangtze River Delta integration into a national strategy, Wuxi's industrial development will receive full assistance from the state and Jiangsu Province. Therefore, banks will have many development opportunities in supporting the transformation and promotion of Wuxi's industries [6]. In the development of advanced manufacturing, strategic emerging industries and modern service industries, the construction of production plants and the purchase of related machinery and equipment are necessary prerequisites. Banks can provide the essential loan support

for fixed assets in the absence of capital for technology enterprises [7]. In the process of transforming and upgrading low value-added, high-consumption and high-pollution enterprises, banks should actively assist in the acquisition and restructuring of such companies to help them move towards high value-added, low-consumption and low-pollution overhauls. According to the Wuxi Action Plan for the Integrated Development of the Yangtze River Delta, Wuxi is positively undergoing industrial transformation and upgrading, which is an important development opportunity for banks. At present, there are several mature enterprises in emerging industries in the Wuxi area. Such enterprises generally consist of stable upstream and downstream relationships, steady cash flow and monetary capital, a low current to quick ratio and a strong repayment capacity. The bank can participate in the industrial transformation and upgrading process in Wuxi by way of a liquidity loan.

In terms of challenges, the transformation and upgrading of industries is a process of transformation from labour-intensive enterprises to technology-intensive enterprises. As the integration of the Yangtze River Delta progresses, the proportion of technology-intensive enterprises in the Wuxi High-Tech Zone and industrial parks such as Huishan and Jiangyin has increased. Such enterprises are characterized by not only higher R&D costs but also greater risk levels. Banks' product systems and risk control capabilities will face considerable challenges. As the local legal entity in the Wuxi region, the bank is deeply involved in the development of various industries in Wuxi. The transformation and upgrading of Wuxi's industries has challenged banks in three main ways: Firstly, the exit of credit assets from traditional industries. Being a local financial institution, the bank has already established good credit relationships with some of its traditional industrial clients. On the one hand, a hasty withdrawal in a short period of time would result in bad debts due to insufficient operating capital for the enterprises to operate in a positive manner. On the other hand, it may also generate some reputational risk for the bank in the local area. Secondly, how to break into advanced manufacturing and strategic emerging industries. In Wuxi, there are six major state-owned banks, banks of national joint-stock banks, local banks of national policy banks, local city banks, agricultural and commercial banks, private banks, village banks, offshore institutions, and various types of non-bank financial institutions, etc. The competition is fierce. For banks, it is a relatively serious task to expand into new businesses. Thirdly, how to maintain our bank's credit allocation to maintain stable growth during the transition period of industrial transformation and upgrading is also a relatively big challenge.

4. Implementation path for banks to help Wuxi's industrial transformation and upgrading

From a macro perspective, the previous path of crude expansion in China's banking sector is no longer sustainable and a diversified development approach must be explored. Specifically, banks should gradually shrink their credit capital investment in low value-added, high-consumption and high-polluting enterprises. At the same time, banks should focus on the changes in the scale of credit allocation due to changes in the economic cycle and adjust the scale of new allocation as well as tightly control the stock of customers in a timely manner. Based on reasonable risk control, more resources should be allocated to advanced manufacturing industries, strategic emerging industries and advanced manufacturing industries in a reasonable manner.

4.1 Sector-specific implementation strategies

Banks should give full priority to supporting the eight advanced manufacturing industries, and proactively explore the path of transformation and upgrading in which incremental volume and stock go hand in hand by revolving around achieving the development of the eight advanced manufacturing industries in full force. In the context of the integration of the Yangtze River Delta, the Wuxi municipal government is currently striving to bring the volume of each industry to trillions of dollars or more, and banks should take this as an opportunity to accelerate their participation in the plan for the transformation and upgrading of Wuxi's industries. As a systematic positioning of Wuxi's industrial transformation and upgrading, priority should be given to fully supporting the eight advanced manufacturing industries of new generation information technology, high-end equipment

manufacturing, energy conservation and environmental protection, biomedicine, new energy and new energy locomotives, new materials, and high-end textiles and garments. At the same time, banks should cultivate the basic strength of new dynamics and emphasise support for strategic emerging industries. Focus on building leading domestic and international industry clusters on the Internet of Things, cloud computing, big data, integrated circuits, graphene and thin-film solar cells, and raise the rate of credit support for such industries [8]. We are committed to supporting enterprises in strategic emerging industries with relatively mature processes, outstanding technologies and broad markets. It mainly involves industries such as advanced environmental protection technologies on the environmental protection list, broadband information network infrastructure construction, and integrated circuits and high-end software. By focusing on supporting strategic emerging industries, the bank could nurture high-quality incremental customers.

