Countermeasures Exploration of State-owned Commercial Banks in the Context of Internet Financial Model

Yan Juan Feng and Bo Sun

Abstract. In recent years, with the development of e-commerce, Internet financial model continuously develops and flourishes, especially the "financial online", this pattern develops rapidly. The rapid development of this kind of financial model brought a huge challenge to the traditional banking sector, this challenge greatly influence on state-owned commercial banks. This paper first describes the development of the Internet financial status and third-party payment, such as Internet banking and Internet banking sales of the main characteristics and how to operate. Then by using the SWOT method to analyze the state-owned commercial banks facing in the Internet financial mode of strengths, weaknesses, opportunities and challenges. Finally from enlarging advantages, avoiding disadvantages and traditional bank financial models and new financial aspects put forward the mutual fusion of commercial banks in the context of the Internet financial strategies and prospects for development.

Keywords: Internet financial; Financial innovation; Commercial banks; Strategy choice

1 Introduction

1.1 Research Background

Broad definition of Internet finance, including Internet-related financial business, is not limited to online financial products, third-party payments. Based on the current Internet payment and other financial tools, the emergence of Internet finance makes the financial business, payment business
develop rapidly, and bring a great promotion in the financial information exchange. The difference between Internet finance and traditional finance is that they take different media, and more importantly, financial participants can become familiar with the concept of "openness, cooperation, equality and sharing", which make participation greater, transparency stronger and intermediate costs lower.

1.2 Significance and Ideas of Research

Over the years, since the Internet finance played a important role in the financial market, the traditional financial industry has been greatly affected. This open environment of the Internet, prompted more active financial transactions and more intense competition within the financial industry. In the face of the challenges posed by Internet finance, at the beginning of 2014, major commercial banks continue to explore and heat up, using a variety of network technology to increase sales channels and improve their online business. Therefore, banks need to understand the situation thoroughly at the same time explore their own characteristics, recognize their own strengths and weaknesses, seize the opportunity to get their own development.

1.3 Research on Internet Finance Theory at Home and Abroad

At present, the definition of Internet finance is still very vague, the United States has some definitions like network finance. Internet financial business, that is, which can implement better financial transactions on the basis of Internet and credit evaluation. The development of the United States in this area, includes asset valuation, personal asset operations and so on. In the regulatory mechanism, the US third-party payment agencies are supervised by the Federal Deposit Insurance Corporation.

Different experts and scholars of the Internet have some research on the development of Internet finance. Cao Shaoxiong studied how the emergence of the new financial model affected the pattern of the entire financial industry under the current financial model. The authors believe that its emergence will have a big impact on the bank payment system, and will affect the capital chain and information chain. Feng Juanjuan analyzes the characteristics of Internet finance in recent years, the advantages and disadvantages of commercial banks, and proposes that commercial banks should intensify their training and merge with Internet finance in order to create the prosperity of the financial industry.

2 An Analysis of the Development and Status of China's Internet Finance

2.1 The Concept and Characteristics of Internet Finance

Internet finance which refers to the Internet business on the media of Internet, is a kind of Internet technology based on large data and cloud computing, providing users with convenient, more efficient new differentiated financial services. Internet finance relies on the network platform, so that the exchange of information, payment of funds and the allocation of resources have become more simple and convenient.
Compare to the traditional financial, Internet finance has the following characteristics:

Firstly, the payment is more convenient. Through the Internet, mobile phones and other software and hardware platforms, users are able to achieve the securities trading, transfer, payment and other financial functions quickly and easily. Secondly, the transaction costs less. In the traditional financial model, small and micro-capital customers can not achieve all types of rich financial functions. But at present capital supply and demand sides can directly conduct the Internet transactions, transaction costs have become less. Third, the allocation of resources is more direct and efficient. In the traditional financial model, the corresponding information of capital often can’t match with what is needed. The emergence of the Internet financial model, the transaction of funds can be completed without intermediaries such as securities institutions. By giving out the dynamic default probability or risk pricing of any money demand institution, the large amount of data produced by mutual transfer of information can help the credit supervision, making it reasonably and quickly realize the pricing of funds, and improve the efficiency of resource allocation.

