

# The Impact of Internet Finance on Commercial Banks

-- Taking Changzhou Construction Bank as an example

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**Abstract:** The rapid development of Internet technology has brought new development opportunities to the financial industry. At the same time, the new combination of Internet and finance has also brought a huge impact to traditional commercial banks. The rapid development of Internet finance is both a challenge and an opportunity for Changzhou Construction Bank and other traditional commercial banks. For this reason, this paper first expounds the basic concept of Internet finance, and then introduces the advantages of Internet finance, Internet financial risks and the causes of Internet financial risks. Secondly, taking Changzhou Construction Bank as an example, this paper briefly introduces the development status and advantages of Changzhou Construction Bank, and further analyzes the problems of Changzhou Construction Bank under the background of Internet finance. And further analyzed the reasons for the problems of Changzhou Construction Bank under the Internet background. At the end of the summary, from the perspective of economic development, Internet finance is a major direction that facilitates people's life and work, with distinctive characteristics of the times. Changzhou Construction Bank needs to adapt to the changes of the times, provide security guarantees, give full play to its advantages under the condition of full integration with the Internet, and promote the sustainable and healthy development of Changzhou's economy.

**Keywords:** Internet finance; Commercial banks; Trading risk; Regulatory risk.

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## 1. Introduction

The rise of Internet finance (marked by the U.S. SFNB in 1995 and China's "Yu'e Bao" in 2013) has profoundly reshaped the financial industry. With its advantages of convenience, efficiency, and low cost, it poses a comprehensive challenge to commercial banks that rely on traditional branches and service models: core businesses (such as payments, deposits and loans, and wealth management) are facing diversion, the position of financial intermediaries is weakened, and the existing regulatory system is facing new challenges. As an important state-owned commercial bank in the Changzhou region, Changzhou Construction Bank (hereinafter referred to as "Changzhou Construction Bank") has strong capital, well-known brand, and extensive network, playing a key role in the local economy. However, under the wave of Internet finance, it also felt the impact of business growth pressure, changes in customer habits, and reshaping of the competitive landscape. At the same time, it also welcomed the opportunity to use technology to empower, expand service boundaries, and improve efficiency. This paper aims to deeply analyze the specific impact of Internet finance on the operation of Changzhou Construction Bank, reveal the problems in its current transformation, and propose targeted and operable improvement strategies based on this, so as to provide reference for Changzhou Construction Bank to maintain its competitiveness and serve the local economy in the digital era.

## 2. Literature Review

Internet finance (ITFIN) is a new financial business model for traditional financial institutions and Internet enterprises to use Internet technology and information communication technology to achieve financing, payment, investment and information intermediary services. Modern information technology has brought great influence on the development of

Internet finance, especially various information technologies dominated by the Internet. We call this financial industry dominated by relevant Internet technologies Internet finance. Internet finance has great prospects for development, but it also exposes many problems, such as information security risks, transaction risks, and technical risks. While adapting to the changes in the financial environment, the regulatory issues under Internet finance can not be ignored. Therefore, in the Analysis of Internet Financial Risks and Their Regulatory Strategies, Yang Yang called for the urgent need to strengthen the supervision and control of Internet finance[1], and proposed measures such as improving the control system, improving the control methods, optimizing the control mode, and optimizing the control mode. In Global Financial Supervision, British economist Davis also mentioned the strategic analysis of Internet financial supervision[2]. He believed that Internet finance was developed by relying on Internet technology and big data. Since the dual attributes of Internet finance and finance also determine the particularity of its Internet financial risks, improving Internet supervision technology is a top priority. However, due to the development of Internet financial business across time and space, and the overlapping internal business in the financial field, the effect of the separated supervision model is gradually weakened, so it is necessary to immediately change the Internet financial supervision model. Finally, industry self-regulation is an important force in ensuring effective supervision. Through self-regulation, certain risks in online financial services can be reduced, resolved, or avoided. In addition, the development of Internet finance has also brought a huge impact to domestic commercial banks. Yan Ruijia pointed out in the article "Analysis of the Impact of Internet Finance on Commercial Banks" that the development of Internet finance has had an important impact on the basic business [3] and financial status of commercial banks in China. If you want to ensure that commercial banks can achieve sustainable and stable

development in the Internet financial environment and occupy a favorable position in the financial market, you must require commercial banks to carry out necessary innovation.

