

Research on the Impact of Digital Financial Technology on the Business Model Transformation of Commercial Banks

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Abstract: This paper explores in depth the broad impact of digital financial technologies on the business models of commercial banks and analyzes in detail the transformation strategies that commercial banks should adopt in response to these changes. With the rapid development of cutting-edge technologies such as big data, cloud computing, artificial intelligence, and blockchain, digital finance has become an irreversible trend in the financial industry, which has not only changed the way financial services are provided, but also reshaped the market competition pattern of commercial banks. This paper first expounds the impact of digital financial technology on the traditional business model of commercial banks, including the reduction of market entry threshold, the change of competition focus and the innovation of risk management model. Then, the paper focuses on the specific strategies of commercial bank business model transformation, including technological innovation, organizational structure optimization, process management improvement, talent training and introduction, and strengthening cooperation and win-win situation. Through the introduction of the actual case analysis, it shows the successful practice and lessons of commercial banks in the business model transformation. Finally, this paper concludes that the key to the successful transformation of commercial banks' business model lies in the deep integration of technology and business, as well as the ability to flexibly respond to market changes and customer needs. Only in this way can commercial banks remain competitive and achieve sustainable development in the era of digital finance.

Keywords: Digital financial technology, Commercial banking, Business model transformation, Operational efficiency, Risk management, Customer experience.

1. Introduction

In the context of today's global economic integration, the wave of financial technology has swept the traditional financial industry at an unprecedented speed, especially in the field of commercial banks. With the rapid development of information technology and the continuous improvement of Internet penetration, digital financial technology is gradually penetrating into every corner of financial services, and has a profound impact on the traditional business model and service mode of commercial banks and even the entire financial ecological chain.

The rise of digital financial technology has not only brought the innovation of payment methods, the intelligence of credit assessment and the personalization of investment and financial management, but more importantly, it has promoted the inclusion of financial services, enabling more people to enjoy convenient and efficient financial services. This change not only challenges the traditional dominant position of commercial banks, but also provides them with unprecedented opportunities for development. As an important part of the financial system, how to realize the innovation and transformation of business model in the era of digital finance has become an urgent and important issue in front of commercial banks.

This paper aims to deeply explore the specific impact of digital financial technology on the business model of commercial banks, analyze the challenges and opportunities faced by commercial banks in the process of transformation, and propose corresponding countermeasures. Through literature review, case analysis and other methods, this paper

will comprehensively analyze the business model transformation path of commercial banks in the era of digital finance, in order to provide useful reference and inspiration for the future development of commercial banks.

2. Overview of Digital Financial Technologies

2.1. Definition of Digital Financial Technology

Allenetal [1] regards the use of digital technology in the financial market as a reform in the way of financial transactions. However, due to the huge advantages of network technology in information collection, transaction costs and other aspects, the traditional financial system will be subverted. Therefore, Shahrokhi [2] believes that Internet finance is a new financial model developed on the basis of traditional financial intermediation and capital market. Ozili believes that [3] digital finance is a new type of financial services, including mobile terminals, Internet and other digital technologies, and believes that digital finance can provide more financial inclusion for developing countries and emerging countries, and expand the scope and depth of inclusive finance for non-financial industries and individuals [4].

Internet finance, including mobile payment, social network, search engine, cloud computing and other technologies, will profoundly change the financial market in today's society. The development of Internet finance may give birth to a new financial model called "Internet finance model", which is different from the indirect financing of commercial banks and the direct financing of the capital market [6]. Huang Yiping

and Huang Zhuo [7] defined digital finance, that is, a series of new financing methods such as investment, financing, payment and loan made use of digital technology by traditional financial organizations and network companies, and emphasized its technological and financial characteristics. The People's Bank of China defines Internet finance as: using new financial business models of communication, Internet, information and other technologies can more effectively realize financial investment and financing and other functions as information intermediary services.

2.2. The Impact of Digital Finance on Commercial Banks

Berger [8] believes that the development of network technology will improve the service quality of banks and make them more diversified. Dapp & Slomka [9] pointed out that the establishment of strategic alliances can help banks increase their market share in the field of digital financial services and reduce potential competitors, thus reducing the degree of competition of banks. Gong Xiaolin [10] believes that based on the connotation of Internet finance, its impact on commercial banking mainly includes: development strategy, service efficiency, price determination and service substitution. Dai Guoqiang and Fang Pengfei [11] believe that the development of Internet finance may have a great impact on the process of deposit interest rate liberalization in China, and have a certain impact on bank earnings.

