

A Study on the Dilemma of Commercial Banks' Personal Wealth Management Business Development in the Background of Internet Finance

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Abstract: The growing scale of household wealth in China has laid a solid foundation for the expansion of demand for wealth management. Under the sweeping wave of today's network information, Internet finance is flourishing and steadily gaining a foothold. As an important source of income for commercial banks, the personal finance business, facing the increasing impact of Internet finance, has constantly exposed its own shortcomings and shortcomings in its development, and the services and products of commercial banks to customers are still lagging behind, and the problems of financial disintermediation are increasingly prominent. In the face of pressure commercial banks how to follow the trend of the times, open up new ways of development has become the focus of the current issue.

Keywords: Internet Finance; Commercial Banks; Personal Finance Business

1. Current status of domestic and international research

Jayawardhena (2000) argues that Internet finance poses challenges to commercial banks in four areas: satisfying customer needs, competing within the industry, addressing supply chain needs, and continuously innovating products and services. It also provides many opportunities for its future development.

Li Xiangyu (2021) suggests that after comparing with the Internet financial products, the banks' own conformist characteristics gradually reveal their high threshold, low yield and the long-term stagnation of service standards.

The above scholars have interpreted the role of Internet finance in traditional finance in many ways. Since the emergence of Internet finance to its development, it is a good complement to the game, integration and co-development with the traditional financial system.

2. The dilemma of personal finance business of commercial banks in the context of Internet finance

2.1 Serious homogenization of product clutter

Compared with commercial banks, Internet finance has fewer restrictions on the flow of funds and can design a richer asset allocation portfolio. In contrast, the "head effect" in the bank wealth management market is significant, and the uniform wealth management products lack personalization and competitiveness. In addition, it is easy to imitate and copy the financial innovation products of foreign commercial banks or simply add up assets into financial products without considering the actual needs of customers including maturity, currency and customer groups, etc. In addition, most of the commercial banks in China are designed and operated by the head office, which can easily lead to little difference between innovative products of each bank.

2.2 Single marketing channel

Internet financial products successfully use the advantage of convenient and extensive dissemination of information on the Internet to penetrate into the major software platforms used by users in their daily browsing, and use big data means to attract consumers to buy products. In comparison, the current commercial banks still rely mainly on offline outlets for their wealth management business, although major banks have also opened transaction channels such as online banking in order to pursue the trend, but they have to stagnate in a passive situation due to the lack of market research and analysis and large selection costs.

2.3 Lack of talent skills

High-quality talents and professional skills are necessary prerequisites to maintain the driving force of innovation and strong competitiveness. Internet finance, as an emerging industry with excellent prospects nowadays, mostly requires highly skilled professionals to practice. Commercial banks do not have a large proportion of highly qualified personnel in financial services, while competent financial managers need all-round talents who master and apply financial knowledge proficiently. At the same time, the lack of independent research and development capacity leads to the fact that commercial banks still rely on outsourced Internet management and other computer software for their actual operations, which are subject to certain risks.

3. Analysis of the causes of the dilemma of commercial banks' personal finance business in the background of Internet finance

3.1 Bank perspective

3.1.1 Difference in thinking mode

China's traditional commercial banks have heavy conservatism and orientation in financial and service models. While commercial banks mainly push financial products to high-end high-quality customers, Internet finance chooses to use the long-tail theory to fully take into account the individual needs and small and micro needs ignored by commercial banks, and use the concept of thin profit and more sales to quickly seize market share. However, with the current high level of economic development, the sum of profits brought by low-end customers, which account for 80% of the total, will be no less than that of high-end customers. The trend of high-end concentration of financial institutions and resources adopted by commercial banks makes it difficult to break through the limitations to achieve financial inclusion, which becomes an important trigger for banks to fall into crisis.

3.1.2 Unknown strategic positioning

In view of the extremely inclusive and expansive characteristics of Internet finance, regional banks and large national banks have failed to clarify their development goals and strategic positioning by taking into account their own characteristics and market environment. For urban commercial banks, the overall positioning of getting bigger and stronger may be applicable to urban commercial banks with larger capital and higher comprehensive strength to achieve rapid expansion of scale in the short term, but not to all urban commercial banks. In the long run it will lead to the traditional advantages of urban commercial banks will be gradually lost, making their business characteristics not outstanding and lacking core competitiveness. Although state-owned commercial banks have taken financial innovation as a strategic goal for development, the lack of endogenous power, depth and breadth, and soft power support has seriously hindered the process and timeliness of state-owned commercial banks' development.