As an important part of Changzhou's banking system, Changzhou Construction Bank is facing both severe challenges and precious opportunities under the background of Internet finance. Chen Xubang, in *On the Internet Finance Development Strategy of China Construction Bank*, believed that China Construction Bank should actively seize the opportunities brought by the development of Internet finance [4], seize the opportunity of innovation, improve the efficiency of information collection and collection, and explore an Internet finance strategy suitable for the development of Changzhou Construction Bank by strengthening the construction of talent team and cooperation with non-financial institutions, so as to meet the requirements of the new era and promote the long-term stable development of Changzhou Construction Bank. Bai Fukang also stressed that Changzhou Construction Bank has insufficient investment and research and development in Internet finance projects and lack of professional talents, which have seriously restricted the development of Changzhou Construction Bank's electronic platform. In addition, Ni Wenjing believes that the conservative management strategy of managers has led to low decision-making efficiency, insufficient innovation ability of CCB and other problems, which has restricted the development of CCB's Internet. In this regard, many scholars have put forward suggestions to improve the problems encountered by Changzhou Construction Bank in the context of Internet finance. Liu Jifeng proposed in the *Research on the Promotion Strategy of China Construction Bank* that, under the impact of Internet finance [5], Changzhou Construction Bank has not maintained stable development and must start from the following aspects: first, optimize and upgrade the traditional banking business with the help of Internet finance; second, adjust the business strategy of commercial banks, carry out strategic planning and positioning; third, establish a data center to achieve inclusive finance; fourth, prevent and deal with Internet finance.

### **3. The Concept and Risks of Internet Finance**

#### **3.1. Definition of Internet Finance**

Finance, literally means the circulation of funds. Internet finance is a new type of financing mode that traditional financial organizations or network companies based on network technology and information communication technology provide financing, payment, investment and information intermediary services. With the in-depth integration of the Internet and finance, it will have a more far-reaching impact on financial products, financial services, financial business and other fields. Compared with traditional financial methods, network technology plays an important supporting role in the modern financial system. At present, Internet financial services mainly include: traditional financial services, online third-party payment, virtual currency P2P, Crowdfunding, wealth management, supply chain, online banking, third-party payments, electronic consumption, etc.

#### **3.2. Advantages of Internet Finance**

(1) Fast and convenient, with low cost

With the rapid development of information technology,

Internet finance can break the boundaries of time and space, allowing customers to enjoy financial services anytime and anywhere. Use the latest information to execute real-time and efficient transactions within your network, reducing time and economic costs, labor and material costs, and lowering personnel costs for financial institutions and branches. With the help of a huge information collection system and a large cloud database, Internet finance can reduce the cost of information processing, improve the efficiency of resource allocation, and thus improve the quality of Internet financial services.

The development of big data cloud computing and e-commerce competition are driving the growth of financial products. Internet companies have a keen sense of smell and redeploy troops in the financial field. The various departments of the company work together with division of labor, placing greater emphasis on meeting customer needs and creating diverse financial products. As a "one click donation" platform provided by Changzhou Construction Bank to cooperate with the Changzhou Municipal Government's epidemic prevention and control efforts.

#### **3.3. Risks of Internet Finance**

(1) Information security risks

Internet finance started with electronic payment and electronic currency. As far as the existing banking system and third-party payment system are concerned, they are actually virtualization of wealth records and online transactions. However, electronic currency poses a potential threat to the traditional central bank fiat currency system. In the online society, trust and recognition may show a trend towards decentralization. As long as it is secure enough, currency credit may not require state endorsement, and even the mandatory functions of the state may fail. A typical example is the popularity of Bitcoin.

(2) Regulatory risk

The current regulatory risks in China mainly come from the lack of coordination between segmented regulation and mixed operation. The business of Internet finance companies covers banking, insurance and securities, which is a highly integrated business. Its cross industry, cross departmental, and cross business characteristics make its regulatory risks greater. Risk reserve, bad debt ratio, information disclosure, risk rating, and investor rights protection are not included in the monitoring scope, which will accelerate the cross referencing and aggregation of regulatory risks.

(3) Trading risk

Trading risks mainly include trading system risks and trading characteristic risks. Business system risk is caused by network forgery, virus threats, system failures, or other unforeseen events that prevent institutions from providing secure products or services. All online wealth management products and services carry such risks. The characteristic risks of Internet financial transactions originate from different economic entities, that is, due to the asymmetric information of traders, there are also risks in the market and liquidity. Credit risk refers to credit risks such as inadequate credit system construction, insufficient information transparency, and lack of credit information.

