

Industrial and Commercial Bank of China

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Abstract: this article deals with activities of new financial technologies in banking sector. In this case, good examples of international experience taken into consideration such as Industrial and Commercial Bank of China.

Key words: ICBC, fintech, internet banks, big data, foreign banks

Introduction

Financial technology or FinTech with the support of China's State Council in August 2016 was provided into the 13th Five-year plan of National Scientific and Technological Innovation. According to this plan, various commercial banks of the first and second levels have been announced FinTech their own standing strategies of optimizing banking processes with the purpose to modify banking processes to build a platform with a financial ecosystem that implements numerous financial instruments and tools. It can be reached by usage of IT technologies, such as Big Data, cloud computing, blockchain, Artificial Intelligence (AI), and mobile Internet, in an aim to build a financial ecosystem that integrates various financial instruments and tools.

As an object for analysis was chosen Industrial and Commercial Bank of China Limited (ICBC) has numerous branches of Internet banks respectively.

Based on the interview with the General Manager of the IT Department of ICBC, he says that today we have an opportunity to provide new technologies in different traditional services, like financial technologies (FinTech) and commercial banks. Nowadays, the implementation of new technologies in daily routine is increasing each year, because of it on our network placed 40 trillion gigabytes of data and to manage them, society should use technologies like Big Data, Artificial Intelligence, and others. Today, the big data market in China is rising significantly, and its Compound Annual Growth Rate (CAGR) of 31.72%. According to scientists' prediction, in 2020 the revenue from Big Data market will reach ¥57.8 billion, which is equivalent to \$9 billion. In contrast, the revenue in 2014 was ¥8.4 billion, or \$1.2 billion.

Relationships

Regarding relationships with other companies, ICBC has signed an agreement with Alibaba on 16th of December 2019 to enter a comprehensive strategic partnership by involving FinTech in users life to prosper their level of cooperation. Smart technologies and product innovation will definitely develop and enhance the quality of FinTech supplyings. Partners will share their experience in the fields they are good on that will lead to mutual prosperity for companies.

Chen Siqing, Chairman of ICBC, has said that ICBC and the Alibaba cooperated pretty well in digital sphere. The areas that these companies cover not only payments and e-commerce, but areas like global finances, cash flow. He wishes to create more space for ideas promotion in Chinese finance industry and then make the services better further.

As for Daniel Zhang, Chairman and CEO of Alibaba Group, he declares that his company values relations with ICBC very useful and he thinks that their relationship is beneficial. The ICBC's impact on the Alibaba helped to generate and accelerate the rise of Alipay as fantastic as overall growth of digitalization of economy in China is continuing now. He claims that the company tends to stay focused on their vision on financial innovations by providing e-commerce to enhance the well-being of common people. Both these companies think alike about FinTech and digitalization.

Impact of foreign banks' activities

The main task of analyzing the activities of foreign banks is to eliminate and detecting risks, as well as to identify ways to improve the quality of the ICBC Bank.

We selected a rival Bank, HSBC in the UK, and an American financial holding company, JP Morgan Chase, to conduct the research.

According to South China Morning Post recordings in 20 of March HSBC groups up with Alibaba's Cainiao logistics unit to offer fast credits to Tmall vendors in Hong Kong. Right now Hong Kong is seeing the approach of virtual banks such as Standard Chartered's Mox, Livi Virtual Bank, Insight Virtual Bank, and Fusion Bank. And this kind of cooperation with e-commerce giant Alibaba Group Holding seems like HSBC preparing to compete with new virtual banks. The words of the press Secretary confirm these intentions. In the future, they will explore the possibility of expanding this service to other e-Commerce platforms.

Partnership with Cainiao will support new firms by using big data to simplify the approvals process. This represents about 1800 Hong Kong online traders that use Alibaba's e Commerce platform the right to apply for a trade Finance loan of up to 500,000 US dollars.

The project is waiting for success as merchants are going through a difficult period due to the Covid-19 outbreak, and the cainiao network aims to stimulate the recovery of retail businesses and help them resume normal operations

Ideas

I noticed that the mobile application is poorly developed in ICBC. And I can offer the idea of creating a single application for the whole world. The idea is to agree with Mastercard and Visa to create a special id code for the ICBC company so that when using the bank terminals, the ICBC name automatically goes out with other banks. For example, you have a Sberbank credit card with ICBC ID code and when you enter the card into the terminal, the ICBC bank option with the above-mentioned Sberbank is automatically issued. To register with ICBC using the ID code, you only need to login to register ICBC website enter these ID codes and wait for your bank account to be exposed from ICBC bank itself. After exposure, you will be given your individual card number and IBAN and an individual code with numbers to access your accounts. Such measures guarantee your account security. And If you want to receive your individual card, you can order it in official ICBC banks.

And there is also the idea of the bank card itself. You can create a bank card with navigation to find their location. For example, many customers come to exchange cards because they have lost or stolen them. But with this you can find where they are and return them to their rightful owners. This function can also be created in the mobile version of the application for a fee. Thanks to this project, the bank will increase revenue. But there is a risk that if someone logs in, confidential information will appear, so the system should have good protection from hackers.