4.2 Innovations

Under the background of strong regulation, banks should adhere to the guidance of clients' needs and provide personalized financial services to customers. Banks can provide some diversified services and offer innovative products such as ABS, supply chain industrial funds and M&A funds to their customers. The bank administration department should link up with the operation department up and down to provide customers with a series of integrated financial services such as credit, investment banking, asset management, settlement, international business, foreign exchange business and direct financing business. On the one hand, banks should strengthen their financial support to science and technology innovative enterprises to promote the transformation and upgrading of industries. Nowadays, science and technology-based SMEs are the most promising enterprises, and they bear the burden of fulfilling the transformation and upgrading of Wuxi's industrial structure, so banks should strengthen their financial support for innovative enterprises [9]. They should focus on supporting advanced manufacturing industries, cultivating and developing strategic emerging industries and modern service industries. Increasing credit support for modern industries based on strict risk control. On the other hand, banks should insist on strengthening product innovation and seek to meet the different credit needs of advanced manufacturing industries, strategic emerging industries and modern service industries by innovating credit products such as intellectual property pledge loans, factoring, insured loans and supply chain financing [10]. Banks should also vigorously develop product innovation, integrate credit and investment banking and carry out targeted financial service innovation. The viscosity with leading enterprises in the modern industrial system of the Wuxi region should be enhanced. In conjunction with the product chain and supply chain of the enterprise, we will make full use of the enterprise's customer resources to provide "supply chain bill financing services" to meet the financing needs of upstream and downstream enterprises in the form of bill acceptance, discounting, bank notes and commercial paper pledging financing and other bill business services.

4.3 Improving the financial services protection system

Number equations consecutively with equation numbers in parentheses flush with the right margin, as in (1). First use the equation editor to create the equation. Then select the "Equation" markup style. Press the tab key and write the equation number in parentheses. To make your equations more compact, you may use the solidus (/), the exp function, or appropriate exponents. Use parentheses to avoid ambiguities in denominators. Punctuate equations when they are part of a sentence, as in

4.3.1 Coordinate and promote the establishment of the leading group and executive team for industrial transformation and upgrading.

Based on the Yangtze River Delta Integration Management Headquarters set up by the head office, it is proposed that a leading group for industrial transformation and upgrading and a special action group should be set up at the bank level. The Leading Group will oversee the overall situation, formulate guidelines and policies from the bank level, coordinate relevant management departments and all sub-branches, and co-ordinate the orderly implementation of financial services for industrial

transformation and upgrading. The Executive Group, as a standing body for the implementation of the bank's industrial transformation and upgrading, is mainly responsible for the concrete implementation of measures and programmes for industrial transformation and upgrading in accordance with the mandate and arrangements of the Leading Group. The Leading Group should follow up the preparation of the industrial transformation and upgrading plan for Wuxi City and the functional areas in a co-ordinated manner. The implementation team should further refine the corresponding working mechanisms accordingly. A mechanism should be established at the level of banks and corresponding sub-branches to interface with governments at all levels, to increase project marketing scheduling, supervision and notification, and to strengthen policy interpretation, information transmission and the exchange and sharing of successful marketing experiences.

4.3.2 Improve the project management model and enhance the effectiveness of industrial transformation and upgrading services

