

Original Research Article

Analysis on Innovative Development Countermeasures of Commercial Banks in Internet Finance Age

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Abstract: In the era of Internet finance, commercial banks must follow the characteristics of information technology development, create a new development model and coping strategies. Only in this way can commercial banks always occupy the dominant position of market economy to ensure that China's economy is always in rapid development. Under the rapid development of third-party payment and Internet big data payment credit, the traditional commercial banking business has been greatly restricted. The traditional bank development model can no longer meet the needs of small and medium-sized enterprises and people. Compared with the traditional commercial banks, the Internet payment software headed by Alipay must persist in reform and innovation and take the advantages of Internet technology in the face of the challenges of private Internet finance. It is necessary for them to complete the transformation between traditional commercial banks and Internet commercial banks.

Keywords: Internet Finance; Commercial Banks; Reform and Innovation; Development and Transformation

1. Introduction

Since China began to implement reform and opening up, economy in China has been rapidly developed, and commercial banks have gradually achieved market dominance, providing basic help for domestic economic growth. The economic growth has led to the progress of science and technology. With the popularization of information technology, the cross-regional integration of various industries has promoted the growth of Internet finance, and its influence in China has caused certain obstacles to the development of traditional banks. Internet finance, as a new financial model, has changed people's original living environment and working mode. For example, WeChat pay, Alipay's Yu'ebao storage, and IOU service (baitiao) of Jingdong, relying on the traditional bank reserve and credit system, gradually change the user's consumption habits from offline cash transactions to online Internet financial transactions. In the long run, commercial banks' ability to control the financial market will gradually decline.

2. The development trend of commercial banks in the global Internet finance age

After entering the 21st century, Internet technology has developed rapidly and people's lives have changed. With the help of Internet technology, the unified commercial banks have formed the national bank information integration strategy, strengthened the financial examination work among the banks, and avoided the problem of financial fraud within the banks and realized remote withdrawal service. However, the influence of Internet to the financial industry is

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far from this^[1]. In 2011, led by the State Council, the United State Ministry of Commerce approved a large number of financial licenses for private third-party enterprises, allowing them to join the financial industry. The areas they can cover include financial functions such as network storage, network payment, network transfer and digital currency exchange. With the support of the reform of Internet and private enterprises, the Internet economy quickly broke the monopoly of payment funds under the line of traditional commercial banks, and directly affected the basic interests of banks. So far, banks from making money easily to competing profits. The main source of domestic traditional banks relies on operating fees and loan interest. Under the impact of private Internet companies of low cost, high efficiency and big data, the withdrawal fee of different places is cancelled first, and all kinds of financial management products are carried out to strengthen the quality training of the grass-roots staff. Second, the major banks began to challenge the market share that private Internet finance has occupied, pushing various mobile network banks to help users complete simple operations at smart mobile terminals, greatly easing the pressure on bank staff and effectively improving the efficiency of bank work^[2]. Finally, in order to avoid becoming a “pipeline server” on the Internet financial line, banks have begun to try to combine the sale of certain goods by giving depositors varying degrees of benefits through the size and time of their deposits in the bank, helping users to benefit while promoting their own popularity, thus avoiding being consciously “forgotten”.

In addition, according to the data released by the National Bureau of Statistics, China’s post-80s and post-90s gradually become the generation of debt. The transitional consumption concept is destroying the whole economic structure of China, and the loan opportunity to the young people is various like Ant Credit Pay. Such service relies on big data information base, and gives each youth certain loan amount. This model lacks bank credit supervision mechanism, which is an “unfair” challenge for bank credit card service. China’s youth debt ratio increases from overall 37 in 2018 to 45.6 in 2019. In 2020, the epidemic affected more than 60% in the first half of the year, and this data is still growing. Many post-90s young people borrow money from various financial software. As the future development of the motherland, their living conditions determine the future development trend of China, and such form of unregulated Internet loan will cause serious consequences with the help of the financial punishment mechanism^[3].

3. Characteristics and paradigm of Internet finance

At this stage, the basic concept of Internet finance has not yet reached agreement. Because the Internet economy changes fundamentally every once in a while, and this transformation will bring new opportunities and challenges. Wang Xudong and Zheng Feng, experts in Shanghai finance, believe that when Internet finance was just beginning in 2011, it was only an online access service form to help people solve their life problems. But after 2014, the promotion of WeChat red packet began to make people pay attention to the applicability of the Internet economy, and the Internet economy gradually biased towards private enterprises, which brought development pressure to traditional banks. Since the cooling of Sino-US relations in 2018, China’s economy is in the stage of growth, but lacks certain export vitality. As domestic job competition becoming increasingly fierce, youth groups having fewer opportunities to obtain high salaries, and social pressure increasing, Internet finance has begun to vigorously develop credit loan services, and the basic profit business of banks has been severely challenged^[4]. Although the concept of finance does cover all of the above functions, it is difficult to accurately predict the form and trend of Internet financial expression, so it is impossible to judge the concept of Internet finance. Other financial experts believe that the Internet finance is a powerful tool for China to surpass European countries and the United States. In Beijing, Professor Chen Jiafu believes that Internet finance is the Internet economy, a new economic model and a representative of the private economy. Its changes are directly related to the needs of the public. Internet finance is an important auxiliary means to help the development of China’s economic system. When some people have poor reputation or no evaluation mechanism, they may be rejected by banks, but Alipay will accept their request. With Alipay as a guarantee between banks and debtors, the bad debt rate of banks will be controlled, the economic needs of debtors will be met, and the domestic economic environment will gradually develop towards a benign trend^[5].

