

Problems of Commercial Bank Budget Management and Suggestions for Improvement

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ABSTRACT : *With the continuous slowdown of my country's economic development and the rise of various Internet financial institutions, the development of traditional commercial banks has also encountered many challenges. Therefore, while considering external development, commercial banks also pay more attention to improving their management level through internal management, so as to obtain greater competitive advantages. In the internal management of banks, budget management plays an important role as an important aspect of improving the management level. This article starts from the theory and system of commercial bank budget management, finds the main problems in commercial bank budget management, and puts forward relevant countermeasures from improving the awareness of budget management, strengthening the control of budget goals and actual levels, and strengthening evaluation.*

KEYWORDS -*commercial bank budget management executive assessment*

I. THE NECESSITY FOR COMMERCIAL BANKS TO IMPROVE BUDGET MANAGEMENT

1. Challenges encountered by commercial banks

First of all, commercial banks' main profit sources are mainly divided into intermediary business income and deposit-loan spread income. Among them, deposit-loan spread income constitutes 80% of its profit source. With the continuous advancement of interest rate marketization, deposit and loan spreads narrow, compressed the profits of commercial banks; secondly, with the continuous rise of Internet financial institutions, the customers of commercial banks are continuously diverted by Internet financial institutions. The technological advantages of Internet financial institutions enable them to better serve customers and meet customer needs; Finally, the supervision of commercial banks is becoming stricter. The escalating requirements for deleveraging and shrinking off-balance sheet make the development of traditional commercial banks increasingly difficult.

2. The role of commercial bank budget management

In order to enable commercial banks to rapidly transform during development, keep up with economic development, and gain long-term competitive advantages, more and more commercial banks have begun to focus on internal management. Budget management, as one of the important means of modern enterprise internal management, emphasizes that the overall strategy of the enterprise is degraded one by one through budget management, and resources are rationally allocated to different departments according to the requirements of organizational strategy, and through the management, supervision and assessment of resources Control, maximize the utility of resources, so as to achieve the goal of corporate financial management. Similarly, for commercial banks, budget management is used to improve internal management, to decompose long-term strategic goals, to implement strategic goals through budget management, to improve the bank's internal management capabilities, and to enhance its core competitiveness.

II. COMMERCIAL BANK BUDGET MANAGEMENT CONTENT AND SYSTEM CONSTRUCTION

1. Commercial bank budget management content

The budget management of general enterprises includes three aspects: financial budget, business budget, and capital expenditure budget. The financial budget is the total budget, and the business budget mainly refers to the sales budget, production budget, period cost budget, etc. As a special entity, the bank's budget management is mainly manifested in the currency business.

(1) Business budget

Operational budget is the basis of all budget content in budget management and is also the focus of preparation. The business budget of a commercial bank mainly includes asset business, liability business, and off-balance sheet business. Non-performing asset budget and loan provision coverage level. These business budgets not only include the bank's business itself, but also the bank's risk budget.

(2) Capital budget

Capital, as the core resource of commercial banks, is also the most stringent indicator under the supervision of the CBRC. Commercial banks' capital budgets should be formulated. According to the bank's target capital adequacy ratio, the total available capital is estimated, and the plans and profit budgets of each business unit are considered, and the total capital is planned as a whole to balance the risks and benefits of each business unit.

(3) Investment budget

Investment budget refers to the various capital investment activities carried out by commercial banks during the budget period, which mainly include equity investment budget, fixed asset investment budget, and intangible asset investment budget.

(4) Financial budget

The purpose of each profitable entity is to make a profit, and the financial budget can comprehensively manage the financial status and operating results of commercial banks, and improve the profitability of commercial banks.

2. Commercial bank budget management system

(1) Establish a budget management committee

If budget management is to be implemented in place, supervision is in place, and the role of budget management is to be brought into play, a detailed organizational framework must be established. The establishment of a budget management committee can control budget management from an overall perspective. The budget management committee can be divided into three contents to be specifically responsible. The first is to determine the main person in charge of budget management, who is generally responsible for budget management. The second is to determine the responsibilities and staffing of the budget person for each business unit. The third is to describe the budget management process, implementation, and assessment.

(2) Determine the budget management method

According to various classifications, budget management methods can be roughly divided into zero-based budgeting method, incremental budgeting method, fixed budgeting method, flexible budgeting method, rolling budgeting method, and regular budgeting method. In the process of budget management, one budget management method can be used, or a combination of multiple budget methods can be used for budgeting.

(3) Prepare budget management indicators and decompose them

Commercial bank budget indicators can be divided into ten items, including profitability, shareholder value, benefit costs, asset benefits, operating scale, industrial framework, operating efficiency, financial risks, etc. A commercial bank should first determine its own long-term strategy, and then the head office. All branches and sub-branches prepare their own budget plans in accordance with their strategic development goals and their own development and operation conditions.

(4) Implement budget and control and feedback

After determining each budget implementation target, each branch is the main unit of budget implementation. In the process of implementing the budget, the budget management department needs to monitor and manage the budget implementation of each branch in a timely manner, discover in time the inconsistencies in the actual implementation process with the budget management objectives, find out the reasons and correct them in time. If there is a problem with the budget objective, You also need to adjust the budget target. In this process, the cooperation and coordination between each branch department and the budget manager is required to better execute the budget.

(5) Assess and motivate budget management

One of the most important tasks of budget management is to evaluate budget management work, so as to provide reference for better implementation of budget management work in the future. After the budget implementation is completed, each manager needs to evaluate the budget results, implement the inconsistencies between the budget and the actual situation, conduct detailed evaluations, and summarize the areas that need improvement.

