

# Research on the Transformation Path and Model of Economic Growth Mode under the Background of Internet Finance

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**Abstract:** *The emergence of Internet finance has had an impact on the existing financial and economic system. The economic growth rate is fast, and there is an urgent need for transformation and upgrading. In order to theoretically make a valuable guide to economic development under the current background, we will study the transformation path and mode of economic growth mode under the background of Internet finance. Through the analysis of the current economic growth and the impact of Internet Finance on economic development, this paper explores the problems of economic development under the background of Internet finance. In view of the problems analyzed, this paper studies the growth transformation path and mode of actively promoting the integration of Internet Finance and traditional financial services, enhancing information technology, promoting the transformation of economic growth mode and broadening innovative financial and economic service mode. This study provides theoretical support for formulating economic development policies in the future.*

**Keywords:** *Internet finance; Economic growth; Mode transformation; Transformation path; Transformation mode; Long tail effect*

## 1. Introduction

Internet finance is an organic combination of the financial industry and Internet companies. It is an innovative financial model that uses the development of big data and other network technologies as technical support to complete financial communication, payment and settlement, information sharing and other services between transaction subjects[1]. As Internet technology continues to mature, Internet finance has developed rapidly. Compared with traditional finance, it has a series of characteristics such as greater transparency, higher participation, better collaboration, lower intermediate costs, and more convenient operation. Compared with traditional financial models It has a very powerful advantage and fundamentally changed the traditional financial ecology, and the financial ecology determines to a certain extent that it can promote economic growth, which in turn affects the economic growth mode and development model of the entire society [2]. Therefore, research on the transformation of social or regional economic growth patterns under different backgrounds can assist in formulating economic policies that are more in line with actual development. Considering the close relationship and mutual influence between politics and economy, foreign research scholars mainly study economic growth from a political perspective.

Therefore, according to the above analysis content, in order to theoretically explore a suitable way to promote economic growth in the context of Internet finance, this article will study the transformation path and mode of economic growth in the context of Internet finance.

## 2. Current economic growth status and analysis of the impact of Internet finance

### 2.1. Analysis of current economic growth status

At present, the number of financial institutions in my country is constantly increasing, and the types are constantly enriched. At the same time, the financial market system is constantly improving, and the currency market, stock market, insurance market, bond market, etc. continue to grow and develop, forming a multi-level market system. Although my country's financial structure has achieved gradual optimization, it is still not perfect enough to adapt or match the conditions of my country's new

economic development stage. At the same time, in terms of economic growth mode, my country has not yet achieved a fundamental change, and there have always been problems of "high investment, high consumption, high emissions, incoordination, difficult circulation, and low efficiency". In some regions, some industries and some enterprises Also quite prominent [3]. For example, with the rapid development of my country's stock market, my country's stock market has become the second largest stock market in Asia. Although my country's stock market value and per capita GDP may be positively correlated on the whole, there are also times when they are negatively correlated, indicating that the impact of my country's stock market on my country's economic growth is not always positive and has two sides. On the one hand, the stock market has played a positive role in economic growth by fully exerting its own functions, such as improving capital utilization, optimizing resource allocation, and promoting consumption and investment [4].

## 2.2. Analysis on the impact of Internet Finance on economic growth

Internet finance is a deep development and utilization of Internet technology. It is a new form of China's economic development and is qualitatively different from the traditional Internet. In the definition of Internet and Internet plus, the impact of traditional Internet on regional economy is mainly reflected in the allocation of information resources, while the Internet plus impact on regional economy is reflected in the optimization and integration of regional economic resources allocation or allocation of production factors. Network economy theory can describe the Internet attribute of Internet finance. Its theories include network externality theory, long tail theory and internet economics theory. Specifically, the traditional Internet breaks the time and space constraints of information transmission and reduces the information cost of enterprises; Internet plus is a large platform with personalized and intelligent platform, and it can benefit through effective allocation of economic resources. For the original users, the utility brought by more and more users is not less and less like general economic property, but more and more. The multiplier effect of network externality connects information-based enterprises, thus creating an internet financial industry full of countless business opportunities and amazing growth potential.

