

The Impact of the Development of Internet Finance on Chinese Commercial Banks: What Competition and Marketing Strategies Should They Take?

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Abstract: *The 21st century is an era of rapid development for Internet technology and other innovation. At the same time, the Internet wave driven by the emergence of Internet finance has greatly impacted the traditional financial sector. China's long-standing monopoly of the position of commercial banks have been shaken, the traditional mode of operation and profitability of commercial banks have suffered the impact of commercial banks to take a series of countermeasures to maintain their monopoly. This paper analyzes the impact of Internet finance on traditional commercial banks by investigating the data of traditional commercial banks under Internet finance and proposes corresponding strategies.*

Keywords: *Internet finance, Commercial Banks, Strategy, Operation*

1. Introduction

Internet finance refers to the integration of traditional financial institutions and emerging Internet enterprises, with the help of Internet communication and other technological advantages, to realize the traditional financial institutions of capital financing, payment and information intermediary and other business innovation of the new financial model.

The 21st century is the era of rapid development of the Internet, Internet wave driven by the emergence of Internet finance greatly impacted the traditional financial sector. China's long-standing monopoly of the position of commercial banks have been shaken, and the traditional mode of operation and profitability of commercial banks have suffered from the impact of Internet finance. For traditional commercial banks, how to seize the opportunity to improve their own business and the ability to issue innovative products, it is worthwhile to take advantage of the Internet and the integration of traditional financial institutions with emerging Internet enterprises to issue innovative products, which is worth analyzing and thinking about. By analyzing the impact of Internet finance on commercial banks, it helps to balance the relationship between commercial banks and the Internet, fully understand the characteristics of Internet finance and its impact on commercial banks, analyze the advantages and disadvantages and make use of them to reform themselves, improve their business capabilities, strengthen the voice of commercial banks in the environment of Internet finance, and promote the development of China's national economy.

2. Concept, characteristics and current development of Internet finance

2.1 The concept of Internet finance

Internet finance is a new and typical financial business working mode under the current social development. Internet finance is a new type of financial model that appears in order to truly meet the needs of consumers. Internet finance mainly relies on Internet technology, such as data mining technology, cloud computing technology and search engine, etc., to carry out capital financing and payment and investment services [1]. At present, Internet finance is significantly different from traditional finance based on the integration of financial innovation and scientific and technological innovation. Internet finance in the information symmetry work has been further improved, and financing channels have been enriched to a certain extent, so that the allocation of resources can be

optimized. Finance is the financing of funds and the issuance and circulation of money. Internet finance in the broad sense can be defined as finance, but it mainly uses the form of Internet tools, channels or media to complete the financing of funds. Internet finance in the narrow sense is to realize the currency informationization based on the information flow, the use of Internet technology, the real realization of capital financing. Capital financing can effectively distinguish between direct financing and indirect financing, but both need to complete the work through the Internet technology. This is Internet finance. The financial services in the network lending platform all belong to the Internet finance in the narrow sense.

2.2 Characteristics of Internet finance

2.2.1 Convenience

On the basis of "Internet +" technology, the development of Internet finance is more rapid. In the banking industry, the transformation of the basic mode of traditional counter service can truly meet the actual needs of customers for financial services, through the operation of cell phones or computers, you can not be restricted by time and space to deal with the work of the business. The application of computer technology can make a breakthrough in the business operation process, which is also the scientific innovation of the financial model and approval process. Third-party payment can be done with the traditional Internet work between the integration of business, such as insurance services, micro letter payment, as well as online shopping payment and other financial services products. There is no need to go to the bank counter to handle business, customers do not need to queue up in front of the counter, at any time to pay and settlement, financial business processing faster.

2.2.2 Service-oriented

With the continuous development of social and economic, scientific and technological support and promotion of the Internet financial platform can use big data technology, a more comprehensive grasp of the overall needs of consumers, more efficient and convenient service. People do not leave their homes or do not bring cash, as long as they have a cell phone can be realized consumption. Taobao, Jingdong, etc. can meet people's shopping needs, WeChat payment, Alipay can help people complete the payment, the balance of treasure, wealth management can build a fast financial channel for people. Currently, Internet finance is more concerned about the consumer experience in the network platform, scientific optimization of the overall service industry, can bring a lot of convenience and benefits for customers, the majority of customers are more satisfied. Therefore, under the continuous development of Internet finance, WeChat, Alipay, as well as chanting and other financial services, has invariably changed people's actual lives, but also led to significant changes in social marketing and service work [2].

