

Analysis of the Impact of The Development of Internet Finance on Chinese Commercial Banks and Countermeasures

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Abstract: Along with the continuous progress and development of information technology, it has played an important role in promoting continuous innovation and change in various industries. Among them, Internet finance, which is supported by Internet platform and Internet technology, has been greatly developed. Internet finance, which is based on Internet information technology, not only has the advantages of Internet finance, based on Internet information technology, not only has the characteristics of rapidity and speed of the Internet, but also its ever-increasing credibility brings great challenges and threats to traditional finance. In order to gain advantages in this fierce financial market competition, finance should be brave enough to face the challenges brought by Internet finance and take active and effective measures to deal with them. This paper is based on a review of Internet finance. Based on this, this paper analyzes the operation mode of Internet finance and proposes a response to the impact of Internet finance on traditional finance using SWOT analysis. In this paper, we analyze the operation model of Internet finance and propose strategies to cope with the impact of Internet finance on traditional finance by using SWOT analysis.

1. Introduction

In the past ten years, along with the continuous development and application of Internet technology and big data technology, the use of Internet technology such as cloud computing, social networking and e-commerce supported by both technologies has also been well developed[1]. Thanks to the development of Internet information technology, Internet finance has been greatly developed since its birth, and with the continuous application of big data technology and the emergence of more and more e-commerce platforms, Internet finance has become more and more favored and trusted by the majority of Internet users, while also posing serious challenges and threats to traditional finance[2].

Since its creation, Internet finance has chosen to take small and medium-sized enterprises and individual users as its entry point, and has not chosen to compete with traditional commercial banks in the field of high net worth customers and large enterprises. As a result, Internet finance has rapidly built up a large customer base in terms of small deposit and loan business and diverse wealth management business[3]. The reduction of commercial banks' customers, to a certain extent, affects their deposit and loan interest differential income and intermediate business income, which has seriously threatened commercial banks' own profitability methods. The impact of the rapid development of Internet finance on commercial banks is not only in terms of business profitability, but will further weaken the position of commercial banks in the financial field, thus shaking the

The impact of the rapid development of Internet finance on commercial banks is not only in terms of business profitability, but also in further weakening the position of commercial banks in the financial sector, thus shaking the foundation of commercial banks[4].

These critical situations force commercial banks to carry out in-depth reforms and change their traditional business philosophy and strategic positioning. Therefore, it is important to analyze the impact of Internet finance on commercial banks and the countermeasures of commercial banks to reform and innovate in the era of "Internet+".

2. The Operation Mode of Internet Finance

In terms of the current development process of China's Internet, as people gradually break the mindset and experiment with innovation, Internet finance tends to coexist in multiple models and is expanding. The most typical representatives are third-party payment, Internet finance and crowdfunding models.

2.1. Third Party Payments

Third party payment refers to a third party enterprise network company with certain business reputation and market position signing contracts with various commercial banks to provide credit guarantee for the buyer and seller. In the payment link, payment is no longer made directly through the bank, but an additional intermediary is set up, and when the transaction is carried out on the third party payment platform, the buyer buys the product and no longer pays the money directly to the seller, but pays the intermediary, who only notifies the seller. The intermediary only notifies the seller of the shipment and does not pay the money to the seller[5]. Instead, the seller receives the money paid by the intermediary only after the buyer receives the product and makes a confirmation notification of payment. Examples include Ali Group's Alipay and Jingdong's Jingdong Wallet. The process of third-party payment is shown in Figure 1.

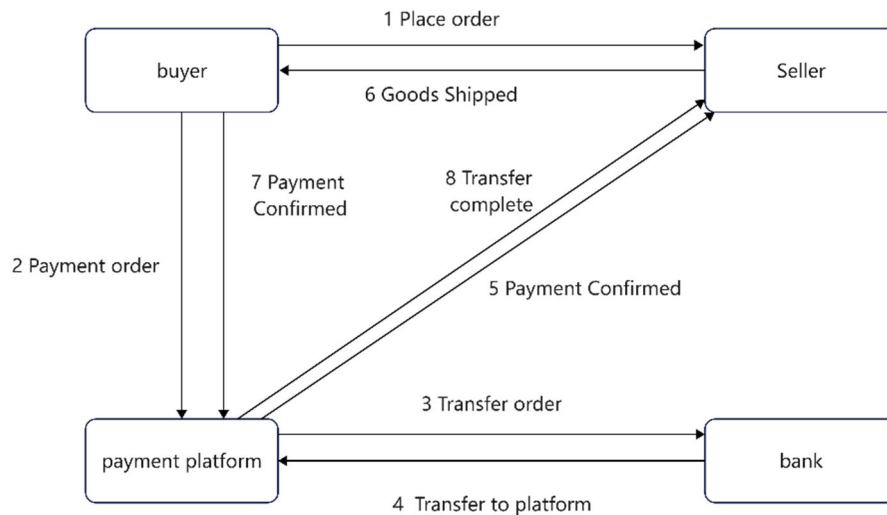


Figure 1. The process of third-party payment

2.2. Internet Crowdfunding

Crowdfunding, known as mass funding, refers to the project's initiator using the crowdfunding platform of Internet financial institutions to show the public the project's ideas and needs, thus attracting the public's attention, gathering the public's power, pooling the public's funds, abilities and channels, and then obtaining the project's financial assistance, so that the project can be carried out and implemented in reality, and some projects will give back to the public when they gain revenue. The public. There are four main types of crowdfunding in China, namely bond crowdfunding, equity crowdfunding, return crowdfunding and donation crowdfunding. Up to now, crowdfunding.com and Name Time are the more successful crowdfunding websites in China.