Internet Finance optimizes the functions of capital financing, risk dispersion and price discovery in the financial market, disintermediates financial transactions and increases the innovation ability of financial commodities. In addition, Internet Finance naturally resists the dislocation competition of traditional financial institutions, and there is no competition for the stock of financial resources; On the other hand, the advantages of Internet Finance in information production, collection and processing reduce the risk premium required to serve long tail customers, reduce transaction costs and eliminate financial exclusion (as shown in Figure 1).

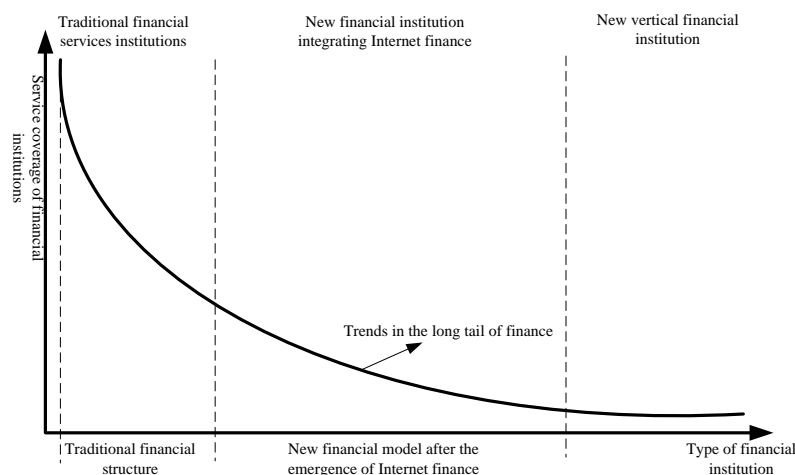


Figure 1: Internet Finance long tail eliminates Financial Exclusion

### **3. Research on the transformation path and model of economic growth mode under the background of Internet Finance**

#### ***3.1. Actively promote the integration of Internet Finance and traditional financial services***

In the context of Internet finance, the best way for traditional financial institutions to continue to survive is to make traditional financial institutions Internet or network. Internet finance as a whole has not made a positive contribution to the overall economic growth. To some extent, the transfer of funds from internet financial services has reduced the traditional financial funds and inhibited the financial services to the real economy. However, over time, the negative effect of Internet Finance on economic growth has gradually decreased. However, because the financing channels of Internet finance are different from the traditional real economy financing channels, it has a certain inhibitory effect on international trade and asset investment relying on traditional financial financing services. It is necessary to deeply excavate the functions of Internet financial services and provide policy guidance and support to alleviate the interference of Internet Finance on traditional capital demand.

#### ***3.2. Information technology promotes the transformation of economic growth mode***

The information technology innovation supporting the rapid development of Internet finance can prominently change both ends of the supply side and the demand side. From the supply side, it can give birth to technological change and progress, and continuously increase the technical elements in the production process. The investment of innovation elements replaces the original resource investment and low-cost labor input, so as to continuously improve the production efficiency. Internet Finance significantly reduces transaction costs. We should speed up the construction of Internet financial credit investigation system, promote the integration of Internet financial credit investigation into the central bank credit investigation system, and realize information sharing and integration, so as to purify the Internet financial environment.

#### ***3.3. Broaden and innovate financial and economic service mode***

The convenience of Internet finance not only provides good services for small and micro enterprises and individual investors, but also changes the way people save under the current economic structure. As the declining trend of the national savings rate has taken shape, we should guard against financial risks, formulate a reasonable fluctuation range of the national savings rate, prevent the debt and financial risks caused by the hard landing of the national savings rate, and maintain the stability of China's financial system.

### **4. Conclusion**

Internet finance is a new financial paradigm of financial innovation and financial reconstruction based on Internet technology. After analyzing the current situation of economic growth mode, combined with the possible impact of Internet Finance on economic development, this paper studies the transformation path and mode of economic growth mode under the background of Internet finance. This study provides theoretical support for formulating relevant economic development policies under the background of Internet Finance in the future.

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