

# Research on Competitive Strategy of Commercial Banks under the Background of Internet Finance

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**Abstract**—The internet brings much convenience to the development of financial industry and enhances financial operation efficiency. By aid of network technology, the financial industry can realize independent operation. In order to adapt to the current network environment, commercial banks have generally provided online bank services for customers, which attracts customers largely. The internet brings convenience to financial development, however, it also impacts commercial banks largely, which causes some negative influences and will certainly affect the operation efficiency of commercial banks. Therefore, commercial banks should formulate feasible competitive strategy to realize better operation, enhance industrial competition, achieve sustainable and stable development. This paper conducts research on competitive strategy of commercial banks under the background of internet finance.

**Keywords**—*Interne, Finance, Commercial banks, Competitive strategy*

## I. INTRODUCTION

The internet technology has developed rapidly, and has realized constant updating and upgradation in order to adapt to the demands of application fields, including cloud computing technology and big data technology, which have played a role in corresponding application fields. These modern technologies have penetrated into the financial industry, which has large impact on traditional finance [1]. In such kind of network environment, commercial banks need to change their traditional financial modes, reasonably apply internet technology to realize new mode operation, besides, they need to change their competitive strategies. Moreover, commercial banks should pay high attention to internet finance, treat their own development correctly, formulate feasible measures with targets and handle the problems existed in the operation process well thus to enhance their competitiveness and achieve better development.

## II. INTERNAL CONNOTATION OF INTERNET FINANCE

Internet technology combines with financial industry to form internet finance. Relying on internet technology to establish platform can not only provide technical service for financial industry but also can offer online services for medium [2]. After the financial industry opens the network services, it can operation on internet platform thus to enhance operation efficiency and provide high-quality services for customers.

For example, by aid of internet technology, commercial banks can offer online bank services or online security services, accordingly, the users can realize consulting and handle various affairs on the internet. In the internet environment, the financial operation breaks through traditional mode and forms new operation mode. The online service platform provides services for financial industry and can also realize financial activities operation such as third-party payment, therefore, the online services provided by commercial banks are clear, which facilitates users to handle various businesses. [3]

From a narrow perspective, the financial industry providing service based on internet is to integrate internet technology into traditional financial operation mode to generate new financial mode and then form new financial format. Supported by internet technology, the financial industry can know personalized demands of customers thus to adjust financial services and meet with personalized demands of customers.

Financial operation on internet platform also needs to establish corresponding financial idea suitable to internet environment, based on this, it can make use of various advanced information technologies, such as big data technology and internet technology thus to realize rapid financing and enhance capital operation efficiency.

In view of the current service mode of internet finance, online loan can also be realized to provide online financial service for customers besides third-party payment. Applying advanced technologies into financial field, more suitable business projects can be launched and more financial products can be generated thus to provide diversified services for customers.

## III. CURRENT DEVELOPMENT SITUATION OF INTERNET FINANCE

Since the late 20th century, the financial industry in overseas has applied internet technology. In recent years, the financial industry in domestic has realized the importance of internet technology. In order to adapt to the era development, the financial industry should apply internet technology reasonably to satisfy the customer demands [4]. Currently, financial products have their own characteristics, which have become important content of financial system. In the development process, the internet finance industry in domestic not only absorbs overseas experience but also adjusts the operation mode according to its own

characteristics thus to enhance internet application value. From perspective of current development situation of internet finance, it is mainly reflected in the following aspects:

#### *A. Third-party payment of internet finance.*

The third-party payment of internet finance has presented a trend of rapid development. When capitals are in a flow status, there will exist with the problem of insufficient financial liquidity, which will cause economic development in domestic to be filled with new vitality. [5]

At present, the third-party payment in China is generally applied and plays an important role in various fields. It cooperates with insurance industry and fund, besides, it opens the agent-based payment, which has become an important mode in payment businesses.

The third-party payment products are in a good development trend currently, including TenPay and Alipay, which have been widely applied. According to related statistical data, the third-party transactions had presented a trend of scaled development up to 2017 and broken through 33500 billion Yuan, compared with that of 2015, it had presented an obvious trend of increasing by 161.6%, which shows that the third-party payment is in a trend of continuous and stable development, and plays an important role in the development process of national economy.

