

Research on the Path of the Transformation and Development of Commercial Banks under the Background of Internet Finance -- Taking Bank A as an Example

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Abstract:

The booming rise of Internet finance, which relies on the leap of Internet technology and the deep integration of cutting-edge technologies such as big data, AI, and blockchain, has completely reshaped the landscape of financial services. It has not only transcended geographical boundaries but also streamlined cumbersome intermediary processes, promoting the democratization and popularization of financial services. Then, In the face of this transformation, Bank A, as a representative of the traditional financial system, is facing unprecedented challenges and opportunities. It is important that users' preferences have shifted towards the pursuit of ultimate convenience, efficiency, and personalized services, forcing Bank A to re-examine its business model and operational strategy. In the tide of Internet finance, Bank A urgently needs to explore a development path that can not only maintain stable operations but also flexibly adapt to market demands, realizing digital and intelligent transformation to remain competitive in the fiercely competitive market.

Keywords: Commercial bank; internet finance; transformation and development

1. Introduction

The term "Internet finance" originated from the Notice of the General Office of the State Council on Strengthening the Supervision of Shadow Banks (GBF [2013] No. 107). That is, the business, online payment platform and online financing carried out by financial institutions with the help of network technology and Internet platforms, and the financial activities carried out by non-financial institutions with the use of Internet technology, such as online credit platforms [1].

Internet finance started from 1997 to 2003. During this period, Internet finance was a simple combination of Internet technology and financial business, transferring financial business from offline to online [2]. China Merchants Bank was the first company to establish Internet finance. In 1997, China Merchants Bank established an enterprise portal and provided financial services on the website, opening a new situation for China's Internet finance. China Merchants Bank launched the All in One Network Service, which can realize the Internet processing of financial business, efficiently save time for financial business processing, and avoid the transfer of human resources between businesses. Once launched, it was widely

welcomed.

Internet finance in China has developed rapidly from 2004 to 2014, which is due to the rapid development of Internet technology in China during this period, the application scope of online payment, online settlement, and other business models has become wider and wider, and the rapid development of Internet enterprises with e-commerce as the main business has accelerated the maturity of third-party payment platforms and financial leasing platforms [3]. According to statistics, the turnover of China's Internet third-party payment enterprises in 2014 has exceeded 1400 trillion yuan. In the period of rapid development, China's Internet finance enterprises have many business models, a large number of enterprises, and a relatively loose regulatory environment. These enterprises are characterized by high profits and strong profitability in the period of rapid development.

The rapid development of Internet finance has also exposed many problems, such as capital security, illegal fund-raising, management risk, etc., which has brought negative impacts on the healthy development of the industry [4]. To further standardize the industry management, the People's Bank of China has issued guidance for the healthy development of the Internet finance industry,

requiring the delimitation of the boundaries of Internet finance, setting the industry access threshold, stipulating the mode of Internet finance business, and conducting supervision by category.

The business models provided by Internet finance in China can be further divided, among which the most common is the third-party mobile payment business. Thanks to the rapid development of Internet e-commerce, the third-party mobile payment business in China is relatively mature, and the industry concentration is further improved. The continuous development of Internet technology, such as fingerprint recognition, face payment, and other technologies, has brought greater convenience to mobile payment [5]. The industry concentration of third-party mobile payment in China is very high, focusing on Alipay and Tenpay, accounting for more than 90% of the market share.

In the context of the Internet, Internet financing can be further subdivided. On the one hand, financial business is directly transferred to the Internet, which is suitable for financial businesses with more mature business models and relatively simplified handling processes; The second type is internet-based financial business processes, which apply to financial businesses where some processes can be simplified with Internet technology, but still need human resources to review and provide services, such as investment and wealth management, insurance business, etc; The third category is the internet-based management of the financial business, which uses the technological advantages of the Internet to control and analyze risks.

In addition, the advantage of Internet finance also lies in providing financing services for small and medium-sized enterprises. Taking advantage of the high efficiency of Internet information transmission and faster and more convenient financing, can help SMEs to provide financial services and solve their financing difficulties [6].

Amidst the rapid development of Internet finance, traditional commercial banks are confronted with unprecedented challenges and opportunities. This study aims to explore the transformation and development path of Bank A under the Internet finance environment. By analyzing its current business model, market competition landscape, and changes in customer needs, practical transformation strategies are proposed. The ultimate goal is to provide theoretical support and practical guidance for Bank A to formulate a long-term sustainable transformation and development strategy, thereby enhancing its market competitiveness and achieving continuous growth and innovation in its business.

