

# *Challenges of Internet Finance to Traditional Finance*

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**Abstract:** Nowadays, the development of information technology has had a far-reaching impact on the financial industry. The reform of the Internet financial industry has made financial transactions more efficient, fast and accurate. Most financial users can make personal investment transactions on information websites. Through the Internet platform, because the investment management and financial business are faster and more convenient, it is highly valued by customers. With the vigorous development of the financial market, the acceptance of financial products and services has undoubtedly become the theme of the development of the financial industry in recent decades. In addition to traditional banking, insurance and investment services, consumers can also buy innovative finance and derivatives. Such as bank financial products, core financial assets, insurance savings, credit cards and Internet financial services. This greatly facilitates and increases the choice of consumers. This paper discusses the Internet financing of traditional financing, and discusses and analyzes the development trend of Internet insurance in China. This paper analyzes the problems existing in the development of China's Internet insurance, and puts forward some measures and suggestions to promote and strengthen the healthy and sustainable development of China's Internet insurance.

## **1. Introduction**

The emergence of new things will inevitably lead to new problems and bring challenges and more thinking to the old things, which is an eternal objective law. Therefore, the emergence of Internet finance will bring some challenges to traditional finance. By analyzing the development of China's financial market in recent years, traditional finance has had an unprecedented impact on the development of traditional financial industry. The vigorous development of Internet finance has enriched the development of China's financial market and promoted the further development of the financial market. Behind the prosperity and development of Internet finance, the pressure of China's traditional financial system is increasing. In the long run, the heyday of Internet finance has made China's financial market more active and forced China's traditional financial survival mode to change.

## 2. Overview of financial concepts

Finance is the general term of monetary financing. These activities mainly involve money flow and bank projects. Finance refers to the economic activities that improve the value of money through monetary financing, including indirect investment in the banking industry and direct investment in investment banks [1].

### (1) Definition of traditional finance

In people's minds, although the traditional financial transactions involve a wide range, most of the services are limited to the three traditional activities of deposit, loan and settlement. Therefore, its business scope mainly focuses on the circulation of money, especially a series of financial activities carried out by various banks for the issuance, circulation and sales of money. However, in the traditional financial transactions, if the Internet is used to replace it, the corresponding financial cost will largely cover all its financial activities, which is different from Internet finance. The traditional financial characteristics are reflected in many aspects of marketing lags behind. In terms of marketing, compared with Internet finance, marketing efficiency is a major problem of traditional finance in the field of sustainable development. Traditional financial industry usually has different types of financial services, such as deposits, loans and so on. However, the traditional financial model is the financial activities related to cash flow. However, the financial sector of the Internet has its own characteristics. With the development of science and technology, people are more and more aware of the difference between Internet Finance and traditional finance. Traditional financial methods require people to trade and work online, which requires not only time, but also complexity [2]. Therefore, in order to improve the efficiency of the financial sector, measures must be taken to improve the traditional financial working methods.

### (2) Definition of Internet Finance

Literally speaking, the concept of Internet finance is not difficult to understand. Internet finance comes from a certain source based on a certain network technology. First of all, the emergence and dissemination of Internet financial model make full use of Internet development and Internet technology as the technical carrier [3]. Therefore, Internet finance is a new form of network finance. In terms of efficiency, service scope and expanded business sector, it is an effective financial innovation. It enables the financial sector to quickly transfer from one sector to another through the Internet, and makes the capital play a more significant and effective role. China's financial market has not been fully opened to the outside world. Compared with the global environment, it is still relatively closed and safe. Therefore, China's Internet financial model has distinct Chinese characteristics. Because China's Internet finance model is slightly different from foreign Internet finance models, the development of China's Internet finance has not attracted the attention of foreign scholars [4]. At present, the research on network finance mainly focuses on network financial products and financial instruments, while the macro process is relatively weak.

## 3. Characteristics of Internet Finance

### (1) Openness

The security of information sources and disclosure of Internet finance has been greatly improved. In financial transactions, the possibility of both parties disclosing true and complete information is very important to the fairness of the transaction. With the development and improvement of Internet financial model, both parties of financial transactions can obtain complete and real information through the Internet [5]. In this case, large data matching technology allows filtering and matching each other's information. This avoids the transaction risk caused by asymmetry in the traditional

financial model to a great extent, and is of great significance to improve the security of financial transactions. At the same time, in the Internet environment, the financial activities of individuals and institutions can be fully recorded through the Internet. This information has an impact on the confidence of individuals and institutions and has a good binding force on both parties to the transaction. With the emergence of Internet financing, some enterprises began to gradually turn to the direction driven by financing demand and gradually adopt a variety of loan forms. Financial users can manage the financial services on the Internet platform through micro, QQ and payment value. At the same time, it also greatly facilitates the financial management of enterprises (see Table 1) [6].