3.2 Customer perspective

3.2.1 Impact of epidemic causes

The sudden outbreak of the epidemic at the end of 2019 had a particularly negative impact on the financial industry, and the volatile reciprocal economic situation forced the public to be more inclined to sound financial management. The rapid spread of the new crown virus, the majority of residents actively respond to the call for home isolation to avoid exposure, online classes, online office, shopping to online finance, granting people the opportunity to gain a deeper understanding of Internet finance, low threshold, high efficiency, easy procedures, considerable returns, more in line with the appetite of contemporary life, leading to the intensification of financial disintermediation.

3.2.2 Focus on the sense of efficiency experience

The continuous improvement of living standard drives the transformation of consumption, and people are willing to spend more money on purchasing services. Commercial banks' offline branches are constrained by various conditions of geographic location, business hours, and business processing speed, driving most customers to more convenient channels. At the same time, a good experience will deepen the stickiness between commercial banks and customers, while a bad experience on the contrary may lose not only one customer, but a group of customers around this customer.

3.3 Policy perspective

3.3.1 Regulatory policy shackles reform

Faced with the new situation that the financial risk structure in China is becoming more and more complex and the financial supervision is not coordinated or even missing, strengthening the supervision of systemic financial institutions and preventing the problem of "too big to fail" has become the focus of the global financial supervision system reform. Adhering to the basic principle of "no systemic risk", commercial banks must maintain their importance, soundness and representativeness, and firmly establish the direction of high-quality development. To make the process of wealth management products wealth management business needs to rely on perfect and strict laws and regulations, if commercial banks want to seek a breakthrough in bold reform and innovative product business development, they need a more detailed and strict division of the regulatory system and laws and regulations as a standardized scale to show the direction for their development.

3.3.2 Operation of the new regulation of capital management

The Guidance on Regulating Asset Management Business of Financial Institutions, which has been officially implemented since January 1, 2022, stipulates that when financial institutions carry out asset management business, they shall not promise to guarantee capital and income, and shall not advance capital in any way to make payments in the event of payment difficulties. In the new context of new regulations on asset management and the continued low interest rates, the traditional financial management methods represented by bank deposits, wealth management, trusts, stocks and treasury bonds are undergoing profound changes, and when faced with a decline in the yield of financial products or even a loss of principal market norm, investors who buy financial products for the purpose of saving may give up buying to prevent risk, resulting in a downward trend in the overall growth of the scale of financial products at the same time. It is also a major impact on the personal finance business of commercial banks.

4. Countermeasures for the development of personal finance business of commercial banks under the background of Internet finance

4.1 Define strategic positioning

Regional banks can be based on local conditions, cultivate the local customer base, pay attention to the construction of accurate marketing system, further meet the diversified needs of customers with the help of digital means, enhance customer stickiness, and lay a good foundation for business transformation and future development. Large national commercial banks with strong capital and resource advantages can improve their own management mechanisms by learning from and referring to the development ideas of advanced foreign financial institutions, refine the internal and external management systems of the bank and each process business, innovate product systems and marketing channels, expand the market scale, improve the bank's comprehensive capacity and risk management system, and continue to lead the frontier of industry development.

4.2 Sort out the product system

Commercial banks should establish their own product system, learn the advantages and combine their own innovation to develop diversified financial products that better meet the market appetite. Smartly use big data to analyze customers' personal risk preferences and risk tolerance ability to develop targeted financial products. According to the income status of customers, we divide different levels, and consider the uneven economic development of China and the differences in economic levels of different regions caused by the continued epidemic, and design corresponding financial products for different regions in conjunction with local financial institutions and other third-party institutions. Provide customized, differentiated and personalized financial services to realize

"people-oriented, thousand people, thousand faces".

4.3 Realize diversified marketing

At a time when the popularity of the Internet is increasing, the public's lifestyle is gradually becoming Internet-based. On the one hand, banks must improve their financial infrastructure, accelerate the construction of financial technology, and realize digital transformation. To continuously improve the sense of experience, monitor and dig data, and enrich the content of push services. Make full use of advanced technologies such as virtual reality and blockchain to extend the reach of banking business and enhance financial services. At the same time, improve the efficiency of online and offline services. Realize intelligent business processing through smart devices, enhance the efficiency of financial services, and strengthen the sense of customer service experience and interactivity. Configure professional account managers and other personnel to create a complete service process and promote the standardization of banking services, which helps smooth integration of online and offline.

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