2. The Impact of Internet Finance on the Transformation and Development

of Commercial Bank A

2.1 Introduction to Commercial Banks

A Bank is a city commercial bank in China, founded in 1905 and headquartered in Beijing. As one of the earliest urban commercial banks established in China, A Bank has a wide network of branch offices and service capabilities in the Beijing area. A Bank provides comprehensive financial services, including personal banking, corporate banking, and financial market services. Personal banking services include deposit, loan, credit card, wealth management, and investment services, providing comprehensive financial solutions for individual customers. Corporate banking services cover various aspects such as financing, settlement, fund management, and trade financing, providing professional financial services to corporate clients. The financial market business includes trading of financial products such as foreign exchange, bonds, stocks, and investment advisory services. A Bank is committed to innovating financial products and services to meet the growing financial needs of its customers. At the same time, Bank A focuses on risk control and compliance management to ensure the safety of customer funds. Bank A's Internet financial activities mainly include two aspects: "using network technology and network platform to carry out business" and "business cooperation between Internet financial entities".

2.1.1 Main service forms of the first type of Internet financial activities

Firstly, establish a self-built online platform to provide services. Bank A provides banking services such as remittance, transfer, payment, and wealth management through self-built platforms such as online banking. In addition to online banking, other online business platforms have also been established, such as personal loan platforms, supply chain financing platforms, etc. Secondly, utilize other online platforms to provide banking services. Represented by WeChat banking services, Bank A carries out banking services through Internet platforms, which can be online social platforms such as Weibo and WeChat, or online shopping platforms such as Taobao and JD.

2.1.2 Main service forms of the second type of internet financial activities

Firstly, various payment services. This includes both B2B/B2C online payment, fast payment, collection and payment, offline POS, and other services provided by Bank A for third-party payment institutions and cardholders, as well as payment settlement services provided for crowdfunding financing platforms. Secondly, the new card business mainly refers to prepaid card sales and recharge. The

issuing entity has expanded from Bank A to payment institutions and corporate entities, such as retail, accommodation and catering, and resident services. For example, the new “Shopaholic” service of mobile banking allows customers to purchase online shopping cards from well-known offline merchants such as Yonghui, Metro AG and RT Mart through mobile banking, so as to integrate financial services into daily life. Thirdly, online fund sales fund supervision services. After the introduction of independent fund sales institutions and third-party payment institutions in fund sales, the fund settlement funds will be subject to closed supervision by Bank A.

2.2 Impact of Internet Finance on the Transformation and Development of Bank A

Due to the rapid development of mobile devices and people’s dependence on network devices, the convenient payment of Internet finance has caused certain user stickiness. Firstly, provide diversified payment methods. Internet finance provides Bank A with a variety of payment methods, such as mobile payment, electronic wallet, online payment, etc. These convenient payment methods allow users to complete payments without carrying cash, simply through their mobile phones or other terminal devices. This convenience can attract more users to use A Bank’s payment services and enhance the user experience. Secondly, accelerate the speed of fund settlement. The convenient payment and clearing of Internet finance can realize real-time settlement, and the user’s payment can reach the payee’s account immediately without waiting. For merchants, this means faster cash flow and more efficient operations. At the same time, users can also receive refunds faster, improving payment convenience and increasing user satisfaction. Finally, reduce payment costs. The traditional payment and clearing method involve multiple intermediate links, and the convenient payment and clearing of Internet finance can reduce these intermediate links and the payment cost. By cooperating with the Internet payment platform, Bank A reduces the service fees for payment transactions, improves its competitiveness, and attracts more users to use its payment services [7].

2.3 The Dilemma of Transformation and Development of Commercial Bank A in the Context of Internet Finance

Firstly, the Development strategy dilemma. In the process of transformation, commercial banks need to face the challenge of how to balance traditional business and Internet financial business. Traditional business is still the main source of profit for banks, but the rise of Internet finance has brought an impact on traditional business [8]. Commercial banks need to develop their own transforma-

tion strategies, including integrating Internet finance and traditional businesses, improving digital capabilities, etc.

Secondly, Channel dilemma. The development of Internet finance has challenged traditional banking channels. The role of traditional physical outlets in the Internet financial era has been weakened because many banking businesses can be completed through mobile APP, websites, and other Internet channels [9]. A commercial bank needs to rethink its channel layout, integrate online and offline resources, provide diversified channel services, and enhance user experience to meet the needs of different customer groups.

Thirdly, customer relationship management dilemma. The rise of Internet finance has changed the needs of customers, who pay more attention to personalized and convenient financial services. A commercial bank needs to use big data analysis to gain a deep understanding of customer needs and provide customized financial products and services to enhance customer stickiness.

