

The Impact and Influence of Internet Finance on the Banking Industry

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Abstract: In recent years, with the rapid development of Internet finance, Internet technology has become increasingly mature and popular with the general public. The Internet is subtly changing our lives and economic activities as well as people's thinking habits. With the continuous development of the wave of financial innovation, the traditional financial industry is facing huge crises and challenges. Whether the banking industry of traditional financial institutions can meet the challenges from Internet finance and whether the banking industry can rely on Internet finance to innovate and improve its own business not only determines the future of the banking industry but also relates to the healthy development of financial industry in the future.

Keywords: Internet finance; Banking industry; Traditional financial institutions;

1. The development status and advantages of Internet finance

1.1 Status Quo of Internet Finance Development

Currently, Internet finance presents a variety of operating methods and businesses, and the development of main businesses is showing a trend of differentiation. Specifically, Internet payment is developing rapidly, and payment is characterized by a large number of transactions and a small volume of transactions.

1.2 Convenience of Internet Finance

The Internet bridges the gap between time and space. Convenience and speed have become the most basic function of Internet commerce and the main function of Internet finance. From the perspective of payment, Internet payment has replaced traditional payment methods, making payment more convenient and avoiding cumbersome cash payments. It also has the advantage of high efficiency. Internet financial methods not only provide investors with new channels, but the Internet financial platform also lowers the threshold of financial management. Internet financial platforms have greatly reduced the traditional investment and wealth management thresholds. The Internet has not only brought great convenience to our lives but also has subtly changed the way we consume.

1.3 The universality of Internet finance

Internet finance is the networked development of the financial industry. It has the common characteristics of the financial industry and also has the technological advantages of the Internet. Internet finance effectively compensates for the inherent shortcomings of traditional finance. Using the Internet as a platform based on information integration and cloud data computing has created a new financial operating structure in which anyone can participate.

2. Analysis of existing problems in Internet finance

2.1 The lack of an Internet financial credit evaluation system

The current Internet financial credit evaluation system is characterized by decentralization and fragmentation. Most Internet financial credit evaluation systems use traditional financial credit evaluation standards. The lack of attention to new risks and new functions and the incomplete credit evaluation system brought about by Internet finance will lead

to deviations in the pricing of financial products, making it difficult to truly reflect market risks. The lack of a credit evaluation system makes it difficult for investors and Internet financial platforms to evaluate the true value, investment risk, and corporate credit status. The exchange of credit information between financial companies is not timely, and the problem of credit loopholes always exists, which brings certain security risks to the development of Internet finance.

2.2 The Internet financial platform has technical risks

These three risks seriously threaten the security of transactions, malicious misappropriation of customer information, and cause customers anytime. Since the integration of the Internet and the financial industry, financial risks have not decreased. With the rapid development of the Internet finance industry, Internet finance is also facing the problem of information leakage, which is mainly due to the openness and sharing of the network itself. When financial services are provided, operations must be conducted through the network, which increases the risk of user information leakage. The Internet has the characteristics of space and concealment. When information is leaked, it is difficult to find the cause, which makes information security an obstacle to the development of Internet finance.

2.3 Internet finance has the risk of money laundering arbitrage

Online banking is a virtual financial institution that relies on Internet technology. Criminals take advantage of the openness of online banking to customer privacy and use online banking transactions to deposit and withdraw illegal income to launder money. The high leverage ratio of Internet finance companies brings money laundering risks. Cross-selling, cross-operation, and cross-investment between financial platforms are developing among industries, markets, and institutions. There are more and more cross-sectoral financial products in the market, which brings a variety of problems and risks, including overly complex product structures, ambiguous contract obligations, disguised regulatory arbitrage, and inter-industry and market risks Pass.

3.The impact and influence of Internet finance on the traditional banking industry

First, Internet finance broke the bank's monopoly on payment. Banks are no longer the only intermediaries for financial payments and payments. Due to the rapid development of Internet technology and the status quo of financial intermediaries, the customer base that banks depend on is also strongly affected by Internet finance. No bank can match the customer resources possessed by Internet finance.

