

Analysis of the Challenge of Internet Finance to Traditional Finance

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Abstract: The development of internet finance is an effective enrichment for the development of China's financial market, and it has taken a new vitality for the development of China's financial market. While the development of Internet finance has brought challenges to traditional finance, it is also conducive to promoting the development and improvement of traditional Chinese finance in a certain sense. This paper introduces the relationship between Internet finance and traditional finance. After analyzing the status quo of traditional finance in China, it proposes the improvement measures of traditional finance.

1. Introduction

Internet finance is a concrete manifestation of the use of the results of the third scientific and technological revolution. The rise of Internet finance is a major historical event in China's financial sector. The so-called Internet finance is based on traditional finance, combining the Internet with finance, and innovating in terms of financing channels, payment methods, and capital supply and demand models. Internet finance, with its unique advantages, occupies an important position in people's life and work, but at the same time brings enormous challenges to traditional finance. These challenges do more harm than good for traditional finance, and promote traditional finance itself. development of. The structure of this paper is as follows. The first part introduces the concepts, advantages and characteristics of Internet finance and traditional finance. The second part explains the inevitability of Internet finance to impact traditional finance. The third part specifically analyzes the impact of Internet finance on traditional finance. The fourth part proposes The recommended measures.

2. Internet finance and traditional finance

2.1 Traditional Finance

Traditional finance has a broad and narrow distinction. Generalized traditional finance refers to financial activities that only have three traditional businesses of deposit, loan and settlement. Broad sense of finance generally refers to all economic activities related to the issuance, custody, exchange, settlement and financing of credit currency. Traditional finance and internet finance are different from the relationship with the real economy, the role played by promoting the development of the real economy, and the principle of the two sides. With the rapid development of the Internet, compared with Internet finance, the traditional financial marketing concept does not form a new marketing method in combination with the Internet. The development is lagging behind and the model is relatively backward. Traditional finance still uses the original model in marketing, the marketing method is single, the marketing concept is more traditional, and the marketing scope has certain limitations. In the fierce market competition, traditional finance adopts the original marketing method and development strategy, which is difficult to adapt to the current market development. Especially due to insufficient innovation ability, the marketing effect is difficult to guarantee, and the marketing method is difficult to enhance competitiveness, which is not conducive to the industry. Sustained development, the benefits of the industry are affected.

2.2 Internet Finance

The development of Internet finance has benefited from the widespread use of Internet

technology. Internet finance is not a simple combination of the Internet and the financial industry. It refers to the new financial business model in which traditional financial institutions and Internet companies use Internet technology and information and communication technologies to achieve financial, financial, payment, investment and information intermediary services. It is the traditional financial industry and Internet technology. The emerging field of integration. Internet finance mainly uses computer and Internet technology to operate. Introducing technology into operation management has effectively promoted the development of the financial industry, facilitated people's daily life, and subverted the traditional financial operation mode.

Although Internet finance has a relatively large advantage, there are still many problems. The specific problem is manifested as, first of all, the law is not perfect. The development of the Internet finance industry is very short, and there is a lack of legal regulations. In the absence of law, e-banking transactions lack a clear stipulation of responsibility and responsibility. After a problem occurs, the responsible person cannot be found, and the victim's rights and interests cannot be well protected, which is likely to cause disputes. Second is the lack of risk management mechanisms. The Internet finance industry failed to clarify the working characteristics and requirements of the bank management model. It still uses traditional risk management methods to carry out its work. It is difficult to achieve the purpose of e-banking risk management and cannot meet the current risk management needs. Third, the lack of advanced risk prevention technology, customer information leakage problems. The customer's information is generally stored in the computer equipment. Since the bank is still using the third party to participate in the transaction in the course of the transaction, it cannot guarantee the comprehensive supervision and management of the information, resulting in an increase in the number of customer information disclosure. Finally, there is a lack of high-quality management talents. In daily work, it is difficult to employ professional management staff with high professional quality. It is difficult to analyze and investigate the characteristics of risk prevention and control, which will pose a threat to the development of banks.

3. The inevitability of Internet finance impacting traditional forms of finance

The report of the 19th National Congress of the Communist Party of China clarified that the direction of financial development is to support the development of the real economy, which is part of the real economy. Therefore, finance can develop through the development of the service real economy, and the financial system reform of the other side has established and improved the regulatory framework of the dual pillars of "monetary policy + macroprudential policy", providing a basis for actively doing a good job in preventing financial risks. At the same time, structural reforms on the supply side and "three rural" work are all conducive to the continuous development of China's financial industry.