III. PROBLEMS IN BUDGET MANAGEMENT OF COMMERCIAL BANKS

1. Budget management objectives are unscientific

The construction of budget management system of commercial banks is relatively short. Most commercial banks do not have budget management committees. Many managements do not have a good understanding of budget management. They think budget management is part of financial management and do not link it to strategic management. The budget management objectives of the company are not appropriate, and the positive effects of budget management in internal management cannot be brought into play. Inappropriate budget management objectives have led to the lack of continuity and operability in the budget management standards of commercial banks, and the inability to fully play the role of budget management.

2. The budget management awareness of all staff is not strong

At present, in commercial banks, most managers lack budget management awareness, leading many employees to believe that budget management has nothing to do with their work. This is due to historical reasons. For a long period of time, commercial banks' profit sources were simple and rude, mostly from deposit-loan gaps. With the marketization of interest rates and the rise of Internet finance, commercial banks' business focus has been continuously adjusted, and many management and employees have paid back Unable to be consciously motivated and proactive about budget management.

3.Improper selection of budget preparation method

There are many methods of budgeting, and different methods are applicable in different situations. However, many commercial banks also prepare their budgets mainly based on historical financial data. They will not make reasonable estimates and forecasts based on historical conditions and future developments. Then, as the economic development continues to change today, it will lead to budgets. There is a big difference between the target and the actual result. For example, in the labor cost budget, with the continuous development of artificial intelligence and the Internet, the number of tellers will inevitably be greatly reduced. If the budget is also based on historical labor costs, it will inevitably lead to a large difference between the labor cost budget and the actual occurrence.

4. The budget management evaluation mechanism is not sound

In addition to the requirements of the person who implements the budget, the effective implementation of the budget also requires specific institutions to supervise and manage them, and find and analyze problems during the supervision process to improve the budget. However, commercial banks currently have two problems with budget management appraisal mechanisms. One is that although a supervisory mechanism has been established, they are not sufficiently effective in finding, analyzing and solving problems in a timely manner, and the other is the lack of performance appraisal. Incorporating budget implementation into performance appraisal can play a supervising role in budget management. However, most commercial banks do not carry out reasonable performance appraisals of internal responsible entities.

IV.SUGGESTIONS FOR IMPROVING THE BUDGET MANAGEMENT OF COMMERCIAL BANKS

1.Clarify strategic goals and refine budget targets

Budget management refines the organization's long-term strategic goals into short-term goals to ensure that the budget management work can enable the organization's strategic goals to be implemented step by step. Therefore, in order to have clear budget management goals, first of all, commercial banks must formulate sound long-term strategic goals based on their own conditions, formulate short-term budget management goals based on strategic goals, and refine budget management goals into various indicators, which are allocated to relevant departments and personnel. Secondly, commercial banks need to establish a risk assessment process to set goals based on risk assessment data in a timely manner to ensure the realization of strategic goals, and finally, refine budget indicators. The current budget indicators have several types such as benefit, risk, structure, and scale. The non-performing loan ratio and net profit are all detailed indicators. Different banks can assign different weights to different indicators according to their own development. Important indicators have more weights to develop a budget indicator system that is more suitable for bank development.

2. Strengthen the awareness of all staff participating in budget management

In the development process of commercial banks, most of the profits come from the difference between deposits and loans. Therefore, most banks regard the amount of deposits that employees can pull as one of their main evaluation indicators. However, if we need to change this crude management method and improve the internal management level, we must first change the consciousness of every employee in the bank. Secondly, budget management is not a matter of one person or one department, but a process of coordination and cooperation between the various departments of the entire bank. Therefore, in order to effectively strengthen the awareness of each employee to participate in budget management, commercial banks also need to establish a sound budget system. And strict restraint systems and incentive measures.

3. Improve the analysis and control of the whole process of budget execution

The quality of budget management largely depends on the effectiveness of budget execution. Strong budget execution measures can maintain the authority and restraint of budget management, and can ensure the effective implementation of budget indicators. First, improve the budget management process. The budget management process has five aspects: preparation, execution, analysis, adjustment, and assessment. The refinement and control of each process can make each step play its role, provide correct information, and support the budget. Management work. Secondly, analyze and control the whole process of budget execution. Every level from the bottom to the top of the bank needs to report its budget deviations as well as the causes and solutions in a timely manner. For the aspects that need to adjust the budget, they also need to review and approve level by level. Finally, budget implementation also needs to actively introduce information technology to improve efficiency.

4.Strengthen the incentive management orientation of the budget

In order to improve the effect of budget implementation, it is necessary to strengthen the establishment of budget management performance evaluation and incentive mechanisms. On the one hand, the more perfect the performance evaluation system is, the more quantifiable and predictable work indicators can be obtained by budget executors, which is conducive to proper implementation. On the other hand, the establishment of the incentive mechanism takes budget appraisal as part of the bank's appraisal system, prompting budget executors to improve their budget execution level.

V. CONCLUDING REMARKS

As a special corporate organization, a commercial bank has both the requirements for corporate profitability and the need to meet various regulatory requirements. In today's increasingly fierce external competition, budget management is one of the main means to improve the internal management of commercial banks. It can improve the internal management of commercial banks. Therefore, commercial banks should optimize their budget management system according to their own conditions and the requirements of budget management, increase the awareness of all staff to participate in budget management, improve budget management preparation and implementation, so that budget management can truly give full play to its management and Constraint ability to promote the continuous improvement of the internal management level of commercial banks.

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