Around the industry's entry standards, risk policies and marketing mechanisms, improving a coherent and coordinated project management model to further enhance the effectiveness of industrial transformation and upgrading services and ensure the smooth achievement of various planning objectives. First, banks should focus on the development planning of industrial transformation and upgrading, and flexibly establish multi-dimensional customer access criteria, with "cutting-edge technology, reasonable business model, excellent management personnel and forward-looking market" as the enterprise access criteria for modern industries and try to achieve "one strategy for one enterprise". "In the end, enterprises representing the transformation and upgrading of industries that have been excluded by traditional banks can also obtain loans from banks. The bank should take full advantage of its position as the only state-owned provincial bank in the Wuxi region to help modern industrial enterprises with financing needs to plan their financing. Provide comprehensive financing services such as loans, structured financing, industrial funds and financial leasing factoring according to the characteristics of industrial transformation and upgrading investment subjects and projects. Secondly, banks should establish a risk policy that is in line with the characteristics of industrial transformation and upgrading. Unlike previous large-scale infrastructure investments, most of Wuxi's other transformation and upgrading-related industries are "asset-light and high development", except for high-end equipment manufacturing and modern industries such as new energy and new energy locomotive industries, and high-end textile and garment industries. Therefore, banks should continue to improve their judgement of the sustainable development of these new enterprises and provide financing to those with real strength. At the same time, the logic of development and risk characteristics of industries undergoing industrial transformation and upgrading should be continuously studied, and a risk policy in line with the characteristics of industrial transformation and upgrading should be established. Finally, banks should focus on the strategic significance of industrial transformation and upgrading and establish an efficient green channel mechanism. Banks should co-ordinate and promote the landing of enterprises involved in advanced manufacturing, strategic emerging industries and modern service industries, explore investment and loan linkages with venture capital funds and equity funds, as well as support the development of promising entrepreneurial enterprises. For the products and services demanded by each operating unit for industrial transformation and upgrading, they will be unified and filed with the Industrial Transformation and Upgrading Executive Group, and the Executive Group will make its own judgment to report to the Leading Group or deal with them on its own after distinguishing between major projects and regular projects, regardless of whether the ultimate decision-making power lies with the Leading Group or the Executive Group. For industrial transformation and upgrading projects, an efficient green channel mechanism will be established to accept the first review opinion and arrange the loan quota in a timely manner.

4.4 Strengthen special incentives and assessment to provide strong support for the implementation of the plan.

In the context of the integration of the Yangtze River Delta, it is recommended that banks should include support for the industrial transformation and upgrading of Wuxi City in their assessment systems and equip them with corresponding special incentives. Due to the impact of the COVID in early 2020, the state is strongly advocating financial services for real enterprises and has given certain policy support [11]. Banks should take this opportunity to focus on increasing credit funding for advanced manufacturing industries, strategic emerging industries and modern service industries, supporting the corresponding enterprises to become bigger and stronger. During the process of implementation, banks should continuously adjust and optimise the assessment system to accelerate the integration of Wuxi banks into the process of implementation. The assessment system should be consistently adjusted and optimized to accelerate the integration of Wuxi Bank into the planning of industrial transformation and upgrading in Wuxi. At the same time, banks should accelerate the liquidation of "zombie enterprises" with excess capacity, adhere to the "classification policy", suppress loans to excess capacity industries, and support the merger and restructuring, transformation and upgrading of excess capacity enterprises [12]. For traditional enterprises with long-term losses and no ability to pay debts, as well as non-environmentally friendly and highly polluting enterprises, the credit line will be firmly reduced as soon as possible until it is withdrawn. For this type of clearance approach, special incentives will be set up to ensure the healthy development of high-quality high-tech enterprises, eliminate low-quality corporations and promote the industrial transformation and upgrading. Special incentives will be matched around product innovation and pattern creation. Banks should provide financial support based on the transformation and upgrading of the real economy, adjust credit investment, optimise credit structure and allocate credit resources rationally. Gradually increase the proportion of loans for transformation and upgrading projects in loans to the real economy and the loan-to-deposit ratio in the loan ratio and incorporate the two ratios into the long-term mechanism of performance assessment of industry development in the future assessment process. On the one hand, banks should nurture advanced manufacturing industries and ensure that the increase in credit allocation to the eight industries is higher than the increase in loans over the same period. On the other hand, banks should support the industrial upgrading and transformation of traditional industries and strengthen their support for medium- and long-term financial services for strategic emerging industries.

5. Conclusion

In general, industrial upgrading is a very clear and established direction, and in this process banks should integrate into the industrial upgrading system as soon as possible and help industrial upgrading through four implementation paths: the service targets should focus on the eight advanced manufacturing industries and strategic emerging industries; provide personalized services to customers on the basis of enhanced product innovation; set up an industrial upgrading leadership team and implementation team to guarantee efficient services for target projects; and include The incremental increase in projects for the eight advanced manufacturing industries and emerging industries is included in the performance evaluation. At the same time, industrial upgrading is also a process that requires long-term efforts and practice. Banks should be prepared to seize opportunities for long-term assistance, but also make further optimization and adjustments in line with the progress of industrial upgrading.

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