As we face lots of opportunities, lots of challenges how can we better take advantage of the opportunities and manage the risks to our markets?

ICBC is headquartered in China, but has a limited geographical distribution around the globe. Only 5.7% of its earnings are coming from abroad. In addition, China's GDP itself is slowing down since 2007, and according to the current situation, it is expected to worsen. This leads to the risk of reduced and narrowed business.

Secondly, they do not have a proper financial planning, because liquid and current asset ratios show that there are some major boundaries to use cash efficiently. This could lead to the great financial loss.

Thirdly, even if they expand and keep using traditional or unimproved banking system, different countries have different liability laws.

These risks can be reduced or eliminated by combining bank's current opportunities and FinTech advantages. Following aspects will help to do so.

Firstly, FinTech allows the usage from any place in the world, which means that physical geographical expansion that would require bigger costs is not obligatory. Due to the same reason, it is more efficient in terms of time management. For instance, Islamic banking, growing with 17% CAGR, needs services that are provided by ICBC. Their expansion to that area will significantly benefit them.

Secondly, one of the FinTech's main features, cashless operations, eliminates the need to optimize the cash usage.

Thirdly, FinTech can act as a centralized system, which means the main central policy. Thus, there will be no need to strictly meet the laws of each partnering country.

Also, ICBC focuses on the loan-deposit ratio while analysis of their work a lot, so personal loan balancing from FinTech, such as lendbuzz platform would optimize the lending processes a lot.

Although ICBC is already setting some FinTech aspects such as Research Institute or ECOS 1.0, they are still considered too broad in some sense. They need some specificity in using FinTech innovations. Robo-advisers are a good illustration for this: about 58% of population will use them by 2025. Therefore, if they pioneer or take part in this sphere as a banking system, they will make a long-term investment in their future.

Conclusion

As we see for the bank, there are directions for the development of fintech. Due to the fact that ICBC has a development system from all sides, they now occupy a leading position among the leading banks. And also by attracting new systems from other banks, for example, the Monimove platform or creating their own systems, the bank can receive its income several times.

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Digital giant's growth strategies

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Abstract: this article covers growth strategies of world digital shopping platform. In this case, example of successful company as Amazon is taken into consideration to demonstrate digitalization of business processes.

Key words: Amazon, fintech, joint venture, growth strategy, digitalization.

In modern conditions of globalization of the world economy and digitalization of business processes, internationalization of business is an effective growth strategy for companies. The main motive for internationalization, as well as business as a whole, is to obtain material benefits (Schwens, C., et al., 2018). In the first case (industry leaders), the motivation is to expand the company, increase production, reduce costs, tax benefits, etc. (Nippa, M. & Reuer, J. 2019). When a company successfully operates in a digital environment, it mainly is aimed at increasing sales markets (Burns, P. 2016; Jolink, A. & Niesten, E. 2016).

Amazon's growth strategy is built on interconnected and interdependent elements such as new product development, diversification and internationalization (Reuer, J. 2004; Chen, J., et al., 2015). Amazon's business began as an online bookstore, while Amazon's web service now includes over 35 product categories (e-books, video, games, food, toys, electronics, and others). Diversification of business is based on creation of e-commerce platform, IT and related products (cloud service, software, etc.) (Ding, L. & Mahbubani, J. 2013). Amazon works in a variety of areas, constantly improving its products and offering new ones. For example, the Amazon smart column appeared after the failure of the Fire Phone smartphone, the latest version of the Amazon Music Unlimited music service replaced the Amazon MP3 music store, which opened in 2008. According to Morgan Stanley banking holding company, Amazon ranks second in the list of the largest US clothing stores. This business line of the company arose after Amazon's experiments with the sale of garden furniture (in 2004), home goods (in 2008), electronic appliances (in 2009) and diapers (in 2014). The company currently sells perishable products, such as organic coffee, which comply with Fair Trade standards. Amazon's business is expanding through the creation of branches in different parts of the world. Amazon always offers the market innovative products of the highest quality. In 2016, Prime Video began operating in more than 200 countries. Amazon's acquired Twitch's online video game service in 2014 introduced three original games developed by its own studio. Amazon is investing millions of dollars in startups that create voice command apps for Alexa's virtual assistant and teach her new skills. The company has opened more than two dozen new call centers, won the title of the largest online store in India and delivered the package for the first time with an unmanned drone in the UK.

Strategic joint ventures based on Amazon company

According to the concept of international expansion, internationalization and global integration are elements of a company's growth strategy (Chen, J., et al., 2015). For Amazon, the internationalization strategy is aimed at optimizing the company's assets outside the national market (Schwens, C., et al., 2018). This gives the company access to new markets, including non-competitive emerging markets, economies of scale, and market leadership. Strategic alliances are created on the basis of horizontal intercompany