3. The Influence of Digital Financial Technology on the Competitive Pattern of Commercial Banks

3.1. Lower Market Entry Barriers

The popularity of digital financial technology has lowered the market entry threshold for financial services, enabling non-traditional financial institutions such as Internet finance companies and fintech startups to quickly enter the market and provide diversified financial services. With technological innovation, flexible operation and user experience advantages, these emerging institutions have formed a strong competition for the traditional business of commercial banks. Commercial banks need to accelerate the pace of digital transformation and improve service quality and efficiency to meet the challenges of emerging competitors.

3.2. A Shift in the Focus of Competition

Driven by digital financial technology, the competitive focus of commercial banks has gradually shifted from traditional deposit and loan business and physical outlet layout to financial technology applications, customer experience, data-driven decision-making and other fields. Commercial banks need to increase investment in the field of financial technology and enhance digital service capabilities to meet the growing personalized and intelligent needs of customers. At the same time, commercial banks also need to strengthen data governance and data analysis capabilities, use big data, artificial intelligence and other technologies to optimize risk management, market forecasting and other business processes, and improve the scientific and accurate decision-making.

3.3. A New Ecology in Which Cooperation and Competition Coexist

The development of digital financial technology has promoted cross-border integration and ecological co-construction of the financial industry. While facing competitive pressure, commercial banks have also ushered in new opportunities for cooperation with financial technology companies and Internet companies. Through cooperation, commercial banks can introduce external technical resources and innovation models to accelerate the process of digital transformation; At the same time, it can also use the customer resources and channel advantages of partners to expand market share and enhance brand influence. This new ecology of co-existence of cooperation and competition provides a broader development space for commercial banks.

3.4. The Importance of Differentiated Competitive Strategy

In the era of digital finance, commercial banks need to pay more attention to the formulation and implementation of differentiated competitive strategies. Through in-depth understanding of customer needs and market changes, commercial banks can launch innovative and competitive financial products and services targeting specific customer groups or business areas. These differentiated products and services help commercial banks to stand out in the fierce market competition and form a unique competitive advantage.

3.5. New Challenges and Opportunities for Risk Management

Digital financial technology advancements introduce both novel challenges and opportunities to risk management in commercial banks. New technology accelerates risk propagation, necessitating heightened risk management prowess. Yet, it also furnishes more precise and efficient risk mitigation tools, enhancing scientific and effective risk oversight. Thus, banks must continually bolster their risk management capabilities and refine their systems to adeptly navigate the digital financial landscape's evolving challenges and opportunities.

4. The Specific Impact of Digital Financial Technology on the Business Model Transformation of Commercial Banks

The swift progression of digital financial technology has fundamentally altered the competitive landscape within the financial industry, simultaneously spurring the evolution of commercial banks' operational models towards more innovative and adaptive forms. These technologies provide commercial banks with unprecedented innovative tools and service means, enabling them to more efficiently meet customer needs, optimize resource allocation, and improve operational efficiency.

4.1. Expansion and Optimization of Financial Service Channels

Digital financial technology has greatly expanded the financial service channels of commercial banks. By building online service platforms and mobile banking applications, commercial banks can break through the limitations of physical outlets and achieve 24-hour uninterrupted customer

service. At the same time, these platforms also integrate rich financial service functions, such as account inquiry, transfer and remittance, investment and financing, loan application, etc., so that customers can enjoy convenient financial services anytime and anywhere. In addition, digital financial technology has also promoted the cooperation between commercial banks and third-party platforms, further broadening the service channels and scope.

4.2. Product and Service Innovation

Driven by digital financial technology, the products and services of commercial banks continue to innovate. Commercial banks harness big data to analyze customer behaviors and preferences, enabling precise personalization of financial offerings. AI-driven intelligent advisory systems offer tailored investment advice based on individual risk appetites and goals, while blockchain streamlines cross-border payments and enhances transaction visibility. These innovations elevate customer satisfaction and bolster banks' market competitiveness.

4.3. Innovation of Risk Management Model

Digital financial technology has revolutionized risk management in commercial banks, shifting from manual audits and heuristics to precise, efficient tools. Big data and AI enable real-time monitoring of customer behavior and credit data, detecting risks promptly and implementing preventive measures. Blockchain, with its decentralization and immutability, bolsters risk management in supply chain finance. These advancements enhance risk management's efficiency, accuracy, and cost-effectiveness, minimizing operational losses.