#### *B. P2P BUSINESS OF INTERNET FINANCE.*

The P2P business of internet finance has become general internet finance mode since its opening. In view of the development situation of P2P business, it absorbs overseas experience, makes adjustment on its operation mode based on national situation and realize localization. [6]

According to related statistical data, the P2P business scale of internet finance in domestic had expanded constantly to 4,721 up to 2017. Compared with that of 2016, it had increased by 115.67%, besides, the trade volume of P2P business had increased significantly and broke through 1100 billion Yuan, increased by 236.25% compared with that of 2016. The rapid development of P2P business has presented an explosive development trend, however, there exists with many problems. The users enjoy convenience but also have complaints on service.

For instance, if the credit level of applicants is not high, it will affect smooth implementation of business; if the credit amount is low or there is no mortgage, it will affect service quality to some extent; besides, if the central bank has no credit system for individuals and has no cooperation with P2P online loan institutions, it will cause the phenomena of low examination quality and low efficiency. What's more, the poor internet environment in some areas will also have bad influence on P2P platform, and even cause high bad debt rate, which will certainly cause bad influence.

#### *C. INTERNET FUND OF INTERNET FINANCE.*

As the internet technology develops rapidly and upgrades constantly, many internet enterprises have emerged. These enterprises adapt to the current market environment, form positive awareness on "internet+" and try the internet technology thus to obtain higher profit. Wherein, fund is the representative product to integrate internet technology into traditional financial industry.

In recent years, some financial companies have extended their services to fund company after opening internet services, besides, the fund products have also changed, various internet fund products have emerged.

For example, Alibaba started "Yu'E Bao" in 2013, which was the result of cooperation with Tianhong Fund. In the same year, the "current worm" of East Money Net gave play to leading role to financial market.

Based on practices, "Yu'E Bao" has enlarged its scale constantly after entering the market, which has certain influence on fund products. It is popular among the public, up to 2017, it had obtained users of over 0.12 billion and realized transaction scale of over 265 billion Yuan.

On the internet sales platform, fund products have obtained support and put into operation based on multiple channels. "Yu'E Bao" is not banking product but a kind of new-type sales mode and promotes sales volume to some extent.

### IV. INFLUENCE OF INTERNET FINANCE ON COMMERCIAL BANKS

#### *A. Internet finance affects the investment and financing businesses of commercial banks.*

Internet finance affects the investment and financing businesses of commercial banks, which causes stable profit of banks. In the internet environment, some investment and financing products will not be affected by various factors, in spite of spacial factors and temporal factors. In such way, a large number of capitals will be attracted, and then some commercial banks will lose massive customers.

#### *B. Internet finance affects the operation service mode of commercial banks.*

Internet finance affects the operation service mode of commercial banks, breaks through traditional service mode and forms new mode, which can improve internet finance environment and make customers enjoy new experience. Moreover, new operation service mode can simplify business handling procedure, integrate internet technology into the financial industry and promote better development of commercial banks [7].

Internet finance has good development prospect, based on traditional operation service mode, it combines with internet technology to make staff able to provide professional services, correct their work attitudes and enhance their service attitude, therefore, more capitals will be attracted.

*C. Internet finance affects the financial position of commercial banks.*

Internet finance affects the financial position of commercial banks, namely, it makes commercial banks center on business but weaken its position.

For example, the deposit and loan businesses of commercial banks give play to the core role. Commercial banks break through original monopoly position to enter the market, focus on profitability and cause reliance on customers, which are all determined by the deposits and loan businesses.

Under the background of internet finance, commercial banks will certainly be impacted. Some bank customers will transform yield rate to the third-party platforms, therefore, many major customers will be lost, which is not obvious, and most high-end customers will retain.

In such way, the customers' capitals will realize disperse circulation thus to enhance circulation efficiency. In face of loan releasing, the internet finance enterprises give play to the role of enterprise database and personal credit database. In the loan process, no mortgage is needed and business handling is very convenient, therefore, commercial banks can avoid the problem of serious customer losing.

*D. Internet finance affects the reliance of commercial banks on their physical branches.*

Internet finance affects the reliance of commercial banks on their physical branches, namely, the customers come to the physical branches of commercial banks in the business handling process, but after the online banks are opened, they can handle various businesses based on smart phone, besides, they can use telephone bank, therefore, commercial banks realize diversified services.

In view of payment mode, the customers can not only come to the physical branches but also can handle various businesses through online banks, including Alipay and TenPay [8]. The business handling process is simplified and operation cost is also reduced.

