

The Influence of the Internet Finance on Commercial Banks

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Abstract: In recent years, along with the continuous and deep integration of mobile Internet high technology and information finance, the field of mobile Internet information and financial services in China has achieved rapid and healthy development. While bringing convenience to people's daily lives, the Internet commercial financial platform has also had a greater impact on the development of many traditional commercial financial institutions, especially China's traditional commercial banks. This paper provides an in-depth analysis of the direct impact of the rapid development of China's Internet commercial finance on the current large commercial investment banks and puts forward more effective suggestions on how commercial banks can develop better.

Keywords: Internet Finance; Commercial Banks; Financing

1. Introduction

The rapid development of Internet finance has prompted the development of China's financial industry to enter a whole new era of development. If traditional commercial investment banks are not properly aware of and encounter this crisis, take active and effective measures to respond to it in a timely manner, it will definitely have a serious adverse impact on China's commercial investment banks. Against this background, it is of great significance to study the characteristics of Internet finance and to explore in depth the impact of Internet finance on the business of commercial banks, etc.

2. Literature review and synthesis

Sun, Haijing et al. (2018) point out that in this emerging financial field, Internet finance companies have quickly opened up the market with advanced information and technology tools, the concept of products and sales methods with a wide range of customer needs as the service centre and novel marketing channels. Manuchehr and Shahrolhi (2008) argue that Internet finance is a new type of capital financing with advantage of developing an Internet-based model for trading financial products supported by Internet information technology, which can reduce transaction costs. Xin Liang (2020) finding that the efficient marketing methods of the Internet constantly put invisible pressure on traditional commercial banks. Rambures and Duenas (2017) argue that commercial banks are affected by internet finance to varying degrees depending on their asset size and means of operation.

3. Key Features

3.1 More efficient

Nowadays, with the rapid popularity and widespread use of smartphones and other mobile devices, the main customers of Internet network financial service providers are processing information and operating business through tablets and mobile computers, etc. Customers can realize business processing without leaving home, saving time and effort.

3.2 Low cost

Take Ali Finance's single loan approval cost as an example, it has greatly reduced the high transaction fees, handling fees and a series of other costs required in the past banking business. On the basis of which the transaction process is transparent information and streamlined procedures, greatly saving human resources, while also speeding up the exchange and circulation of information. In addition, the transparency and openness of the internet platform allows most consumers to freely choose their own financial products

or services, saving time and energy.

3.3 High risk

Internet finance is not a commercial bank and should not have the same risk management, compliance and clearing mechanisms as similar commercial banks, and in addition some emerging financial derivatives and services lack thresholds and regulation to enter the market and enter the market before they meet the requirements of the market, and are therefore not conducive to market regulation and prone to various risk issues.

4. Impact of Internet finance on commercial banking business

4.1 Asset business

Along with the continuous innovation and development of digital finance, various new services have rapidly penetrated into China's commercial investment bank financial company corporate lending, not only further seriously challenging the dominant position of China's commercial investment banks in the international market in China's financial services sector, but also playing a role in accelerating the transformation and improvement of the business management model of China's commercial bank financial company corporate lending. It is worth noting that the financial transactions of banks' physical counters continued to show a divergence of rapid year-on-year growth and significant decline in 2015, a trend that suggests that the core competitiveness and traditional advantages of their corporate physical branches have been impacted to a greater extent by the Internet financial economy. It is easy to see that the traditional highly viscous partnership between commercial credit banks and their customers has been damaged by the intervention of third-party online financial services, with its stability and continuity significantly reduced, and the more solid credit relationship between the two has been severed to a certain extent, resulting in a significant loss of existing and potential customers. At present, the threshold of access to Internet financial services is constantly reduced, and the business operation process is increasingly streamlined and convenient, so that users do not need to go out of their homes to look for offline physical financial outlets. Under such circumstances, banks are faced with the embarrassing situation of "not being able to lend", which is bound to deal a major blow to banks' income on the asset side.

4.2 Debt operations

From the liability side, the emergence of new products such as Balance of Payments has diverted the wealth management business of traditional commercial banks due to the increasing marketisation of deposits. Previously, by virtue of its own network and customer advantages, ICBC already had a clear advantage in terms of funding sources in the bank deposit side of the business. With the popularity of mobile internet finance, people are gradually realizing that a current account at a bank may give investors far less return than a low-risk, high-yield wealth management product. Obviously, this fact will have a more serious impact on the target user orientation of commercial banking companies, resulting in a diversion of the original customer base, an increase in the liquidity of key customers, a decrease in the conversion rate of potential customers, and a consequent large-scale shrinkage of the bank's business operations, with the liability business being more affected.

4.3 Intermediate business

One of the main functions of China's personal commercial savings banks in the process of providing various financial services to the public is that they can serve as an important vehicle for the mutual integration of financial assets and the circulation of funds between various financial institutions, completing bank payment and settlement loan financial services, bank card and voucher business, agency loan financial intermediary business, etc. It is currently facing the comprehensive mobile and internet financial It is now facing a comprehensive challenge from mobile and internet finance and is gradually being put at a disadvantage in the commercial competition. For example, through Alipay, people in China can directly implement a variety of services such as daily life, bill payment, financial management and online shopping, while the security of transactions is guaranteed by a third party. Whether it is a large payment or a small payment or other types of payment settlement, Alipay can well meet the payment services of customers, which enables customers to achieve maximum convenience in contact with the financial services of the Internet platform and enhance the work efficiency on the basis of cost reduction. Data reports show that the overall size of ICBC's online financing business has reached 450 billion yuan, which has fully demonstrated that the impact of mobile internet finance on the traditional and core business

of commercial banks has formed a real impact.

4.4 Recommendations

4.4.1 Keep pace with the times and accelerate the change of thinking

Internet finance is booming because of its huge advantages over the traditional business of commercial banks. Internet finance has transformed data from a fixed format to a flexible and dynamic one, and the information that existed in the securities market has slowly changed into information from the Internet of Things and social networks, making it more open and transparent. Under the powerful impact of this irreversible advantage, commercial banks must keep pace with the times, which requires them to speed up the change of traditional thinking, innovate the traditional business model and promote the transformation of the business model. In addition, they must make good use of their own advantages and strengthen the application of new financial tools to ensure that their traditional business can also develop in the long term.

4.4.2 Strengthen innovation and focus on the development of financial derivatives

Today, with the Internet booming at a rapid pace, commercial banks must make full use of the bank's information technology system, strengthen technological innovation on the basis of traditional business and pay attention to the development of derivative financial products if they want to continue to stand up to the tide and remain standing. In the face of the continuous penetration of Internet finance, commercial banks should actively integrate and pay attention to the development of derivatives and the improvement of the quality of financial services. For example, we can independently develop mobile internet products such as micro and small loans and financial credit, provide credit services for the majority of customers on mobile, respond positively to the impact and make good use of emerging technologies to achieve online loans, easy to operate and used to smoothly adapt to market demand, and ultimately achieve mutual benefits for both.

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