Research Proposal

Cost management of commercial banks based on Internet

---Take GHB bank as an example

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Abstract

The purpose of this paper is to study how the commercial banks responds to the challenges of the new era through total cost management and achieved maximum bank profits in the context of the rapid development of the Internet. Therefore, we take GHB bank for example, this article starts with the current situation of the cost management of GHB bank and the problems that exist, and put forward the necessity and feasibility of total cost management. At first, this paper summarizes the results of the relevant theories of commercial banks at home and obroad, and analyzes and comments them briefly, providing a theoretical basis for follow-up research. Secondly, the status quo of the cost management of commercial banks represented by GHB bank has been analyzed and summarized, in order to put forward the importance of total cost management. Furthermore, it design the scheme for total cost management of GHB bank, and predict the possible outcomes. Last but not least, this paper provides guidance for the implementation of total cost management for commercial banks represented by GHB bank through theoretical and empirical analysis, and it also provides some references for future studies on the cost management of commercial banks.

Key words: cost management , bank

1. Introduction
   1. Problem statement

In recent years, with reform and opening up, Chinese economy develops unceasingly and people’s culture living standard enhances day by day. Such development and changes are reflected in every aspect of Chinese industry，and the impact of the banking industry, which plays an important role in the economic field, cannot be underestimated. In the past, the competition in Chinese commercial banks was basically the competition among entity banks for customer resources. Nowdays, along with the development of Internet technolodgies , new economic models such as third-party payment, sharing economy, and Internet finance have gradually emerged. This convenient and user-friendly experience has brought new and severe challenges to Chinese traditional commercial banks. Therefore, the operation and management of commercial banks need to be improved, in order to maximize the value of banks and maximize their shareholder rights in the fierce competition. A very important way to improve the operation and management of commercial banks is to strengthen the cost control and management of banks and establish a scientific cost management system.

* 1. Statement of the research objective

The total cost management of commercial banks is a product of integration of modern commercial banks and management accounting. It uses scientific methods and comprehensive arrangements to reslize the relative cost savings and to achieve the goal of “ maximizing bank profits”. Traditional cost control has been transformed from a simple cost-reducing investment , a reduction in cost expenditures to a grasp of cost drivers, a monitoring of entire process of the cost movement, and also a change from static cost control to dynamic cost control. The cost management subject has also changed from financial department only to full participation. This kind of cost management not only makes the cost of bank effectively reduced, but also provides a powerful help in analyzing the efficiency of various types of costs. Thus, the real reaction of bank cost can provide effective support for management decision.

Due to the increasing competition in the banking industry, the profitability of banks’ existing products will gradually decrease, and the change in profit and loss will also become more rapid. This requires that the cost management of commercial banks must be more scientific and more accurate. These have become some necessary means to support the development of commercial banks, such as attaching the importance to cost management, establishing a scientific cost management system, and developing effective cost management as core competence. This paper start from the analysis of GHB bank, and it discusses the thoughts and methods of total cost management in this bank, based on the development of the Internet, with the purpose of providing some useful references for other commercial banks. In 2007, Jing Fan pointed out that commercial banks are the main core force in the financial business field. Under the background of fierce competition in the financial industry, more strategic and tactical results were needed to help them reduce operating costs and gave the established targets to the cost analysis for producing more prominent economic benefits.

1. Literature review

The book named “Commercial Bank Cost Accounting” had been published by AICPA in 1930, and it explains how commercial banks construct their cost accounting systems. It signifies the basic establishment of the cost system of commercial banks. Although the cost management of commercial banks is still a kind of cost accounting which is used after the event, the establishment of double-entry bookkeeping and cost accounting system has get read for accurate cost accounting in the future and lay the foundation of the cost management of commercial banks. In the late 20th century, after a long time exploration of cost management, a new cost management concept that integrated various cost management advantages was gradually accepted and followed by the banking industry. The prototype of total cost management had gradually formed. In the mid-1990s, Prof. Robin Cooper proposed some methods of cost analysis such as selection of cost drivers and allocation of related cost. He take the activity-based costing as core of the cost management, and it means that he effectively provided supplements of cost management.

Since Zhang Xihua introduced the activity-based costing into our country, domestic commercial banks have promoted and applied the method of total cost management. In the year 2000, Jiang Jianqing who worked in the ICBC issued a book named “Theory of Total Cost Management”, which elaborated on the concept of total cost management and pointed out that total cost management was the basic principle and method system for applying cost management. Yi Guohong introduced the theoretical basis and research methods of total cost management for commercial banks in his book in 2001. It combines the basic principles of modern financial management with the goal of establishing and perfecting the mechanism of modern cost management, and elaborates on the six characteristics of total cost management: total, multi-dimensionality,variability, dynamicness, systematicness and all staff participation. In 2015, Yang Ying, Zhou Jianlong and Luo Ping published a book together entitled “Comprehensive Cost Control and Cost Control Guidelines for Cost Management”,which explained in detail what costs were ,what cost management included, how cost accounting was performed. The useful cost analysis and control provided guidance for future cost management.

1. Methods
   1. Literature survey

This paper makes a literal review for the literature at home and abroad, in order to make the case study of this paper have a full theoretical basis and make the discussion more reliable.

* 1. Factor analysis

This article starts with the current status of the cost management of GHB bank, and find the influencing factors of cost management.

* 1. Feasibility analysis

This paper analyzes the feasibility of cost-benefit operability and other aspects in GHB bank and design an effective cost management program that is suitable for the bank.

* 1. Example analysis

This article studies the cost management of commercial banks in China in the form of cases, in order to design a more effective implementation plan and ensure the realization of cost management plan .

* 1. Comparative analysis

This paper compares and analyzes the situations before and after implementing total cost management of GHB bank, and obtains the conclusion of the cost management plan.

1. Possible results

The operating efficiency and benefits have significantly improved, after GHB bank implemented total cost management according to the plan design carried out in the text. Through a comparative analysis of the changes in operating conditions of the bank before and after the implementation of total cost management, the importance and necessity of total cost management have been shown.

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