V. EFFECTIVE STRATEGY FOR COMMERCIAL BANKS TO ENHANCE COMPETITIVENESS UNDER THE BACKGROUND OF INTERNET FINANCE

*A. Commercial banks should establish the network marketing channel under the background of internet finance.*

Commercial banks should establish the network marketing channel under the background of internet finance, wherein, APP is the representative one. Commercial banks should start from the industrial perspective to change their marketing ideas, bases on the financial market operation situation to establish APP platform thus to intensify internet finance enterprise interaction and cooperation. [9]

For instance, rely on WeChat to carry out sales activities, wherein, the financing products salespersons refer to WeChat businessmen. Professional customer service personnel should be arranged on the internet platform in order to solve existing problems timely and avoid serious consequences. The financing products of commercial banks under the background of internet finance can be sold on the internet platform. Commercial banks increase their customers constantly through enlarging internet coverage scope, besides, they create more financing products by aid of internet technology and won higher popularity.

*B. Commercial banks should pay high attention to customer experience under the background of internet finance.*

In the product design process, commercial banks should know their own financing products fully, analyze the investment habits and consumption level of customers. Based on sorting various information, they can form suitable financing products and provide target services for customers thus to attract more customers.

*C. Commercial banks should pay high attention to versatile talent cultivation under the background of internet finance.*

Currently, most employees in commercial banks should adjust their own knowledge structures to adapt to the current internet environment. Some talents major in finance and know little about computer knowledge [10]. But some employees have already mastered computer internet technology, possessed strong capability in professional technology and have high decision-making ability in bank management, which enhances the management level of commercial banks.

Commercial banks should pay attention to versatile talent cultivation because talent shortage has caused insufficiency of commercial banks in internet operation. Therefore, commercial banks should focus on human resource management and target at versatile talent cultivation thus to promote comprehensive development of businesses and meet with the diversified development demand of financial industry.

The talents in commercial banks mostly major in finance, therefore, it is needed for commercial banks to cultivate technological talents and carry out training regularly thus to enhance overall quality of employees. Besides, they should analyze the market environment, pay attention to support versatile talents and enhance their quality in order to enhance competitiveness.

#### *D. Commercial banks should conduct management and control work well under the background of internet finance.*

Under the background of internet finance, commercial banks should enlarge investment in technology in order to enhance their own management level. Internet finance operation will certainly exist with certain risk. In order to guarantee operation security of internet finance platform, commercial banks should keep secret about customer information and capital operation situation, and guarantee safe operation environment.

Commercial banks can enhance risk management through enlarging investment in technology, involving the following aspects specifically:

Firstly, commercial banks should control and manage the internal risks well. In order to realize safe operation, commercial banks should perfect the business operation processes of e-bank, formulate related management systems, divide responsibilities, make clear each links of operation process and responsibilities of operators, specify their rights and obligations. In the internal risk management and control process, commercial banks should also conduct evaluation to control the risks of e-bank well, incorporate it into overall risk appraisal system, supervise operations of internal personnel, especially supervise the violation operations [11].

Secondly, commercial banks should focus on cultivating professional ethics of employees and help them to establish risk awareness. In order to conduct management and operation work well, commercial banks should organize training on employees based on actual situation, mainly involving risk security training. Based on training, commercial banks can make employees to establish security awareness, realize more scientific and standardized business operation, perform rights and responsibilities seriously and avoid violation operations or malfeasance behaviors [12].

Thirdly, in order to enhance technology level of commercial banks, they can carry out businesses according to the customer demands, carry out educational activities regularly if necessary thus to help employees establish risk awareness, make them accept corresponding services and conduct publicity well, guide the customers to keep their bank accounts well and avoid information revealing to others.

#### VI. CONCLUSION

In summary, commercial banks face large challenge under the background of internet finance. In order to enhance competitiveness, commercial banks should know the advantages brought from internet technology correctly, change their marketing ideas, establish marketing channels based on internet technology, pay high attention to customer experience, adjust marketing mode and enhance service quality according to customer demands. In the industrial development process, commercial banks should also focus on versatile talent cultivation in order to enhance competitiveness, make investment in technology and enhance management level. Moreover, they should combine with internet technology to realize benign cooperation, achieve mutual benefit and win-win.

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