4.4. Improvement of Operating Efficiency

The application of digital financial technology has also significantly improved the operational efficiency of commercial banks. By automating business processes, optimizing resource allocation, and reducing labor costs, commercial banks can reduce operating costs and improve profitability. For example, the intelligent customer service system can automatically answer customer inquiries, deal with common problems and other tasks, reduce the burden of manual customer service and improve work efficiency; Cloud computing technology supports commercial banks to rapidly deploy new business systems and improve the scalability and flexibility of the system. The application of these technologies enables commercial banks to respond more flexibly to changes in the market and customer needs.

4.5. Improvement of Customer Experience

Digital financial technology plays a crucial role in enhancing the customer experience. By providing a more convenient, personalized and intelligent financial service experience, commercial banks can enhance customer loyalty and expand new customer groups. For example, mobile banking applications support customers to view account information, transfer money and other operations anytime and anywhere; The intelligent investment advisory system can provide personalized investment advice based on the client's investment objectives and risk appetite. These innovative services not only improve customer satisfaction and loyalty, but also bring more business opportunities and revenue sources for commercial banks.

5. The Coping Strategies of Business Model Transformation of Commercial Banks

Faced with the profound changes brought by digital financial technology, commercial banks need to adopt a series of comprehensive coping strategies in the process of business model transformation to ensure that they can adapt to the new market environment smoothly and maintain competitiveness. These strategies not only involve investment and innovation at the technical level, but also cover the adjustment and optimization of organizational structure, process management, talent training and other dimensions.

To advance their technological prowess, commercial banks ought to amplify investments in digital financial technology R&D, embracing leading-edge innovations like big data, cloud computing, AI, and blockchain. This drive fosters intelligence, personalization, and ease-of-use in financial services, enhancing the overall customer experience. By building strong data analysis and processing capabilities, banks can more accurately understand customer needs, innovate financial products and services, and enhance customer experience. At the same time, the decentralization, transparency and immutability of blockchain technology can optimize business processes such as cross-border payment and supply chain finance, reduce operational risks, and improve transaction efficiency.

In terms of organizational structure, commercial banks need to break the traditional departmental barriers, establish cross-departmental cooperation mechanisms, and form a customer-centric and data-driven organizational system. Through the establishment of specialized institutions such as financial technology departments or innovation LABS, responsible for the research and development and application of new technologies, and promote the rapid iteration and upgrading of business models. In addition, banks should also strengthen cooperation with fintech companies to jointly explore new business models and service models through joint innovation and resource sharing.

Commercial banks should streamline operations by adopting automated, intelligent tools, reducing manual errors and accelerating process speeds. They must develop a nimble decision-making framework to swiftly adapt to market shifts and customer demands. Heightened risk management leveraging digital tools enhances risk awareness and mitigation. Key to this transformation is nurturing fintech talent through training, competitions, and communication, fostering a diverse, tech-savvy workforce. An incentive scheme motivates employees to contribute creatively to the bank's business model evolution.

6. Conclusion

The unstoppable tide of digital financial technology has completely changed the face of financial services and redrawn the competitive landscape of commercial banks. Only by following the trend of The Times, actively embracing digital financial technology and taking innovation as the engine, can commercial banks stand out in the fierce competition and secure their market position. The transformation and upgrading of business model are the core strategy to cope with the challenges of digital financial technology. This is not limited to the technical level of innovation, such as deep integration of big data, cloud computing, artificial

intelligence and blockchain and other cutting-edge technologies to intelligently reshape financial services; It is also necessary to touch on deep changes such as organizational structure, process optimization and talent training, build a new business model that ADAPTS to the digital financial ecology, and achieve comprehensive transformation.

In the process of business model transformation, commercial banks should closely focus on customer demand and market dynamics. Through accurate insight into customer needs, continuous innovation of financial products and services, and optimization of customer experience, so as to enhance customer loyalty and broaden the customer base. At the same time, we maintain a keen insight into market trends and competitors' strategies, and flexibly adjust our strategic layout to ensure that we are always in a leading position in the rapidly changing market environment. In addition, cooperation and win-win has become a clear guide for the transformation of commercial banks' business model. In the era of digital finance, commercial banks should actively seek cooperation with financial technology companies, Internet companies and other institutions to jointly explore new business models and service models. Through resource sharing and complementary advantages, it can not only accelerate the pace of digital transformation, but also use the power of partners to broaden market boundaries and enhance brand influence. The deep integration of technology and business is the key to the successful transformation of commercial banks' business model. Commercial banks need to deeply embed digital financial technology in all aspects of business processes to promote the reconstruction and optimization of business processes. At the same time, strengthen the synergy between technological innovation and business innovation to ensure that new technologies can be effectively transformed into a powerful driving force for

business development.

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