(4) Technical risks

The internet itself has technological risks, such as hacker attacks, password theft, fund theft, and information tampering. According to the data released by the China Internet Information Center, 247 million domestic computers and 247

million Android smartphones were infected with Trojan horses by December 2016. The security issues of online transactions occur from time to time. Furthermore, what is even more severe is that over 80% of China's domestic high-end chips, over 90% of basic software, and over 80% of universal protocols and specifications are imported. These software have "backdoors" that pose a potential threat to financial information security.

#### (5) Cognitive risk

Internet finance has created a variety of financial instruments, whose main functions are still financing, payment and clearing. A large number of financial and wealth management products have flooded into people's sight through mobile apps. Many people are unable to effectively distinguish between authenticity and are not familiar with financial products. They easily believe in the sweet words of sales advertisements and are deceived by words such as high returns and low risks. This has also drawn in people who were previously not involved in the traditional financial industry. These groups of people lack the ability to identify and tolerate risks, which increases the likelihood of risk occurrence. For example, among the wealth management products provided by China Construction Bank, some customers do not have professional knowledge and only want to invest their spare money to obtain stable returns. However, what they can buy may not necessarily be "China Construction Bank wealth management products", and they may accidentally buy wealth management products sold by banks. On the contrary, this type of product not only carries high risks, but also has low interest rates and cannot be withdrawn before maturity.

### 3.4. Causes of Internet Financial Risks

#### (1) Unequal status among trading parties

The inequality of status is first manifested in information inequality. Internet financial institutions provide information services for consumers. They have various advantages in information. In addition, the complexity and professionalism of Internet financial products make it difficult for ordinary consumers to fully and completely grasp the information of Internet financial products based on their professional ability; The cross regional operation characteristics of Internet finance determine that Internet finance consumers are distributed all over the country. Once a risk event occurs, consumers often encounter difficulties in providing evidence and can't compete with organized Internet finance companies; The contract form of online wealth management products is mainly in the form of electronic contracts. Internet finance companies often set favorable terms in their contracts, while customers can only passively accept them [6].

#### (2) Industry herd effect

Financial herd behavior refers to the practice of a financial enterprise obtaining profits through improper behavior, which is not only not resisted but also imitated by the entire industry. For example, in recent years, there have been serious behaviors such as illegal sales of high-risk wealth management products, live streaming platforms carrying counterfeit goods, and running away with money through crowdfunding platforms. The behaviors of different Internet financial enterprises are interrelated, leading to the correlation of risks. Moreover, there is herd behavior among companies, which may ultimately lead to risks in the entire financial system. The "Shanrong" poverty alleviation live streaming platform launched by China Construction Bank, with the original intention of poverty alleviation and agricultural

assistance, is good, but whether the live streaming complies with the rules, whether it will carry illegal goods, and whether it will sell dog meat under false pretenses. For this situation, on the one hand, we need to increase the scrutiny of live streaming platforms; In addition, users should also recognize that selling financial products on third-party live streaming platforms is illegal, and consumers should keep their eyes open and identify the sales targets and relevant qualifications.

#### (3) Inappropriate incentives

Many online finance companies encourage their employees or agents to engage in more sales by linking their compensation systems, but due to performance pressure or the impact of compensation, they ignore the principle of "appropriateness", resulting in behavioral risks such as forced sales and excessive sales.

## 4. Current Situation and Basic Business of Changzhou Construction Bank

### 4.1. Current situation of Changzhou Construction Bank

#### (1) Strong capital strength and good brand awareness

As of the end of 2020, the asset size of Changzhou Construction Bank reached 31.078 billion yuan, providing a solid foundation for the bank to carry out traditional businesses, expand new businesses, and achieve stable development. Changzhou Construction Bank adheres to the goal of efficiency, market orientation, customer centricity, strengthens quality management, and vigorously improves the level of intensive operation. The average deposit per branch and per capita deposit have significantly increased. At the end of 2020, Changzhou Construction Bank achieved 48 high-yield projects with a total output of over 50 million yuan, an increase of 12 projects from the beginning of the year; The average balance per point reached 44.18 million yuan, which is 6.16 million yuan higher than the provincial average of 38.02 million yuan for China Construction Bank. The average new increase was 4.98 million yuan, which is 1.05 million yuan more than the average new increase of 3.93 million yuan in the province's Construction Bank. In 2020, it was awarded the title of "Changzhou Financial Leading Brand" by Changzhou Evening News. In 2021, after comprehensive evaluation of relevant indicators and full demonstration and selection by the head office, Changzhou Construction Bank was listed as a "central city bank" by the head office of Construction Bank, which brings more opportunities and better conditions for the future development of Changzhou Construction Bank. Changzhou Construction Bank has won the trust of consumers and become a trustworthy brand.

