

Research on Sustainable Development Strategy of Commercial Banks under the Background of Internet Finance

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Abstract: In recent years, with the continuous development of social economy and the official arrival of the Internet era, Internet technology has penetrated into all fields of social economy, greatly changed people's way of production and life, and brought unprecedented opportunities and challenges for the development and innovation of all walks of life. At present, under the background of deepening financial innovation, the operation mode of Internet finance has been recognized by the majority of customers, but it also has a certain impact on the business of commercial banks. The survival and development of commercial banks are facing many challenges, forcing commercial banks to constantly change their operation mode to meet the needs of competitive development. Based on this, this paper starts with the concept and characteristics of Internet finance, analyzes the impact of the Internet on the operation of commercial banks, <https://fanyi.youdao.com/download> 2 and uses SWOT model to analyze the advantages, disadvantages, opportunities and challenges of the transformation and development of commercial banks under the background of Internet finance, and finally puts forward the countermeasures for commercial banks to achieve sustainable development. The purpose of this paper is to promote the traditional commercial banks to find a way to coexist with Internet finance and provide customers with more distinctive financial services.

Keywords: Internet finance, commercial banks, sustainable development

1. Introduction

Internet finance is a new form of financial business and service system. It refers to the convenient tools that traditional financial institutions and Internet enterprises focus on by using Internet technology and information communication means, combined with big data, cloud computing, intelligent technology, etc., relying on financial related functions and mobile Internet. On the basis of the Internet finance platform, we will build a series of services such as investment, capital financing, information intermediary and payment.[1]

Compared with traditional finance, Internet finance mainly has the following characteristics: first, efficient and convenient service. Internet finance has powerful advantages in information transmission, information search, credit data accumulation and mining. It can break through the limitations of time and region, extend financial services to the areas covered by the Internet, and the transaction of financial products can be carried out anytime and anywhere. Second, low cost. Internet

finance has no fixed physical outlets, everything is carried out online, and investment costs, operating expenses and management costs are greatly reduced. For example, mobile banking only needs to open online banking and have network coverage, while third-party payment integrates multiple bank accounts, improving the efficiency of payment and settlement. Third, universal benefits. Internet finance can meet the fragmented financial management and loan needs of the most ordinary people, and market participants are more popular.[2]

2. The impact of Internet finance on commercial banks

2.1. Impact on traditional service mode

Internet finance integrates financial services with Internet technology, which is more convenient in payment transactions and faster in the processing efficiency of various businesses. Customers can get high-quality and fast financial services without going out. In addition, its product renewal speed is fast, and it can customize products according to the actual needs of customers to meet their personalized financial needs. For example, by the end of 2020, the number of users using online payment in China reached 854 million, accounting for 86.4% of the total 5 Internet users.[3]

2.2. Impact on specific business

From the perspective of liability business, the interest rate of deposit products of Internet finance is higher than that of commercial banks, which diverts some personal deposits and affects the interest margin income of commercial banks. For example, for nearly a week in 2018, the demand interest rate of commercial banks was 0.35%, while the yield of Yu 'e Bao was 4.2%. [4] From the perspective of loan business, due to the more convenient data information of Internet finance, personalized financial services can be formulated for different groups, which attracts more small and medium-sized loan groups and grabs market share. For example, the loans of commercial banks accounted for 49.23% of China's total social financing in 2020 from 50% in 2014, while the loans of Internet finance increased from 2.38% in 2014 to 11% in 2020.[5] In terms of agency business, Ali pay, Ten pay and other services are increasingly extensive, such as water and electricity payment, credit card repayment, currency exchange, etc., which impact the agency business of banks, thus affecting economic benefits.