2.3. Internet Banking

Internet banking refers to the behavior that Internet financial enterprises move financial products from offline to online, so that investors can purchase their preferred financial products through the Internet platform, make investments and obtain benefits[6]. Compared with traditional financial institutions financial products, Internet financial products do not have time and space restrictions, and product service types are targeted to meet the different needs of various types of customers, truly diversified and personalized, and the network financial operation process is more concise, fast, and popular with customers[7]. For example, Yuebao, Baidu Baifa, Rong360, are all successful cases.

3. The Impact and Challenges Brought by Internet Finance to Traditional Commercial Banks

3.1. Difficulty in upgrading and reforming traditional financial services, leading to customer loss

The Internet finance, which is constantly developing and gaining the trust of users, has a significant impact on traditional finance, of which the most impacted is the financial service module, which is limited by its own environment, making it more difficult to upgrade its financial services, thus also leading to a more serious loss of customers. As the Internet information technology has the ability of

information sharing, the Internet financial enterprises share information with each other, thus forming a monopoly of user information, which leads to traditional financial institutions not being able to effectively obtain the information of users in need, thus not being able to provide financial services to users in time to solve the actual needs of users, and thus making it difficult to upgrade and change their financial services, which is also one of the main reasons why traditional finance This is one of the main reasons for the gradual loss of customers.

3.2. Internet finance has weakened the advantages of traditional finance

The traditional financial industry has greater advantages than some other financial industries, for example, compared with credit cooperatives, the former belongs to state-owned enterprises or state-owned enterprises for holding civil commercial banks, with the advantages of capital, policy dividends, professional and credit, etc., but compared with Internet finance, with the continuous development of network information technology, Internet finance has become more and more mature, with network Information technology-based Internet finance, access to information of financial service users can be said to be free of any cost, coupled with the good performance of the credit and performance ability of Internet finance in recent years, the impact on social development is also increasing. Therefore, traditional finance is greatly affected by the impact of Internet finance in obtaining user information.

3.3. The impact to the intermediate business development

Traditional commercial banks have been affected by the profit model, deposit and loan spreads and intermediate business, making the development of their intermediate business has been difficult, and by the barriers of Internet information technology, it is also very difficult to achieve reform by obtaining information from a wide range of users. The Internet finance is basically relying on the products of large enterprises, the enterprise itself provides a large online consumer market for users to choose, or joint with other e-commerce platform, making it easier to obtain user information, easy to use big data technology to analyze user preferences for financial services, in order to push the corresponding financial services to users to enhance user

satisfaction and loyalty. And therefore the Internet financial intermediary services have been developed, while the traditional financial intermediary services are increasingly limited.

3.4. Asset income is hindered

One characteristic of the traditional financial industry is

Table 1. Deposit rates of the four largest banks in China (%)

Bank	Base Rate	3months	6months	1year	2years	3years
ICBC	0.2	1.25	1.45	1.65	2.05	2.45
CCB	0.2	1.25	1.45	1.65	2.05	2.45
ABC	0.2	1.25	1.45	1.65	2.05	2.45
BC	0.2	1.25	1.45	1.65	2.05	2.45

Table 2. Seven-day call rates of two major Internet financial companies in China (%)

Company	Base Rate	1day	2days	3days	4days	5days	6days
Alipay	0.35	4.477	4.480	4.486	4.456	4.450	4.453
Tenpay	0.35	3.14	3.26	3.41	3.17	3.05	3.01

From the above Table 1 and Table 2, it can be seen that when the Internet finance launched the user asset income business, although from a macro point of view, Alipay and CaiPay are not stable to guarantee the rate of return, but it is also incomparable to the short-term deposit rates provided by traditional finance, plus, at this stage, intermediate businesses such as wealth management products are loved by the public, more idle money flowed to the intermediate business of financial services, making the traditional financial industry to deposit and lending spread for profitability model is a big impact, and its profitability is also significantly hampered.