#### (2) Strong risk management ability

The operating principle of commercial banks is to obtain maximum profits by adjusting liquidity while ensuring their safety. With the increasingly fierce competition in the Japanese market and stricter supervision, the risk management system of Changzhou Construction Bank is also becoming more and more sound. A sound risk management system assists Changzhou Construction Bank in avoiding risks in fierce market competition and maintaining a strong competitive advantage. At present, Changzhou Construction Bank is continuously improving its risk management system, and on the basis of strengthening proactive risk management, further promoting timely and sensitive risk management to

adapt to the new situation. Use "new generation" information technology and big data technology to deeply understand the evolution law of financial risk in the online financial environment, build a bank risk control system with the characteristics of the times, build an enterprise level comprehensive risk monitoring platform, enrich and develop the risk management technology system, and finally establish Changzhou's first bank risk measurement center, so as to promote the supervision and management of Internet financial products [7].

### (3) Network coverage

Changzhou Construction Bank has 155 branches, covering the entire city of Changzhou, providing timely and high-quality financial services to the people of Changzhou. At the same time, it also attracted a large number of high-quality and loyal customers, providing strong support for CCB to promote Internet financial services. The sudden COVID-19 has played a role in boosting the demand for "non-contact" financial services, that is, Internet financial services.

### (4) Policy support

Compared with the internet industry, Changzhou Construction Bank has a more solid position in the minds of the public. After more than a decade of development, Changzhou Construction Bank's business and financial development have become relatively mature. At the same time, the business model of Changzhou Construction Bank is constantly interconnected and has achieved good results. Through the accumulation of a large amount of capital and customer resources, banks play an important role in maintaining the stability of the financial market. This is not what Internet finance does. In 2018, Changzhou Construction Bank gathered the wisdom of all employees, fully utilized its technological advantages, focused on serving the real economy, vigorously implemented three major strategies of housing leasing, inclusive finance, and financial technology, actively assisted Changzhou's financial development in one click docking with financial institutions, one-stop access to financial services, and comprehensive enjoyment of support policy functions, promoting accurate online matching between financing supply and demand sides. Promote the high-quality development of Changzhou Bank, promote the sound economic development and social harmony and stability of Changzhou City.

### (5) Rich electronic banking products

Changzhou Construction Bank's electronic banking products cover various functions such as new payment, online wealth management, online lending, e-commerce, etc., which can fully meet the various needs of users. By comparison, Internet company platforms focus on a certain financial field, while CCB e-banking is more widely involved and safer. As long as the CCB platform is downloaded and used, it can meet the needs of different users. Recently, the Construction Bank Changzhou Tianning Branch successfully marketed the Qingliang Temple online electronic merit box project and took prompt action. Currently, the hardware facilities have been successfully installed and debugged. The launch of this project not only facilitates believers and solves the problem of difficult cash counting and management in temples, but also brings certain profits to various businesses such as branch accounts, deposits, settlements, and merchant business.

## 4.2. Basic Business of Changzhou Construction Bank

The basic business of Changzhou Construction Bank

includes RMB deposit and loan business, settlement, discounting, and agency issuance of financial bonds; Selling government bonds; Proxy payment and insurance services; Foreign exchange deposit loans, international settlement, foreign exchange settlement, foreign exchange sales, handling foreign exchange buying and selling through higher-level banks, credit investigation, consultation, and witnessing services; Other business activities approved by the regulatory authority of the People's Bank of China. Below are three basic businesses of Changzhou Construction Bank.

### (1) Personal housing loan business

Personal housing loan business refers to a loan provided by Changzhou Construction Bank or Changzhou Construction Bank entrusted to natural persons who purchase, construct, or repair various types of residential properties in Changzhou. Changzhou Construction Bank's personal housing loan business includes personal housing mortgage loans, also known as personal housing mortgage loans. On October 9, 2014, Changzhou Construction Bank provided reasonable housing credit needs for families. For families with their first home loan, the down payment ratio of the loan is 30%, and the lower limit of the loan interest rate is 0.7 times the benchmark interest rate. It is determined based on factors such as the borrower's purchasing status, credit history, repayment ability, etc.

### (2) Branch loan business

The branch loan business of Changzhou Construction Bank is its most important business and also its biggest source of profit. Changzhou Construction Bank has adopted credit methods tailored to different groups of people in its operations, such as providing credit to those with stable income, and borrowers can obtain the required loans without the need to mortgage fixed assets. For those who have a fixed income but do not have enough funds to purchase a house, they can provide a mortgage on their property. Provide mortgages for business owners who own fixed assets. Provide consumer credit to those who are enthusiastic about advanced consumption. For those who have low income, limited bank statements, and cannot meet the bank's requirements, guaranteed loans are issued. Provide discounted bills for enterprises and institutions holding commercial bills. Provide loans in various ways to meet the needs of different groups.