2.3 Current status of the development of Internet finance

The development of the financial industry changes related to the development of many industries, but many are based on theoretical aspects of the analysis, not practice [3]. Under the further development of the Internet financial industry, the traditional industry will also gradually appear within the Internet technology development of new models, Internet finance belongs to the traditional financial industry and the Internet and the combination of products. Especially in recent years, with the cloud computing, mobile payment and other related information technology continues to popularize and use, can effectively strengthen the integration of Internet technology and financial development, and gradually form an innovative model within the financial industry. This is the Internet financial industry, and will gradually give rise to many new types, rich and diversified basic models of financial services, which in turn give rise to many forms of financing. Under the continuous development of Internet information technology, Internet finance has been gradually transformed from the former financial business to the corresponding business content of networked finance, which belongs to the current development status of Internet finance.

With the continuous development of the Internet financial industry, many e-commerce enterprises have gradually joined it, such as Alibaba has launched credit and wealth management and other related businesses. This has led to the overall competition in the Internet financial industry has become more intense, and the overall variety of Internet financial products have become richer, but also to a certain extent by the impact will affect the development of the traditional financial industry. In addition, because the Internet has a great deal of specificity, so that the financial industry under the background of this development can be in the gradual development of a lot of problems, and the risk derived from

this will certainly cause everyone to pay close attention. At the same time, cross-border e-commerce as a whole in the further development, so that a lot of capital settlement issues need to use the Internet work platform to implement and implement, can really reduce the cost of the enterprise, for the enterprise to reserve more liquidity. However, because there are obvious differences in the actual financial management work carried out in various countries and regions, there is a lack of uniformity in the handling of operations in the actual financial business operations, and in the case of inconsistency in standards, it leads to unstable problems in the application of capital in Internet finance.

3. The Impact of Internet Finance on Commercial Banks

The impact of Internet finance on traditional commercial banks is manifested in many ways, and the following section will analyze the impact at the level of commercial bank products and business, at the level of earnings and expenses, and at the level of commercial bank liquidity and security.

3.1 The Impact of Internet Finance on Commercial Banks' Asset Business

The main source of profit of the banking industry is its lending business, through the lending interest rate difference to obtain income, in the era of Internet finance has not been fully developed and popularized, China's traditional commercial banks in China's lending business has been in a monopoly position, according to the relevant data statistics, China's commercial banks have 70% of the profit is from the interest rate difference between the borrowing and lending of income, the focus of China's commercial banks customer groups for the credit good, High-quality large state-owned enterprises, small and micro enterprises due to the high threshold of bank lending and excluded, unable to obtain the funds needed for production and operation, which led to a lot of small and micro enterprises growth difficulties, the development and improvement of the Internet finance to break the pattern, small and micro enterprises to borrow loans no longer rely only on commercial banks, and the Internet financial lending threshold is low, the lending procedures are very simple, the efficiency of providing financial services Far higher than the traditional commercial banks, the flexibility of capital utilization greatly improved. Under these advantages, Internet finance has developed and expanded rapidly, and today, many of the bank's former high-quality customer groups are also shifting from traditional bank lending to new Internet finance lending, and the asset business of traditional commercial banks has been greatly impacted[4].

3.2 The Impact of Internet Finance on Commercial Banks' Liability Business

Traditional commercial banks have a high threshold, and the audience of financial products issued by them are selected high-quality customers, and many high-quality retail customers who are not qualified for banking are unable to realize their own needs, and Internet finance has accumulated a large number of retail customers who are not accepted by banks by virtue of its advantages of low threshold, high efficiency, convenient operation, and lower cost, and has rapidly expanded, for example, Alipay's Yuebao has achieved rapid development in recent years, and its fund size has exceeded one trillion yuan and the value is still growing. Under the impact of the wave of Internet finance, the cost of bank liabilities has increased, and its operation is threatened[5].

3.3 The Impact of Internet Finance on Commercial Banks' Intermediate Business

The intermediary business of commercial banks refers to the fact that commercial banks, by virtue of their own scale, credit and other advantages, act as the intermediary between the supply side and the demand side of the funds in the process of capital financing, help both sides of the supply side of funds to complete the financing of the funds to obtain a certain amount of fees to make a profit. The intermediary business of banks includes local and foreign currency settlement business, bank card business, etc., among which the payment business is the main body of the intermediary business of commercial banks, which is an important source of the bank's income. The emergence of Internet finance has impacted the inherent intermediate business model of commercial banks, and the inherent payment business of the banking industry has been greatly impacted, and its share in China's capital market has gradually decreased. Internet finance with the advantage of the Internet, in the payment business at the same time to get rid of the restrictions of time and space, the user at any time and any place to complete the independent payment, efficient and convenient payment of Internet finance quickly occupied most of the market. According to statistics, the third-party payment of Alipay and

WeChat Payment accounted for 94% of the overall third-party payment in Internet finance, and the intermediary business of China's traditional commercial banks has been greatly compressed.