3. SWOT analysis of the development of commercial banks under the background of Internet finance

3.1. Advantages

Compared with Internet finance, commercial banks have four main advantages. First, the advantages of brand outlets. Relying on decades of steady operation, traditional commercial banks have accumulated rich experience, high-quality customer resources and network resources distributed across the country, which are the basis for their financial services. ICBC, for example, has 16,000 branches.[6] Despite the rapid growth of Internet financial enterprises, their economic capital strength is weak and they cannot compete with commercial banks.[7] Second, strong asset strength. After years of accumulation, most commercial banks have accumulated more assets. For example, by the end of 2022, the total assets of INDUSTRIAL and Commercial Bank of China were 39.6 trillion yuan[6], Construction Bank 34.6 trillion yuan[7] and Bank of China 28.9 trillion yuan[8]. The powerful asset scale of commercial banks is difficult for Internet finance to surpass in the short term. Third, safe and sound operations. Commercial banks take prudent operation as the principle and capital security as the bottom line, and have built a professional risk control and management system after years of operation and management. Internet finance was subject to special rectification by

regulatory authorities from 2017 to 2019. At the end of 2018, the loan balance decreased by 28% year-on-year, and the risk control system needs to be improved.[7]

3.2. Disadvantages

First, the innovation of ideas is weak. Compared with Internet finance, the concept of proactive innovation and reform of banks is relatively lagging behind, and their ability to use the Internet is weak. For example, commercial banks have launched mobile banking, but the program Settings are not as flexible as Internet finance, and the speed of payment and transfer is slower than that of Ali pay and other Internet financial payment methods. Second, the transaction threshold is high. The physical operation of commercial banks leads to high transaction costs and commission fees, and the pursuit of safe operation also causes problems such as complicated procedures and long-time consumption to some extent. Third, strict supervision. Compared with Internet finance, the state has stricter supervision over the operation of commercial banks, and breakthroughs in product design, deposit and loan interest rates are limited to a certain extent.

3.3. Opportunity

The construction of digital China, a scientific and technological power, brings opportunities for the transformation and development of commercial banks. China implements development strategies such as innovation-driven development, science and technology power and digital China. Commercial banks can continuously expand boundaries, optimize supply, upgrade models and reduce costs, and boost the deep integration of digital economy and real economy in digital form. For example, the RPA and 5G applications of listed banking financial institutions increased from 22.2% and 27.8% in 2019 to 52.6% and 34.2% in 2020, respectively.[9]

3.4. Threats

In recent years, there have been many urban commercial banks, Internet finance companies and small loan companies in various regions, and the rapid growth of competitors in the same industry has brought great challenges to the operation of traditional commercial banks. At the same time, there are few compound talents in commercial banks who have both Internet thinking and financial knowledge.

4. Sustainable development strategy of commercial banks

At present, Internet finance has given birth to the vigorous development of digital economy, 5G, industrial Internet, Internet of Things and enterprise informatization and digital construction are also accelerating, and the comprehensive intelligent upgrading of commercial banks is imminent. Commercial banks should adhere to the system concept, build in accordance with the mode of "data connection, scene access, chain marketing, intelligent management, talent cultivation, strengthen governance", and enhance their sustainable development capacity.

4.1. Data connection and improve the information system

In order to achieve full customer expansion and collaborative business development, commercial banks need to build "intelligent data centers" by connecting customers and third-party platforms in a digital way based on the needs of customers in various fields. Externally, through API technology, it is interconnected with third parties such as government procurement, industry and commerce, taxation, customs, enterprise ERP, logistics companies and various fintech institutions to share data, algorithms, transactions, processes and other business functions, and build Dovino external data resource pool in a standardized and structured way. Internally, the group forms an internal data

resource pool with high standardization, fine data granularity and low direct output cost by comprehensively sorting out the customer basic information, financial information, capital flow information and product holding information accumulated in the industry for many years. It combines internal and external resources to realize the unification of data foundation, data authority, data timeliness and data service with the concept of "intelligence, openness and sharing".

4.2. Scene access and product and service implantation

Commercial banks should take the initiative to lay out the financial ecosystem, adhere to the concept of "users are customers", build open banks, fully implement digital strategic transformation, and improve cross-border service capabilities. Aggregate ecological scenes of all walks of life, rely on commercial banks' big data service capabilities and scene enabling advantages, directly embed products and services such as payment and settlement, cash management and online financing into the scenes, reach customers more efficiently and quickly, form an ecological closed loop of financial services, and create a moat of financial services in the digital era. For example, scene marketing can be realized in the whole business process by constructing digital access of project construction scenarios, real estate construction scenarios, agricultural service scenarios benefiting the people, payment scenarios of multinational enterprises and other scenarios. At the customer acquisition end, open banking services embedded in transaction scenes are taken as the entry point, relying on real customer information and transaction data, and multi-dimensional big data technology is used to achieve batch and accurate customer acquisition. At the access end, the traditional access mode of relying on financial information and pledges is changed, and the "active push of quota" is analyzed by relying on the model of "transaction + behavior" of customers, so as to broaden the boundary of financing services. At the risk control end, cross-verification between internal and external big data can effectively solve risk management problems such as "anti-counterfeiting" and "anti-counterfeiting" in traditional asset business.