### (3) Savings related businesses

Savings business is the most commonly used business of Changzhou Construction Bank, and it is also the most important traditional bank liability business, providing banks with a large amount of funds. Savings business can be divided into corporate deposits and personal deposits. In terms of personal deposit services, banks' personal deposit services can be divided into several types, such as current deposits, fixed deposits, flexible deposits, zero sum deposits, and call deposits.

## 5. The Impact of Internet Finance on Changzhou Construction Bank

Almost all banks are experiencing transformation in the tide of the digital information age. Either actively seeking change, or being pushed by big waves to join the crowd, balancing long-term goals and short-term interests, and moving forward in a balanced manner. And the results are also vastly different, with some banks achieving remarkable results and receiving good news one after another; Some banks have suffered setbacks and are moving forward with

twists and turns. The banks in Changzhou also cannot escape the influence of the big environment, and they are seeking change one after another to expand online banking business with the help of the Internet. With the rapid development of network finance, Changzhou Branch of CCB has also been subjected to competition and pressure from all parties while its network business is developing rapidly. In particular, Changzhou Branch of CCB has a late understanding of the Internet network field, and has suffered tremendous impact in product business, financial status, regulatory system and other aspects [8].

#### (1) The Impact of Internet Finance on Changzhou Construction Bank's Business

From third-party payments, online wealth management P2P, The emergence of online finance such as crowdfunding has brought great impact to traditional financial markets. If Internet finance will completely subvert or replace traditional finance, then this view may be difficult to hold, but for traditional finance, the impact of Internet finance cannot be ignored. Any Internet financial enterprise will produce many new financial products, which will more or less affect the basic business (liabilities, assets, intermediaries, international) of Changzhou Construction Bank. Therefore, the following will list some Internet financial products that hurt the business of CCB.

Alipay, WeChat payment and other third-party payment methods. In the current online payment platform, Alipay is undoubtedly the first, and it is also the trouble of CCB. At the same time, with the rapid growth of PC users and WeChat, it has become the second largest third-party payment platform. The impact of other online payment platforms on banks is not significant. In fact, the relationship between third-party payments and banks is very delicate, and without the support of banks, it would not be possible for them to operate in a short period of time. For banks, they also want to earn more intermediary income through third-party payment platforms. But as third-party payment platforms become increasingly powerful, they will instead become the biggest threat to banks. First, Alipay and WeChat payment have attracted a large number of users with their convenient and fast payment methods. As online payment platforms, Alipay and WeChat have cooperated with banks, which means that users can trade as long as they have bank accounts. So, to a certain extent, banks are a part of its chain. Third, Alipay, which has linked 80 million enterprises with more than 2000 financial institution partners, has more than one billion users in China. Its application fields cover all fields of the Chinese people, and the impact of online payment on bank credit cards is very obvious. Fourth, in terms of brand and users, the licenses obtained by Alipay, WeChat and other private banks give them more voice online. In this era where traffic is highly valued, if a bank does not follow its own rules, it can directly sever ties with that bank, even if obstructed by large banks, they can directly introduce customers into Alibaba and Tencent's online banking accounts.

Online finance: Wealth Management Platform, Yu'eobao. Many people think that Yu'eobao and financial products have little impact on banks, after all, no one would deposit so much money on their mobile phones. If third-party payments have only had a certain impact on traditional banking business models in terms of user size, payment habits, online brands, etc., the rise of online finance has had a fundamental impact on the survival of banks. Due to the large user base of third-party payments, the number of users of Yu'eobao has now

reached 150 million, which is a very scary number. If they all invest in Yu'eobao, many small and medium-sized banks will starve to death. Firstly, from the perspective of deposits, the traditional models of Wealth Management and Yu'eobao are both aimed at deposits. This will first stimulate bank deposits, and those small customers will choose Yu'eobao and Wealth Management. Secondly, the cooperation between Wealth Management, Yu'eobao, and fund companies has had a huge impact on banks' financial services. Thirdly, in terms of lending, internet companies such as Ant and Tencent have leveraged their respective platform advantages and successively launched lending software such as "Ant Loan", "Money Flower", and "JD". The loan business involves the main source of income for commercial banks, causing significant harm to their interests.