3.1 Weakened the intermediary function of the traditional banking industry

The weakening of intermediary business is mainly reflected in the fact that Internet finance can now perform intermediary services, such as sales, payment, recharge, and wealth management, thereby eliminating the need for customers to process these services through commercial banks. More and more customer funds flow to Internet finance companies, which directly affects the business of commercial banks. The main factor in the weakening of payment intermediaries is the rapid development of third-party payment and e-commerce. In the era of the rise of online shopping, the active development of e-commerce has led to a gradual decrease in the number of people who use physical stores or online banks as the main means of transaction.

3.2 The impact of Internet finance on the traditional banking industry

The emergence of Internet finance has caused a huge impact on traditional banks. One of the most important aspects is the impact on capital flows. Traditional bank transfers, remittances, cash withdrawals, and other operations need to be handled at the counter, while Internet finance only requires a few clicks on the mobile phone to complete. In addition, most bank outlets have low office efficiency, cumbersome procedures, and long wait times, resulting in the loss of a large number of users.

4.The development direction of the banking industry under the Internet finance model

4.1 The networked development of traditional banking services

What commercial banks urgently need to improve and innovate is their complex and cumbersome transaction operations. Commercial banks also have the advantages of low transaction risk and high reputation. They can use this advantage to vigorously expand financial services in the Internet era. Under the trend of Internet finance, commercial banks can use Internet thinking and rely on their strong financial strength. By combining financial services with the Internet, improving innovative businesses, and expanding sales channels, more users can participate in the use. Therefore, the cooperation between Internet finance and commercial banks can help further optimize and simplify transaction operations. In this collaborative process, commercial banks may also be inspired to solve and improve current problems and launch more competitive and innovative financial products.

4.2 Innovative services to improve customer satisfaction

Nowadays, the power of social development is gradually developing towards the younger generation. Therefore, banks can provide young people with more personalized and convenient services, simplify complex business processes, and form a customer base. The customer experience is enhanced and the new value is established. Promote the upgrading of banking services and improve service quality and service levels. The so-called service upgrade not only involves improving service skills, skills and environment, but more importantly, improving complex service management, improving service processes and specifications, and improving service software and hardware.

4.3 Technological innovation and institutional innovation

In the face of the rapid growth of the Internet financial model, if traditional banks want to achieve breakthroughs in their industrialization, they need to achieve industrial upgrades based on continuous optimization and improvement of existing businesses. In the context of the Internet financial model, traditional banking services must further improve risk prevention and control mechanisms. To further improve the risk prevention and management mechanism is to establish a risk assessment and credit assessment mechanism for high-end bank customers to increase the source of quality customers. This means reducing the issuance of non-performing loans and fundamentally reducing the bank's bad debts.

4.4 Self-development and external cooperation

First, traditional finance can share a credit evaluation system with Internet financial institutions. Traditional finance has the most complete credit evaluation system, but Internet finance has greater risk problems. By sharing the two credit evaluation systems, the healthy and orderly development of the banking industry and Internet finance can be ensured. Second, traditional financial institutions can share information with Internet finance to improve their information systems. In addition, traditional financial banking can use the Internet e-commerce platform to expand product promotion and use the platform to make up for the lack of innovation and flexibility of traditional products. Internet finance and banking coexist and learn from each other.

5. Conclusion

With the rapid development of Internet finance, traditional commercial banks have been greatly affected. However, Internet finance, as a new financial model that relies on the development of the Internet platform, not only injects new vitality into the financial market, but also has a significant impact on traditional financial institutions, especially banks, and brings development opportunities. Opportunities and challenges coexist in the industry. Banks have been affected in many ways, including traditional businesses, business models, and profitability. To cope with the various influences of Internet finance, the banking industry needs to proactively explore products, services, and management changes and innovations. Therefore, the banking industry needs to use efficient Internet technology to meet challenges, seize new opportunities in the development process, actively develop cooperation with Internet finance, and optimize product structure. Only by continuously innovating and reforming its business concepts and methods can the banking industry ensure the efficiency of financial services and the excellent service experience of customers, and establish a scientific risk management system in the process of business transformation. Only the banking industry can take the long-term path in the future.

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