Fourth, is the dilemma of intelligent systems. In the era of Internet finance, new technologies such as artificial intelligence and big data are constantly emerging, which puts forward new requirements for the operation mode of banks [10]. A commercial bank needs to strengthen its technological research and development capabilities and build an intelligent financial system, such as intelligent risk control, intelligent customer service, etc., to improve efficiency, reduce costs, and provide customers with a better service experience [11].

3. Suggestions on the Transformation and Development of Bank A in the Context of Internet Finance

3.1 Implement Differentiated Transformation of Branch Offices

Under the new situation, new environment, and new technology, Bank A needs to adjust its previous “fully functional branches” and create many brand branches in the process of optimizing layout and transformation upgrading, highlighting the differentiated service characteristics of branches. Firstly, optimize and upgrade the network functions. Customer consultation, complex business processing, and VIP customer maintenance mainly rely on physical branches, fully leveraging the role of customer managers as sales channels, strengthening the construction of VIP customer service channels, improving the ability of branches to carry out consumer finance and wealth management as soon as possible, strengthening the corporate service functions of branches, and serving high-end individual customers and small and micro enterprises with relatively high comprehensive returns. Secondly, explore the differentiation of branches. Strengthen the financial

quantitative analysis of the input-output of branch projects to determine the strategy for setting up new branches or adjusting old branches [12]. Adhere to the standards or requirements of low cost, high efficiency, and good market prospects, rather than simply pursuing high-end and full functionality; Existing inefficient branches need to be downsized and functionally transformed, or relocated. In super large urban areas, create a “1+N” satellite model, which is a flagship network mainly focused on experiential marketing, surrounded by financial convenience stores or community self-service banks mainly providing convenient transaction services.

3.2 Accelerate Channel Integration and Consolidation

Firstly, multi-channel integration and omni-channel services. Establish a unified 360-degree customer view and optimize cross-channel business processing procedures. Utilizing the locatable characteristics of mobile terminals to achieve auxiliary authentication, collaborative transactions, and value-added services for other channels. By utilizing technologies such as geofencing and satellite navigation, seamless integration of online and offline services can be achieved 24/7, transforming the advantages of physical networks into virtual networks. Secondly, promote resource integration and innovate service models. Taking the customer’s demand chain as the core, promote the integration of various products, information, and service resources both internally and externally, online and offline, expand channel service functions, strengthen cross-selling, and enhance customer stickiness.

3.3 Innovative Customer Relationship Management and Marketing Models

In combination with the inclusive characteristics of Internet finance, we will implement the omni-channel strategy of “customer focus”, integrate online and offline resources, comprehensively improve the level of customer relationship marketing management, and create a self-service channel system with differentiated competitiveness. On the one hand, Bank A is accelerating the improvement of its customer relationship management system to integrate customer information scattered across various departments and business systems, and establish a unified and comprehensive database for both public and personal customer information; On the other hand, conducting customer transaction behavior analysis [13]. Configure channel marketing strategies based on customer consumption habits and preferences, implement cross-channel precision marketing and cross service; On the other hand, implement a push-based marketing model. Through the analysis results of big data, real-time marketing is carried out to

provide thoughtful services or push product introductions that meet the needs of high-end customers, achieving precise marketing.

3.4 Establish an Intelligent Comprehensive System

Firstly, improve the functionality of the lobby marketing support system. Enrich and integrate various intelligent electronic channel resources, actively explore the access of physical outlets and self-service areas to the Internet, and build a comprehensive channel system of “smart outlets” that combines online and offline, physical and virtual, open, intelligent, and front and rear platforms [14]. Improve the Internet online product database and offline collaborative marketing client, form a comprehensive interactive marketing experience of “seeing, touching and listening”, further improve the teller business processing speed, reduce customer waiting time, and improve customer experience. Secondly, introduce an online application and approval mechanism for credit business [15]. On the basis of the Internet financial credit support platform of Bank A, we will realize the internalization of customer credit applications, further sort out and improve the online approval process of credit business, increase and improve the Internet approval access module of the credit system, and then realize the connection between credit and self-service equipment, mobile payment terminal access channels.

4. Conclusion

The business model of commercial banks is single, and the source of profit mainly depends on assets, liabilities, and intermediary business. The market share of these businesses is occupied by the Internet financial business. Therefore, commercial banks should learn from the Internet financial model, carry out diversified financial businesses, and form a financial service system that integrates payment, fund, deposit and loan, and insurance functions. In the future, Internet finance will still maintain a high-speed and substantial dynamic development. Therefore, at this stage, CCB must also follow the trend of development, integrate the Internet financial situation, absorb capital, innovate the intelligence of online banking and mobile banking APP, strengthen human-computer interaction, and strive to achieve higher level and quality development.

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