#### (2) The Impact of Internet Finance on the Financial Status of Changzhou Construction Bank

The financial intermediary role of Changzhou Construction Bank has been unshakable in Changzhou for a long time, but in the development process of online finance, this position has always faced challenges and threats. Construction Bank has always played an important role in Changzhou. However, limited windows, limited staff, and cumbersome business procedures all limit its development. The emergence of Internet finance is the best solution to this problem. It transcends the advantages of time and space. The huge information network provides users with a convenient and user-friendly payment platform. From this perspective, the payment platform of China Construction Bank has been weakened. After the emergence of Internet finance, the way that banks were needed to achieve information symmetry to complete capital flow has gradually faded out of people's vision. The position of Changzhou Construction Bank as a credit intermediary has been impacted.

#### (3) The impact of Internet finance on the regulatory system of Changzhou Construction Bank

Internet finance has the dual attributes of network and finance, and its internal structure is also very complex. China's banking and insurance regulators mainly supervise traditional commercial banks, but the definition of online finance is vague at present, and there is no clear regulation of the CBRC at present. Therefore, it is more likely to trigger an online financial crisis. On the one hand, due to the huge advantages of online finance, many commercial banks are vigorously developing Internet finance. However, due to the lack of effective supervision, it will inevitably cause turbulence in the financial market, which will have a negative impact on it. On the other hand, due to the high degree of overlap between internet finance companies and commercial banks, the internet utilizes big data to analyze customers and provide them with the most suitable financial services, which can lead to information leakage and have a negative impact on the bank's profits. The most important thing is that the transaction services provided by online finance lack standardization, providing channels for money laundering, illegal crimes, and so on. As an important regulatory agency for anti money laundering in the country, China Construction Bank will undoubtedly increase the difficulty of anti money laundering work.

## **6. Analysis on the Existing Problems of Changzhou CCB under the Background of Internet Finance**

(1) Insufficient investment in research and development projects

The research and development level of Changzhou Construction Bank's electronic banking platform is relatively low, which hinders the development of Changzhou Construction Bank. The low level of research and development is mainly affected by two factors: firstly, the lack of specialized talents. For traditional commercial banks that mainly provide branch services, branch comprehensive tellers account for the majority of the enterprise's human resources, and their majors are mainly in economics and finance. Many technical work of China Construction Bank is outsourced, and the IT technical personnel in the industry are very scarce, which puts Changzhou Construction Bank at a disadvantage in competition with network enterprises. Secondly, due to insufficient funding and technical support, CCB's investment and upgrade of smart devices were insufficient, resulting in poor user experience when customers use CCB's electronic products to complete small-scale fund transactions in daily transactions. This led to customers turning to third-party payment platforms for payment, resulting in customer churn and losses [9].

(2) Lack of motivation and low work efficiency among branch personnel

The development of Internet finance will inevitably have a certain impact on the traditional banking business, which will affect the operating performance of network staff and increase the pressure of marketing. The goal of the head office's overall strategy of developing e-banking has been unable to form a synergy in the grass-roots network, e-banking is low in price, difficult to complete, difficult to control the use of users, difficult to improve the work performance of employees, and the lack of external incentives for employees' work has led to a decline in work efficiency [10].

(3) Conservative management leads to low decision-making efficiency

Changzhou Construction Bank has a large number of branch outlets and a complex structure of government departments. It adopts the "general branch branch" model for management. It has many information approval and transmission processes, slow response, and complex management systems. Although it helps standardize management and reduce risks, it is too rigid and relatively inefficient compared with the flat management model that Internet enterprises focus on user response. In addition, the conservative attitude of management in operation and management can also lead to the backwardness of the development of electronic banking, and the inability to timely propose strategic policies that are suitable for the characteristics of the times and in line with the market.

(4) The ability to analyze and control data needs to be improved

In the era of "Internet plus", Internet companies such as JD and Alibaba can save human resources and improve customer loyalty by grasping customer information, accurately judging customer preferences and needs, and providing the most suitable services for customers. Although Changzhou Construction Bank has a huge user data resource, it cannot fully utilize these resources in terms of technology and personnel configuration, and cannot accurately determine

users' preferences. Blindly promoting the market will only make customers feel resentful and have a counterproductive effect [11].