4. Response Strategies Based on SWOT Analysis

4.1. SO Strategic Analysis

The traditional financial industry's major advantage is capital and financial technology, traditional finance should make use of its own strong financial services technology capability and the advantage of strong capital, supported by big data, cloud computing and other advanced Internet information technology, combined with the many e-commerce platforms like stars, seize the wave of the information revolution, and actively promote their own development of Internet financial services products. We also attract a large number of talents with experience in Internet finance to join us, use SO strategy to avoid the problem of homogenization with existing Internet financial service products, and use the sharing of big data to obtain information about the users of financial service needs and develop an Internet financial road of our own. In the SO strategy, S is for capital and financial technology advantages, with complete dividend support and market risk control capabilities; O that is, give full play to financial technology and risk control in the Internet financial applications of risk avoidance, while using financial policies on the original Internet financial homogenization of products to impact.

4.2. WO Strategic Analysis

Internet users are a virtual social family, and everyone obtains products and services related to their needs through network information technology, and after years of experience in using the Internet, each user has his or her own

that it operates with long-term debt, earning a deposit spread by taking deposits from the public and then issuing loans to individuals or enterprises with financial service needs based on its own good credit base. As shown in Table 1:

thinking about Internet use. The Internet has a very strong coverage, and according to statistics, the number of Internet users nationwide has reached 1.051 billion as of June 2022. The Internet, from a certain point of view, user information exists in the whole network big data space, at the same time, the Internet also pays more attention to user experience satisfaction, for free network experience, good experience is able to obtain user loyalty, at the same time, users in the experience of mutual network communication or interaction, are to provide products and services to obtain the source of information about user needs. The traditional financial concept, most of them bring the cold side, so it should follow the trend of the times and put the user experience and user service in the first place of financial services, the user experience and satisfaction of the financial service products provided, is the main source of communication to strengthen the contact with customers gathered to, as well as the way to obtain customer loyalty. Therefore, in the process of transformation and upgrading of traditional financial institutions to the Internet financial service model, the financial service products provided must have two characteristics, respectively, to provide free financial service experience to obtain the user's demand preferences, so as to analyze and sort out the differences in user needs from the data and provide the corresponding service needs, and to strengthen business alliances with partners, such as e-commerce platforms, the own established Internet financial platform big data and the platform's big data information integration, the establishment of win-win cooperation and win-win situation, to provide a full range of financial services to better meet the different needs of users.

4.3. ST Strategic Analysis

The traditional financial industry itself is in the leading position of financial technology and risk avoidance, and is also protected by policy dividends. Therefore, traditional financial institutions should take advantage of their own dividend policy and financial service technology capabilities to cooperate with Internet financial enterprises to realize their own conditions for entering the development of the Internet financial industry and form a complementary relationship between them to achieve "Non-zero-sum" game of cooperation and win-win mode. Traditional finance should take advantage of the policy to avoid the homogenization of

products with Internet finance. The cooperation mode between the two has the following three ways, one of which is that in today's majestic development of big data, the characteristics of big data technology can be used to achieve the sharing of user information resources between the two sides. The two sides should use their own environment to obtain financial service demand information resources from different levels, while establishing a trust mechanism between the two sides, so as to realize the cross to provide financial services for the demand users; the second is to provide product transaction support for some other small e-commerce platforms, using these small business platforms to provide demand information for their own financial services; the third, using big data technology has the advantage of sharing. Using its own advantages combined with the Internet financial platform, the credit authorization for small and micro enterprises or website platform stores, so that small and micro enterprises get a lot of credit lines, so as to obtain more revenue in the credit business.

4.4. WT Strategic Analysis

Today, as Internet technology is moving toward Information Revolution 4.0, traditional finance should take the initiative to seize the transformation opportunity to expand its own business scope and provide more users with better financial services to obtain more income from asset utilization and increase the proportion of income from non-interest sources. Using its own strong capital and means to avoid financial risks, it gradually transforms into a comprehensive financial service, strengthens the positioning and innovation of service products, and at the same time takes advantage of cooperation with Internet financial platforms to increase its own intermediate service items and provide customers with more diversified services, such as wealth management and investment escrow. And through good service quality to gain the loyalty and satisfaction of users, to provide themselves with more intermediate services for business growth and benefits. Specifically, we can start from the following aspects: one is to continue to expand the coverage of traditional financial services; the second is to build a comprehensive financial service system and develop innovative intermediate services; the third is to provide more financial additional products or services to SMEs or individuals to enhance user experience and user satisfaction, so as to gain more financial service revenue.

5. Conclusion

In today's wave of development of Internet finance, traditional finance has been subjected to a greater impact of Internet finance, which will inevitably affect the development and profitability of traditional finance to a certain extent. Traditional finance should combine its own advantages, take advantage of the arrival of the Internet technology revolution 4.0 era, take the initiative to seize the opportunity, adopt a win-win cooperation approach, and actively establish a mechanism for sharing resources with Internet finance. Strengthen the trust between the two sides, and at the same time establish a complementary shared big data information sharing platform to achieve win-win cooperation. This paper proposes feasible strategies for traditional finance to cope with the impact of the wave of Internet finance development by using SWOT analysis and combining the background of the model of Internet finance development, in order to play a role in the transformation and innovation of traditional finance industry.

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