4.3. Chain marketing to achieve group portrait

Commercial banks should deeply cultivate the upstream and downstream of the industrial chain, through information flow, logistics, trade flow, capital flow, financing transaction flow and other scattered multi-dimensional internal and external information, combined with expert experience, the use of knowledge graph technology, to create the industrial chain view, to achieve group portrait. According to the closeness of relationship with high-quality customers, transaction amount, enterprise's own industry, region and other characteristics, and the use of various precision marketing model combination screening, to obtain potential high-quality marketing customers. With map positioning technology, the information of high-quality potential marketing enterprises is sent to the nearest service agency for marketing management. Based on cluster analysis and machine learning, we develop cross-selling models to find comparable customers for big data analysis, accurately assess customer needs and credit status, automatically find product marketing opportunities, and push applicable financial products for specific customer groups.

4.4. Intelligent management to improve service efficiency

Relying on standardized data, build data service center, build "Zhixiang marketing management system", and realize intelligent business management. Build a "strategic command room" for the management, and realize the whole-process, visual and dynamic management of the overall business situation such as deposit, loan, collection and account expansion through the "sky eye" function of intelligent marketing management; Provide "tactical command platform" for business management personnel, provide corresponding digital management tools for each business line and product, and

realize intelligent marketing tracking management of products in the whole chain; Provide "business toolbox" for account managers, provide all kinds of digital and intelligent marketing tools, extend the tentacles of intelligent marketing services to customers, achieve accurate matching between customers and products, improve customer satisfaction, and improve business service efficiency.

4.5. Cultivate talents and lay a solid foundation for development

Commercial banks should build a professional talent team to cope with the competition of Internet finance. First, we will attract professionals. Commercial banks should strengthen the recruitment and cultivation of high-end talents, especially interdisciplinary talents with financial and Internet knowledge, such as data scientists, computer experts, data analysts, experience designers, etc. Second, we will strengthen talent cultivation. Commercial banks need to formulate training plans for post personnel, clarify the learning content and ability of professionals in career development, carry out assessment, select excellent business personnel, and set up professional teams. The third is to create high-quality conditions and environment, through the reasonable allocation of educational resources, organize professional training activities, to provide sufficient human resources for the training and healthy development of management talents.

4.6. Strengthen governance and build an intelligent risk control system

Financial security is an important part of national security, and preventing and resolving financial risks is the eternal theme of financial work. The banking industry should coordinate development and safety, firmly establish bottom line thinking and limit thinking, deeply integrate risk management into the whole process of strategy formulation, business development, operation and management, and build a comprehensive, proactive and intelligent modern risk management system that is "horizontal to the edge and vertical to the end". Upgrade the intelligent risk control mode with "science and technology + data" to promote the progress from human control to machine control and intelligent control; We will comprehensively improve our ability to foresee, respond to and deal with imported risks from external sources, risks in key areas such as real estate and local government bonds, as well as new risks such as models, data, technology and fraud, so as to keep risk response ahead of the market curve, guard the lifeline of risk compliance, and build a solid security barrier. At the same time, commercial banks should realize that Internet finance is a double-edged sword.

5. Conclusion

To sum up, the arrival of Internet finance brings a series of challenges to traditional commercial banks, but also makes commercial banks face new development opportunities. Commercial banks need to explore innovative paths based on traditional business models, make full use of Internet resources, give full play to the role of big data, promote product innovation, expand business scope, pay attention to user needs, optimize service platforms, strengthen cooperation with Internet finance, build talent teams, and create quality services. At the same time, commercial banks also need to pay attention to the application of information technology in their own operation and management, optimize the efficiency of business management, provide customers with better services, and thus consolidate the foundation of their own sustainable development.

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