
Modern Financial Services and the Growth of the Region's Economies

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Many cities around the world rely on modern financial services to promote the development of their respective regional economies. But in most of the areas undergoing rapid economic development, modern financial services are just one of the driving forces of development—albeit one that is indispensable. An improved and efficient system of modern financial services must be established first, if the Northeast Asian region is to achieve rapid development.

The potentials and advantages of economic development in Northeast Asia area are obvious. The region has abundant resources, a considerable industrial foundation, transportation and communication networks that are in preliminary shape, and so on. On the other hand, it has shortages of capital and modern management.

The shortage of modern management is a soft gap, which can be filled by setting up modern social concepts and a system for attracting talent. Capital, however, is a hard gap, which can be filled only by increasing the total amount of available capital and by improving the efficiency of its use. The total amount can be increased in two ways: by tapping local capital and by absorbing stable external capital for the longer term. To improve efficiency in the use of existing capital is a matter of increasing the total amount of applicable capital per unit of time. The modern financial system needs to solve not only the efficiency problem, but also the problem of the total amount available.

The modern financial service system has the following features at a minimum: it can identify and satisfy market demand at any time; it can provide the internationally most efficient service; it maintains steady professional operations and management; it has sound and efficient financial supervision and management; and it operates in a market-oriented and competitive environment.

The quality and environment of the modern financial service system affect the development of the regional economy. Quality is featured by both comparative advantage and a long period of vitality.

A sound and modern financial system should avoid single mechanisms, products, and services. Instead, it should use multiple mechanisms, have diversified functions, and provide all-around service to governments, companies, and individuals.

Diversified levels of banking include the following: government development banks providing services for infrastructure; large international banks

providing services for large-scale multinational corporations; commercial banks providing services for local companies and enterprises; regional small commercial banks providing services for medium-size and small enterprises and individuals; and small specialized banks providing services for housing, consumption, credit cards, and so forth.

Diversified banking products include the following: traditional banking products such as deposits, loans, and settlements; modern banking products such as financing, consulting, and a range of agent services for enterprises, guarantees, and so on; and transactions of modern derived products.

Favorable policies and a favorable legal environment not only are conditions for the development of the region's economy but also are prerequisites for the emergence and development of the financial system. Regional economic development is the foundation for the development of the financial sector, but it is also limited by the development of the banking system.