Under the impact of third-party payment platforms, Changzhou Construction Bank has shown a relatively passive situation and is more inclined to follow the development path of third-party payment institutions. From a market perspective, the sales method of the product also closely follows the pace of third-party payments. Alipay launched the offline scanning code payment to send red envelopes, in order to seize market share and break the limits of commercial development. Changzhou Construction Bank's LongPay has been developed and put into use in recent years. When offline, customers can also receive gifts by scanning QR codes. But they have not grasped the trend of contemporary young consumers' consumption habits and preferences shifting towards the internet, their demand for safe, convenient, and efficient payment methods, and the need for payment platforms that organically combine social, entertainment, and financial aspects. Failed to organically combine its advantages with its financial advantages, and failed to propose more pioneering development ideas at the forefront of online finance.

## **7. Suggestions for Improvement of Problems of Changzhou Construction Bank in the Context of Internet Finance**

Under the impact of online finance, the Changzhou branch of China Construction Bank must start from the following aspects: firstly, cultivating composite professional talents; Second, improve business management strategies and seize the opportunities of the Internet financial era; Thirdly, establish a data center; The fourth aspect is the prevention and treatment of Internet finance [12].

Faced with the profound changes brought about by Internet finance, Changzhou Construction Bank urgently needs to adopt a set of systematic and executable transformation strategies to transform challenges into development momentum. The core lies in accelerating the integration of online and offline channels (O2O), and building a seamless customer journey centered on intelligent network outlets and excellent mobile experiences. This requires Changzhou Construction Bank to increase investment [13], widely deploy VTM, intelligent counters and other equipment in core branches, promote the migration of high cabinet business, release human resources to shift towards high-value services, and lay out lightweight intelligent service points in high-frequency scenarios such as communities and supermarkets to enhance accessibility convenience [14]. At the same time, it is necessary to build the mobile banking app into a comprehensive financial service hub, continuously optimize its interface friendliness, smooth operation, and security reliability, deeply integrate full functions such as dragon payment, wealth management, loans, life payment, and local government services, and focus on simplifying the online process of high-frequency transactions and complex businesses (such as loan applications) to ensure that customers can enjoy convenient services anytime and anywhere. Online and offline channels need to achieve deep collaboration, supporting online appointment and offline priority processing, offline QR code scanning for online exclusive services, customer manager online and offline

linkage, and other scenarios to create a smooth O2O closed-loop experience.

Deepening data-driven decision-making is a key pillar in enhancing core competitiveness [15]. Changzhou Construction Bank should focus on building a strong enterprise level data center, effectively integrating valuable data such as customer accounts, transactions, and credit within the bank, and prudently introducing external data sources (such as government credit, tax, social security, and authorized third-party payment behavior data) on the premise of legal compliance and full protection of customer rights, completely breaking down data silos. On this basis, actively applying artificial intelligence (AI) and machine learning (ML) technologies to empower precision marketing and intelligent risk control. On the marketing side, based on a detailed customer profile (covering assets, liabilities, behavioral preferences, and lifecycle), highly personalized product recommendations (such as "loan amount you may need" and "suitable financial products for you") and customized promotional activities are pushed through channels such as mobile banking, significantly improving conversion rates, and actively intervening in potential customer churn using predictive models. On the risk control side, develop more advanced credit approval models that integrate traditional credit reporting with multi-dimensional real-time data (transaction flow, tax/invoice information, behavior data), and apply them to products such as "Cloud Knowledge Loan" to achieve faster "minute level" approval speed and more scientific risk pricing, while significantly enhancing real-time monitoring capabilities for anti fraud transactions. In addition, financial product innovation based on "data+scenarios" should be vigorously promoted, such as online financing based on real supply chain transactions of enterprises and credit loans based on personal provident fund/tax data.

Embracing fintech and engaging in open cooperation is the only way to rapidly enhance capabilities and expand boundaries [17]. Changzhou Construction Bank needs to actively explore the potential of blockchain technology in supply chain finance, cross-border payments, and other fields, and widely apply RPA (Robotic Process Automation) to handle clear and highly repetitive backend operations such as report generation and reconciliation, effectively reducing costs and improving efficiency. More importantly, we need to deepen strategic cooperation with fintech companies with an open attitude. On the one hand, by opening up the API platform and efficiently integrating the specific capabilities of leading technology companies in fields such as biometric recognition, intelligent investment advisory engines, and big data risk control models, we can quickly make up for our own technological shortcomings; Explore the establishment of a joint innovation laboratory, focusing on local characteristic industries in Changzhou (such as intelligent manufacturing and new energy), and jointly develop customized financial solutions. On the other hand [16], deeply integrating into the local digital ecosystem, seamlessly embedding financial services into government and livelihood platforms such as "My Changzhou", providing convenient payment, social security, housing provident fund, and medical insurance query and payment services; Establish close cooperation with local large-scale e-commerce platforms and supply chain platforms of core enterprises to provide embedded one-stop payment settlement and financing services. At the same time, we should continue to deepen cooperation with insurance

companies, securities companies, and fund companies in the field of wealth management, and provide customers with richer and higher quality diversified financial products through the CCB platform.