3.1 Characteristics of Internet finance

Data dependence and high efficiency. China's Internet finance is based on big data technology to make a relevant evaluation of each user. With the help of big data evaluation, it is able to sell goods in fixed-points, push information, solve problems, and reduce the risk of misrepresentation information. Through mobile terminal one-click convenient operation to complete various financial operations, work efficiency is more than several times the offline operation in traditional commercial banks^[6].

Saving transaction costs. With the opening, decentralization and high speed of information transmission, Internet finance can complete financial operations in the process of low cost information exchange. For example, in the process of transfer, traditional commercial banks need depositors to provide ID cards and bank cards, and they also need to check the transfer information and amount many times. On the contrast, users only need to find relevant contacts and enter the transfer amount through Internet transfer.

Low entry threshold. The traditional commercial banks in China are not very friendly to the loan service of small and micro enterprises. Not only the examination and approval procedures are complex, but also the process of over-examination needs to be checked once and again, and the relevant guarantors need to pass the examination and approval. Internet financial enterprises can independently rate small and micro enterprises, browse the credit information of enterprise leaders, provide corresponding basic services without responsible guarantors, and meet the development problems of small and medium-sized enterprises.

3.2 Internet finance paradigm

At present, the paradigm of Internet finance includes three aspects, namely third-party payment, network fund transfer and network credit. Third-party payment has four functions: face-to-face transfer, sweep code payment, network red envelope, and magnetic code payment. Network transfer is divided into online and offline transfer, online bank remittance, third-party software coordinated transfer and so on. Network loan is a popular financial activity in recent years. It relies on the analysis of users' network credit, gives a certain amount of loans, helps users solve certain difficulties in the circulation of funds, and effectively adjusts the problem of civil financial conflict^[7].

4. Innovation and development trend of traditional commercial banks under the background of Internet finance

4.1 Recognition of the status of the private enterprise financial system, and helping with cross-border completion of cooperation

Although the financial system of private enterprises has brought challenges and obstacles to the development of traditional commercial banks and reduced the basic interests of banks, commercial banks should face the difficulties of development and recognize the status of the private enterprise financial system. Combining the advantages between the two, a new financial structure should be formed to promote positive growth of the domestic economy. Traditional commercial banks should face up to their own institutional defects and focus their work on meeting the needs of users. Insisting on everlasting traditional business model will only protect the interests of a small number of bank staff and lose the trust of depositors. Banks that lose credit essentially become "money storage tanks", which can not guarantee sustainable development in the future. Banks need to reform the internal operating system, reduce the standards of handling fees, and transfer part of the audit authority to online users through Internet technology. In addition, they need to open offline banking service platform with cooperative network software, which enables online audit and offline signature approval, so as to re-master the rights of users, and to change the relations of online and offline operations, thus providing better service for depositors in offline commercial banks^[8].

4.2 Pursuing diversified service standards and improving bank efficiency

No matter what kind of business model banks develop into in the future, they will always attract customers with service first, and improving service quality is also the main way to compete for online Internet financial resources. Users have a certain limit to the application of Internet finance, and they prefer to complete large savings, remittances,

transfers through offline operations. Commercial banks should grasp the psychological characteristics of users, and carry out a variety of joint services with online mobile banking, such as online booking, large amount of cash escort services, bank business staff door-to-door services. Only let go of bank image concerns can let go of healthy competition with private enterprises.

5. Conclusion

To sum up, the Internet finance, as a new financial model, has brought great convenience to people's life and production, but also brought challenges to the development of traditional commercial banks. In the face of this challenge, it is necessary to recognize the fact of the progress of the times, change the traditional banking service structure and the integration of private Internet financial companies, regain market financial share with superb service standards, and ensure that the lifeblood of China's economic subject is always in the hands of banks. At the same time, banks should also recognize the help of Internet finance to the private financial system. They bear more financial risks and micro-finance needs. Commercial banks can set up financial platforms with them under appropriate conditions. These two should take advantage of each other to provide basic help for mass entrepreneurship.

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