(2) Convenience

The emergence and development of Internet Finance largely depend on the application and dissemination of Internet technology, which is very different from traditional finance. In essence, Internet finance is a new mixed financial model that cannot be adopted by traditional financial institutions. Compared with traditional finance, the most important feature of Internet finance is the emergence of new payment methods. People can conduct business and daily activities anytime, anywhere through mobile phones [7].

(3) High efficiency

Internet financing has a certain high efficiency. Internet finance relies on Internet technology. Neither the collection and processing of information nor the collection and processing of information can be compared with traditional financing methods. It can provide customers with accurate services through big data processing technology. Internet transactions can also save a lot of time and improve efficiency. The capital utilization rate of the network is very high. Traditional financial forms, such as bank loans, need repeated approval, which is not conducive to capital flow. With the development of Internet financing, Internet finance has greatly improved the loan speed, accelerated the capital flow, and greatly increased its use [8].

*Table 1: features of Internet Finance*

Characteristics of Internet Finance	Specific performance
publicity	Both sides of financial transactions can obtain complete and true information through the Internet
Convenience	With the emergence of new payment methods, users can trade through mobile phones and computers anytime and anywhere
Efficiency	Provide customers with accurate services through big data processing technology

#### 4. Disadvantages of Traditional Finance

(1) Rigid management

In the past, in order to enhance the security and confidence of financial business, many traditional banking institutions often strictly controlled their business activities, but it is these strict business constraints that make traditional financial institutions more strict in cash flow and other business activities. After the rise of Internet finance, traditional financial institutions need to change to reverse their negative development, especially in the management of financial transactions. Their operating efficiency needs to be continuously improved. In the past, people had to pay electricity, water, telephone or other living expenses within the specified facilities [9]. At present, with the rise of Internet finance, utilities and telephone charges are mainly paid through the Internet platform. In addition to providing people with more comfort, if the lifestyle is so fast, it can save a lot of time. If traditional financial institutions want users to resume business and pay fees, they must avoid

banking problems. Therefore, in recent years, many banks have launched new businesses in this field in order to simplify procedures and reintegrate some customers into society, which has injected new impetus into the development of traditional financial institutions.

(2) Fierce competition and many potential competitors

In the era of big data, with the increasing diversification of financial markets, the influx of foreign banks, the opportunity for private banks to obtain more information and the development of Internet financial institutions, the banking industry is facing not only the competition of existing competitors in the industry under the Porter five forces model, but also the need to protect itself from the threat of potential market participants. In the Internet era, industrial development and innovation are developing very rapidly. If we fail to keep up with the times, the income of traditional banks will be affected. Traditional banks will have to continue to position market development, meet the diversified needs of customers, and improve their competitiveness through existing funds and channels [10].

## 5. Challenges Brought by Internet Finance to Traditional Finance

Driven by the Internet wave, financial institutions with "combination of Internet and finance" came into being. This is not a simple symbol, but provides customers with a variety of comfortable and convenient investment options in modern information technology. The rapid development of Internet finance has brought unprecedented difficulties and challenges to traditional banks (see Table 2). Offline trading will have an impact, and new financial trading modes, such as payment, trading and investment services, came into being. It is increasingly obvious that young people can pay through third parties, and small and micro enterprises can more effectively solve credit problems through internet financial platforms. The emergence of Internet finance has injected new impetus into "mass entrepreneurship and innovation" to a certain extent. In contrast, the traditional banking business is shrinking year by year. In the face of external shocks, traditional banks in the transition period urgently need to explore ways of scientific and sustainable development.

(1) The payment methods of Internet finance are richer and more flexible

Internet finance is a new mixed financial model based on the traditional financial system. Compared with traditional finance, the most important feature of Internet finance is the emergence of new forms of payment. With mobile phones and computers, users can pay anytime and anywhere, which greatly facilitates people's business activities and daily life. With the implementation of payment system, many banking businesses are also developing in the network. Some local banking businesses may also begin to use the Internet for business processing under the influence of Internet financing. Therefore, with the emergence of Internet finance, with the gradual transformation of financial business and financial services to network structure, the operation and management of the financial industry has also changed to network structure [11].

(2) Internet finance has broken the monopoly of traditional finance on enterprise capital supply and demand

Traditional financing sources usually have two main parts: loan profit and user savings. They are provided to enterprises in the form of bank loans, so that banks can effectively improve their profitability. With the emergence of Internet finance, enterprises can now obtain loans and enterprise development financing, such as payment accounts, microfinance and other credit businesses. At the same time, Internet finance is effective for enterprises and individuals. At present, many enterprises finance through the Internet, which not only breaks the monopoly of banks on enterprise loans, but also brings new opportunities and challenges to enterprise loan business.