3.4 The Impact of Internet Finance on the Profitability of Commercial Banks

Internet finance contains many innovative business models, such as network crowdfunding, third-party payments, etc. These new financial service models attract most people by virtue of their efficient and convenient characteristics, resulting in a large part of the people to give up depositing their funds in the bank but turn to invest in the emerging various types of financial products with the help of the Internet's technology, resulting in the loss of some of the bank's customers, the bank's deposit and loan business has brought about a non-negligible impact on the bank. The impact on the bank's deposit and loan business can not be ignored[6].

2017-2021 The number of deposits and loans of commercial banks is shown in Table 1.

Table 1: Deposits and loans of large commercial banks 2017-2021(in RMB 100 million)

Year	Deposit	Credit
2017	793869	569634
2018	850994	620947
2019	913298	684931
2020	999671	763633
2021	1072645	853772

Data Source: Annual report

According to the data in Table 1, it can be seen that the amount of deposits and the amount of loans in China's commercial banks grew steadily from 2017 to 2021, but a closer look shows that the amount of deposits in commercial banks, although growing, is growing gently, and the growth rate is on the contrary trending down. At the same time, in these five years, the amount of RMB loans as a whole has gradually increased, but the year-on-year growth rate compared with the previous year has declined year by year, and the growth momentum of deposits and loans from 2017 to 2021 has shown a declining trend as a whole, which is analyzed as follows.

The gradual improvement of Internet finance has accelerated financial disintermediation, and the social public has rapidly accepted and adapted to the changes brought about by Internet finance. As a result, the source of funds and the way of using funds of the public have become more diversified, and due to the advantages of the emerging Internet that traditional commercial banks do not have by virtue of the low threshold, high efficiency, etc., a considerable portion of the public originally chose to remit funds to the commercial banks, turned to flow into the emerging zone of Internet finance. It is thus clear that the changes brought about by Internet finance, such as financial inclusion and financial disintermediation, have given the general public more choices, further contributing to the shrinking of the amount of deposits and loans made by commercial banks.

Table 2: Changes in key financial indicators for large commercial banks, 2017-2021(in RMB 100 million)

Year	Income	Net profit
2017	27891	10276
2018	30090	10760
2019	32468	11365
2020	33944	11566
2021	36806	12889

Data Source: Annual report

According to the data in Table 2, it can be seen that from 2017 to 2021, the amount of operating income and net profit of commercial banks are both increasing steadily year by year, while it can be seen through the calculation that, although the amount of operating income of commercial banks is steadily increasing, the growth is too slow, and the overall growth rate even has a downward momentum. At the same time, the net profit of commercial banks increased year by year, but the growth rate is also too slow, the annual growth rate is low. This is analyzed as follows.

The vast majority of the income of commercial banks comes from the lending income of funds, but the development of Internet finance in recent years has attracted a large influx of funds into the emerging financial services and financial products, leading to a reduction in the flow of funds to commercial banks, narrowing the bank interest rate, reducing the interest income of commercial banks,

the impact on the deposit and lending business of commercial banks, impacting on the income of commercial banks, and forcing them to take the necessary measures to mitigate the narrowing of profit margins.

4. Strategies for Chinese Commercial Banks to Cope with the Impact of Internet Finance

4.1 Establish an Internet Technology Assurance System

Commercial banks should strengthen the investment in Internet science and technology, effectively strengthen the standard of Internet security technology, strengthen the upgrading of Internet financial industry technology, strengthen the research and development of specialized software in the field of Internet financial industry as well as the use of the industry can scientifically reduce the dependence of the entire industry on the corresponding technology of the external network. Moreover, the scientific improvement of the security management system of the Internet finance, for network security to carry out scientific assessment, but also to create a mandatory management information disclosure of the basic system, effectively reduce the basic situation of information disparity, the use of information disclosure of the main scores can be created for the consumer to create a very comprehensive project investment plan, to provide them with the appropriate information to ensure that they participate in their own qualifications are very compatible with the financial project, reduce financial risks. At the same time, the credit of the Internet financial industry into the supervision and management assessment system, strengthen the transparency of information, to ensure the actual fairness of transactions within the industry. At the same time, it is necessary to improve the legal regulations for the protection of consumers in the Internet finance industry, and to open up the complaint channels for the legitimate rights and interests of consumers, so that consumers in the Internet finance industry can use the Internet and mobile terminals and other corresponding channels to find out their relevant rights and interests.