Not only that, but also because Internet finance has unparalleled advantages over traditional finance. Internet finance has the advantages of convenience and wide coverage, which determines the inevitability of its impact on traditional finance. First of all, Internet finance is not limited by time and space. It has the ability to handle business quickly. As long as it has the corresponding accounts, it can complete specific transactions and improve the shortcomings of transactions due to time and space limitations. Secondly, the level of development has improved rapidly. With the continuous improvement of China's scientific and technological development level, with the support of big data and e-commerce related means, China's Internet development level has been significantly improved, and its scale has been expanding, which has promoted the rapid development of China's Internet finance. Finally, the coverage is more extensive. Internet financial transactions can be carried out at any time and at any place. The coverage is relatively wide. It only effectively attracts a large number of users. It brings convenience to human daily life and greatly improves people's daily life quality. China's economy is booming. At the same time, Internet finance also has the advantages of high participation and high transparency of information, which solves the problem of enterprises' demand for funds.

4. The specific impact of internet finance on traditional finance

Internet finance has weakened the intermediary function of commercial banks, eroded the income sources of commercial banks, and changed the business service model of commercial banks. However, the impact of Internet finance on traditional finance is unique and not abstract, mainly in the following areas.

Third party payment. The third-party payment is generated for the payment problem of e-commerce. The third party with strong financial strength that both parties trust is used as an intermediary to avoid credit problems between buyers and sellers and provide guarantee for payment. Third-party payment has very high efficiency, avoids the problem of information unequal and delay caused by poor information circulation, and provides customers with a more fair and fair channel. The third-party payment provides customers with storage space, which provides a very convenient storage means for the client's spare funds, and the interest rate is much higher than the commercial bank's current profit.

P2P network lending and consumer finance. Although the state has policies to support small and medium-sized enterprises and encourage "mass entrepreneurship, innovation," the fact that loans are generally targeted at large enterprises and institutions. Internet finance can provide loans for individuals, small and medium-sized enterprises, and diversified services to meet individual consumer needs. It is more used by small and medium-sized enterprises to prevent risks. People with low income levels want loans. It is impossible to suppress consumer enthusiasm.

Solved the problem of financing difficulties for SMEs. With the development of Internet finance, the problem of financing difficulties for SMEs has been effectively solved, which has brought hope and strength to the development of SMEs. Entrepreneur startups require a large number of start-up funds, while traditional commercial banks generally adopt insurance practices and do not lend, which will hit entrepreneurs' confidence. As a form of Internet finance, crowdfunding can provide financial support for some entrepreneurial enterprises and individuals, and provide certain guarantees for those who participate in crowdfunding. Under the shared economic conditions, enterprises can use Internet finance to obtain higher returns.

5. Measures to deal with Internet financial shocks

Create a good risk management environment. In order to cope with the impact and challenges of Internet finance on itself, commercial banks should change their core business philosophy, adhere to the customer-oriented welfare concept, and strive to provide customers with better and more convenient services. In the process of daily management, it is necessary to create an internal management environment according to the characteristics of the industry, and build a professional risk management department. On the basis of project safety assessment, reduce risk issues, ensure good control of risks and losses, and fundamentally prevent Bank risk and loss phenomenon, improve the effectiveness of management and control work.

Improve technical management measures. It is necessary to focus on the innovation of financial strategy and rely on its powerful data information collection and mining capabilities to continuously expand its business areas. It is necessary to combine the risk prevention features and specific contents to carry out security management to ensure that the operation and data are fully utilized, the system content is updated, the system content is improved, the application effect of the security firewall system is improved, the vulnerability problem is prevented, and the risk is used to complete the task. While expanding the income channel, we must save service cost and achieve the goal of effectively attracting users.

Improve the supervision and management system. It is necessary to build and improve the network financial risk aversion mechanism, lay a good foundation for the sustainable and stable development of traditional banks, and constantly set up a new risk prevention system to achieve a win-win goal. In the process of supervision and management, it is necessary to combine the regulatory characteristics of risk, improve the overall work system, and reasonably detect the information content. Under the circumstances of information feedback and resolution, it will lay a

solid foundation for the management of user information security and improve the overall work effect and level.

Build a team of high-quality management talents. It is necessary to promote deep cooperation and business alliances with strategic partners, and combine their own advantages to build a local e-commerce platform. Commercial banks should build a high-quality talent team, with the support of talents, reasonably complete the current work tasks, and train the management personnel with staged professional knowledge and advanced skills, so that they can establish correct concepts and actively participate in risk management activities. , to complete the work task better.

6. Conclusion

The emergence of new things will bring challenges and influences to old things. This is the law of nature. At this stage, China's Internet finance is at a stage of development, and there will still be a series of deficiencies in its development process. Although the advantages of traditional Chinese banks have been difficult to play effectively, with the continuous development of Internet finance, the role played by traditional banks cannot be ignored. Therefore, it is necessary to effectively combine Internet finance with traditional banks to achieve a mutually beneficial and win-win situation and promote mutual progress.

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