2.2 Development Patterns of Internet Finance
2.2.1 Third Party Payment

The funds settlement, which involves security system provided by the third party to the buyers and sellers of funds settlement, is called third-party settlement, whose appearance ensures the e-commerce transactions. The two parties of the transaction can realize reliable guarantee and mutual supervision through third-party payment model. It brings the following characteristics: Firstly, under the platform, the seller can promptly receive the buyer payment, and the two parties of transaction can choose to pay other than online banking. Secondly, if the goods did not reach the buyer, the seller may not receive the payment. Finally, the business of the bank can be continuously expanded, and the operating costs of the associated enterprise will be reduced.
2.2.2 Online Bank

Major commercial banks have set up their own Internet banking, consumers can receive service through the Internet. The time cost and transaction costs greatly reduced because of the emergence of online banking, which can bring higher profits while reducing the operating costs of commercial banks.

2.2.3 Peer-to-Peer Lending and Crowd Funding

Peer-to-Peer Lending refers to customers can conduct borrow transactions as needed and enjoy such services depending on the internet. From the nature of the credit platform, China's Peer-to-Peer Lending enterprises can be divided into four categories: compound intermediary online mode, pure intermediary mode, atypical Peer-to-Peer Lending mode, offline authentication mode.

Crowd Funding refers to the way in which various small businesses present their ideas through the Internet roadmap, where they can request funds for their own needs. Different from other financing methods, in this mode, there is no transfer of shares, the sponsor has the right to decide whether to invest.

Figure 2. (Source: Net loan home).

Figure 3. (Source: Net loan home).
2.2.4 Internet Financial Sales

Internet financial management is a new way to manage assets, which is a new model jointly created by financial institutions like fund companies and Internet companies. They not only have high liquidity and profitability, and can serve as demand deposits, which can be used at any time. In terms of Alipay, users only need to transfer the balance from Alipay to the Yu’ebao then obtain a certain amount of income as open financial products. Balance, by contrast, in terms of liquidity, treasure is higher than the monetary fund, in the purchase of a starting point, a lower threshold earnings is higher. In contrast, Yu’ebao has higher liquidity than the Monetary Fund, in the starting point of purchasing, the threshold lower and the income is higher.

3 SWOT Analysis of State-owned Commercial Banks under Internet Financial Model

3.1 Advantages of State-owned Commercial Banks under Internet Financial Model

First, the commercial banks' credit system is more mature, commercial banks can better control the credit of consumers and business organizations, and ensure the security of customer transaction funds. Second, the traditional commercial banks have a relatively sound risk management system, with correspondingly strong risk management capacity. Third, the major commercial banks have their own related applications on the payment and electronic clearing, and its service functions, security capabilities are quite strong, its professional and technical advantages are still relatively obvious. Fourth, commercial banks have rich client resources and a wide range of offline channels, and because of strong financial strength and exuberant loan demand, commercial banks accumulate a large number of loyal customers.

3.2 Disadvantages of State-owned Commercial Banks under Internet Financial Model

First, the customer experience needs to be further enhanced. The new financial concepts of customer-oriented, makes commercial banks to change the business philosophy of financial product-centered of urgent. Second, the information integration capacity needs to be further strengthened. At present, the appearance of the Internet makes rapid development for e-commerce, and the emergence of various new payment systems has brought together information exchange, cargo transport and financial transactions. Many banks have been given more emphasis on information collection and exchange under the influence of the new financial model. Third, the market response speed needs to be further reinforced. Internet companies have strong adaptability and a keen insight into the market, while the market response speed of banks is still relatively backward because of the relatively conservative business philosophy and lengthy process.

3.3 Opportunities of Commercial Banks under Internet Financial Model

First, commercial banks need to seize the field of mobile payments quickly. As mobile phones and other mobile terminals is more and more
popular with people, and customers continue to pursue fast and convenient consumer experience, the mobile payment business of third-party payment model will constantly be seized by Internet companies and commercial banks. Until the end of 2011, the number of China's mobile payment customers has been 100 million, the business can not only make customers more loyal to commercial banks, but also increase the income of intermediary businesses.

Second, commercial banks need to use data mining technology skillfully. Internet companies continuously collect and analyze all kinds of information of usage in their own business process, to achieve the precise marketing to users and meanwhile to provide customers with better quality of customized services. Although traditional commercial banks can easily collect customers’ funds trading information, it’s more difficult to obtain the data of financing needs.