Optimizing organizational structure, business processes, and talent strategies is the cornerstone of ensuring the implementation of transformation and improving customer satisfaction [18]. Changzhou CCB needs to promote agile organization and decision-making mechanism, especially the pilot agile team (Scrum) model in Internet finance related projects (such as new product development, process optimization), give it fast decision-making power, significantly shorten the market response cycle, and give front-line outlets more autonomy in localized services and marketing. Business process reengineering should focus on customer pain points, especially by utilizing technologies such as electronic signatures, OCR recognition, and automated rule engines to significantly streamline and accelerate the application [19], approval, and disbursement processes for personal consumer loans and small and micro enterprise business loans, striving to achieve "minute level" processing of some high-quality online loans. Talent is the core of transformation, and it is necessary to selectively recruit composite talents with profound financial business knowledge and data analysis/IT technology background, and provide specialized empowerment training on financial technology, data analysis, user experience design, etc. for existing backbone employees (customer managers, product managers, technical personnel). The reform of supporting incentive mechanisms is crucial, and it is necessary to adjust the performance evaluation system, significantly increase the evaluation weight of online channel contribution (mobile banking activity, online transaction volume, online customer acquisition), customer experience indicators (such as NPS net recommendation value), and data value mining effectiveness, and establish a special innovation reward fund to encourage all employees to participate in optimization. The customer service experience needs to be comprehensively upgraded by embedding intelligent customer service (Chatbot) in mobile banking and online banking to efficiently handle common inquiries, and ensuring that complex issues can be smoothly transferred to professional human customer service or dedicated customer managers. At the same time, an efficient online customer feedback and processing closed-loop mechanism should be established.

Building an open and prosperous local financial ecosystem is a long-term strategy to consolidate differentiation advantages. Changzhou Construction Bank should continue to deepen its existing advantageous scenarios, such as strengthening fresh food supply chain financial services on the "Shanrong Business" platform (especially the "Shanrong Vegetable Basket"), providing more convenient and favorable solutions in livelihood areas such as social security, medical care, education payment, and housing rental, and actively exploring cooperation opportunities with local cultural tourism, public transportation (subway, bus) and other scenarios. By leveraging data and technological advantages, we aim to create a regional benchmark for inclusive finance, providing more accessible, low-cost, and efficient online financing services for local technology-based small and medium-sized enterprises and individual businesses in Changzhou (continuously iterating and optimizing products such as "Yunzhidai"), and strengthening the collaborative linkage with the local government's financing guarantee

system. In addition, actively building cross industry alliances, cooperating with local large shopping malls, chain supermarkets, car dealers and other non-financial enterprises, launching joint card, consumption installment, joint marketing and other activities, realizing customer resource sharing, and jointly expanding service boundaries and market influence.

While actively embracing innovation and openness, we must always adhere to the bottom line of risks and build a strong firewall for security and compliance. This requires Changzhou Construction Bank to continuously increase investment in information security, use advanced technologies such as artificial intelligence to improve network security protection levels, strengthen abnormal transaction monitoring and anti fraud capabilities, and enhance financial security education for customers. Actively apply RegTech to realize automated and intelligent monitoring and reporting of Internet financial business risks by technical means, and ensure that business development strictly follows the increasingly improved regulatory framework such as the Data Security Law and the Personal Information Protection Law. At the same time, strict and continuous risk assessment and management must be implemented for third-party technology companies and platform institutions that cooperate to prevent the transmission of risks caused by cooperation.

## 8. Conclusion and Suggestion

Internet finance has become an irreversible financial development trend with its strong vitality and innovation. For Changzhou Construction Bank, this is both a severe challenge and a key opportunity for transformation and development. The challenge is that Internet finance is constantly diverting its traditional core business, impacting its financial intermediary status, and putting forward higher requirements for its risk management and regulatory adaptability through more convenient payment, more attractive financing, and more flexible financing methods. The opportunity lies in that Internet technology provides a powerful tool for banks to improve efficiency, optimize services, expand borders and deepen inclusive finance. This analysis shows that although CCB Changzhou has inherent advantages in capital, brand, outlets and policies, under the impact of Internet finance, it still exposes problems such as insufficient R&D investment and talent reserves, outlet efficiency challenges, long decision-making chain, weak data value mining, product innovation and market response speed to be improved.

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