(3) Internet finance effectively solves the problem of financing difficulties of small and medium-sized enterprises

With the development of China's social economy, the financing problem of small and medium-sized enterprises is becoming more and more obvious. Due to financing difficulties, many small and medium-sized enterprises cannot continue to operate. With the development of Internet financing, it has effectively solved the financing problems of small and medium-sized enterprises and brought hope and opportunities for their development. For example, some Internet finance companies obtain loans from some small and medium-sized enterprises through private financing. Small and medium-sized enterprises will repay capital and interest to Internet financial institutions within a period of time after capital development, while Internet financial institutions will repay interest to private investors [12]. The virtuous circle of capitalization has effectively solved the financing problem of small and medium-sized enterprises and increased people's economic income.

(4) Compared with traditional finance, Internet finance is easier to maintain customers

With the help of information technology, Internet finance can also analyze customers' various consumption records and consumption habits to determine customers' psychological needs. Therefore, after analyzing the results, it also helps to improve financial business. At the same time, in the traditional financial industry, the level of customer maintenance skills is low, and various business services are restricted by technology. Generally speaking, banking service systems are used to manage funds and provide financial services. Although this reflects the important role of the banking system in the financial industry, it also means that banks have an important monopoly position in the financial industry. With the continuous development of information technology, financial services are also constantly modernized. In addition, banks are no longer the only institutions providing services for financial activities. The financial potential of different sectors of the Internet is also increasing, and the potential of the service industry is also increasing. Traditional financial industry and Internet financial industry provide services at the bottom and bottom of the network, which improves the service level of the financial industry.

*Table 2: Comparison between Internet Finance and traditional finance*

	online finance	Traditional finance
Payment method	convenient	complex
Support for enterprise capital supply and demand	Quick response	Slow response, high threshold and many steps
Enterprise financing	Easy access to financing	Difficult access to financing
Customer maintenance	Big data records are easy to maintain	Manual recording, low efficiency

## 6. The Future Development Path of Traditional Finance and Its Enlightenment

(1) Improve the supervision mechanism

The traditional financial industry is undergoing market and regulatory reform. With the development of market competition, economic globalization and holographic interaction of information, the traditional static independent financial data is expected to be replaced by the continuous dynamic time series of financial transaction information; The traditional financial management system will gradually disappear and replaced by the regional financial management system. We will liberalize the supervision of bank interest rates and gradually implement a market supervision mechanism Financial supervision includes not only the supervision of the operation mode of the financial industry itself, but also the supervision of the security and stability of the Internet system. The supervision mechanism of China's traditional financial industry has always

been relatively perfect, but the efficiency is not satisfactory. If we can carry out efficient supervision on the basis of ensuring the smooth operation of the supervision mechanism, we can carry out humanized supervision services not only from the perspective of rationality, but also from the perspective of financial investors and financial users, listen to the voice of the masses and implement supervision services, so that China's traditional finance will glow with different vitality.

#### (2) Change inherent mode

First, China's traditional financial industry should gradually change the inherent traditional business model, give full play to the advantages of Internet finance, apply it to the development of traditional finance and continue to support the development of traditional finance. For example, banks have fully implemented the network integration development model, which is a new development model under the influence of the Internet financial crisis. Second, the traditional financial system must constantly enhance its ability to prevent and prevent risks. Under the influence of Internet finance, China's traditional financial industry gradually combines some financial transactions with the Internet, but due to its own risk factors, the Internet inevitably increases the risk of traditional finance. Therefore, traditional financing methods must pay attention to risk assessment and prevention [13].

## 7. Conclusion

Compared with Internet finance, traditional financial methods have many defects, but at the same time, they also have advantages that Internet financing cannot provide. For example, traditional finance now has more development funds and more mature social communication and development experience. In order to solve the problems related to Internet Finance and develop Internet finance more effectively, the traditional financial system must give full play to these advantages, constantly optimize the service mechanism and attract more users. For example, we can restore confidence in old customers by improving infrastructure, improving customer service, and gradually repositioning existing services as integration. In addition, in the context of Internet financing competition, we must also ensure that the gap between information exchange methods and transaction costs is shortened. This also requires changing traditional financial institutions, actively introducing information technology, optimizing resource allocation and improving resource utilization efficiency. At the same time, in order to greatly improve the competitiveness of traditional financial institutions in the competition of information resources, we must establish a customer database. In addition, traditional financial institutions must learn from financial companies through the Internet, constantly introduce existing financial transactions and financial products, and provide customers with high-quality and cost-effective financial products. At the same time, in order to make traditional financial institutions maintain a greater space for survival and development in the future, they need to reposition the market as the future. Only in this way can we fill the gap of Internet finance, provide different financial products for different customers, expand new areas of financial development and make them develop longer.

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