3.4 Challenges of Commercial Banks under Internet Financial Model

First, the proportion of third-party payment transactions in the total transactions is the largest, up to eighty percent. The use of bank payment means will be reduced by the convenient means of third-party payment, with the payment structure being affected. Second, from the perspective of the total scale of social financing, the proportion of bank loan financing continues to decline. Third, the income of middle business has been decreased. Fourth, the limitations of information and data collection techniques and channels cause the banks’ weakness which unable to grasp the customer front-end information. Fifth, the customer-oriented business philosophy emphasizes the importance of customers’ product experience, which needs to analyze the market so as to understand customers’ preferences and psychology, but commercial banks are out of touch with customer experience research.

4 Countermeasures Exploration of State-owned Commercial Banks in the Context of Internet Financial Impact

4.1 Understand Reform Comprehensively, Speed up Talent Reserving and Training

The demand of Internet finance for talents is much higher, not only need talents who are familiar with the use of new technology, but also talents that know well about the financial business. Commercial banks must recognize that the impact of the financial industry by Internet technology, continue to change the awareness of Internet financial from the aspects of talents, develop new plans for talent recruitment and training, give priority to recruiting comprehensive talents who are both professional in computer and financial fields, and be able to make the entire company to learn as needed, so that banks can also benefit from the new financial model.

4.2 Increase Intensity of Innovation, Build Intelligent Bank

Financial innovation has put a lot of pressure on banks. While banks have a relatively complete risk management mechanism, more mature products and a wealth of business experience. Nevertheless, banks should increase their flexibility to deal with the problems posed by Internet finance.
Innovation can make banks better respond to the ever-changing market. Whether in product services, technology development or enterprise management needs to innovate, and this will ultimately create a comprehensive intelligent bank.

4.3 Attach Great Importance to Customer Experience, Reconstruct Business Processes

Because the better effect of experience and the unique marketing approach, the new financial model is more favorable among some customers. The financial core business and Internet technology are deeply integrated in this business model, therefore commercial banks require a deeper level of reform for its business model and business processes in the competition process with the Internet. According to the shortcoming of cumbersome business processes, commercial banks need to follow the "customer-centric" purposes, adhere to the "small, simple, fast, whole" principle in the reconstruction of business processes.

4.4 Traditional Commercial Banks Model Cooperate and Integrate with Internet Financial Model

For commercial banks, the technology application of Internet financial model can be learned to achieve the continuous upgrading of industry. And the strong Internet data collection capabilities can be applied to commercial banks moreover, which not only reduce the time cost and transaction costs, but also tap some potential customers and find their demands. Of course, the products and services of new financial model can also be integrated with commercial banks, along with the service and management level being pushed to a higher level.

5. Acknowledgments

This work was supported in part by a grant from Guangdong province science and technology planning project. (2013B040404009) and (2016B070704010).

References

[1] Chen J H. Exploration on the Main Problems of the Performance Management in State-owned Enterprises and Its Countermeasures[J]. Value Engineering, 2016.
[2] Yang R. Financial risk prevention strategy of state owned Commercial Banks[J]. Journal of Hunan City University, 2016.
[3] Zhang X J, Businessamp A. The Analysis of the Impact of the Disintermediation of China's Commercial Banks and its Countermeasures[J]. Journal of Jining Normal University, 2016.
[4] Fang Y, Department F. Issues and Countermeasures of the Development of Personal Financial Services in China Commercial Banks[J]. Journal of Yunmeng, 2016.
[5] Xia L Y, School B, University Z. Impacts and Countermeasures of Interest Rate Marketization on Personal Financial Business of Commercial Banks[J]. Journal of Zhengzhou Institute of Aeronautical Industry Management, 2015, 1:401-424.
[6] Tao J. Problems and Countermeasures of Personal Financing Business of Commercial Banks[J]. Journal of Jilin Agricultural Science & Technology University, 2016.

[7] Tan Tianwen, Lu Nan. Comparative analysis of Internet financial model and traditional financial model [J]. Chinese market. 2013 (46)

[8] Xunjing Huang, Huang Cong, Zhao Shuming. The era of Internet banking of commercial banks talent management strategy research of [J]. (05) The 2015 financial forum.