4.2 Enhancing risk management in Internet financial services

First, effectively strengthen the scientific control of Internet finance. To implement good internal control, we must create a more specialized prevention of Internet-risk-corresponding technology management team, improve the work of the basic business operation process, and technology as a support, to create a more perfect Internet security management and Internet financial internal control mechanism, so that we can really see the essence of the phenomenon. For the implementation of the control of financial risk, the most important work is the implementation of the internal control [7]. Secondly, the creation of social credit mechanism to carry out management. Further reduce information asymmetry and market selection risk, make the social credit mechanism more perfect. Under the support of the credit information system of the People's Bank of China, a fairer and more reasonable credit evaluation mechanism is created, and the authentication management mechanism of e-commerce identity information is improved. In order that the Internet financial industry will not be affected by information asymmetry, it is necessary to create a very perfect Internet financial credit evaluation mechanism, and effectively reduce the instability and inaccuracy of Internet financial services, so that customers can fully understand the quality of financial institutions' services, and then make the most correct choice. For example, at the beginning of the creation of enterprises, the need for legal persons, shareholders and accounting and other aspects of the entry of basic information, in the future business management, the relevant information should be updated in a timely manner. If there is a breach of trust, the client should be pulled into the blacklist.

4.3 Scientific integration of online and offline business

Commercial banks need to look at Internet finance from the perspective of their own development, clarify the challenges and opportunities they will face in the future, effectively improve their understanding of the crisis, and treat the development of Internet finance as one of the most critical tasks at present. Commercial banks need to recognize the advantages of Internet finance, improve the service for basic customers, play brand credit, realize technological innovation, build corresponding financial service outlets for users on the network, give full play to the online advantages, make clear the main content of online financial services, make it and the commercial bank's offline service work, so as to realize the service mode of combining online and offline services for customers. The combination of online and offline services for customers can be realized. Finding a breakthrough point in the business structure of commercial banks and integrating online and offline financial services

scientifically. Commercial banks are required to achieve the following two points: firstly, the integration of various work resources can be realized through the traditional commercial banking service model and customer relationship management system; secondly, online finance, mobile payment and mobile e-commerce and other emerging ways of work can link science and technology and help commercial banks gradually form the main mode of operation for dealing with the corresponding work business online[8].

4.4 Improve marketing strategy to obtain competitive advantage.

4.4.1 Product Strategy

The customer groups of Internet finance are mostly small and medium-sized enterprises and individual users, and this main group is characterized by high education and youthfulness, and the traditional financial products can no longer meet their personalized needs, which requires banks to innovate their products and services to adapt to the personalized needs of the social groups, and the banks can develop innovative money funds and insurance products to hedge the impact of the new financial products under Internet finance. Banks can develop innovative currency funds and insurance products to hedge against the impact of new financial products under Internet finance, and commercial banks can also issue their own Apps to facilitate the contact between customers and banks, and seek high-quality development both online and offline, so as to realize the retention of existing customers and attract potential customers. If they continue to stick to the old rut and do not issue new financial products and services, their future development will certainly be hindered even more.

4.4.2 Sales channel strategy

With the development of the Internet, accelerate the construction of channels under Internet finance, develop and establish new channels outside the traditional inherent channels of commercial banks, launch cell phone banking, telephone banking and other types of Internet finance, make use of the advanced technical conditions of the Internet, simplify the convenient process of the business, the pursuit of efficient and fast business, and cooperate with various types of Internet enterprises, and strive to realize the handling of various types of business on a variety of Internet terminals to enhance the level of service of the bank, which will gain the recognition of the customers and attract more customers.

4.4.3 Promotion strategy

Promotional strategy is to take certain methods to promote the sale of products and services, product and brand promotion is the top priority of promotion, China's commercial banks traditional promotional model structure is unreasonable, and the mismatch with the social environment has led to the slow development of China's commercial banks in the background of the Internet financial, commercial banks should be used and the Internet thinking, to take innovative promotional model, according to the actual situation of the bank's operations to expand the promotional investment, develop promotional methods that meet the contemporary customer base, innovative promotional structure, so that it adapts to the rapid development of the Internet financial environment. Promotional inputs, develop promotional methods in line with contemporary customer groups, innovative promotional structure, so that it adapts to the rapid development of the Internet financial environment, the bank can recruit innovative talents from the community, looking for marketing priorities, make full use of the Internet platform, the bank's new financial products and services to market out to the majority of the social groups accepted.

5. Conclusion

Internet finance is the inevitable trend of the development of today's era, the arrival of the Internet financial era for commercial banks is a sharp double-edged sword, both a rare opportunity, but also a serious challenge, commercial banks should set up with the times of the Internet thinking, grasp the pace of the Internet era tend to profit and avoid harm. The emergence of Internet finance has violently impacted the traditional business operation mode of commercial banks, providing commercial banks with a new mode of operation of financial institutions in the Internet era, commercial banks want to maintain their right to speak in China's capital market, we need to carry out innovative reforms, to find their own positioning in the Internet financial era, recruiting innovative talents for the society, injecting fresh "blood" into the commercial banks in the new era. "blood", formulate measures to adapt to the market environment in the era of Internet finance, change the traditional business philosophy, dedicated

to meeting the individual needs of different customer groups, increase their market share, enhance the right to speak, promote the development of the banking industry, and promote the development of the national economy.

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