

Discussion on Consumer Credit Business of Traditional Commercial Banks under Internet Finance

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Abstract: With the advent and development of the information age, the Internet has become the current advancement in all walks of life. The popularization of e-commerce also gives birth to Internet finance. The emergence of consumer credit businesses such as “Yu ‘ebao” and “Huabei” has put great pressure on the consumer credit business of traditional commercial Banks. Under the background of Internet finance, in order to promote the development of commercial Banks’ consumer credit business, it is necessary to strengthen the innovation of commercial Banks’ consumer credit business and meet the development demand of the current information age.

Keywords: Internet finance; Traditional industry banks; Consumer credit business; Innovation

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In the new era, the development of Internet information technology has a great impact on China’s financial economy, not only making people’s consumer payment more convenient, but also promote the rapid development of the financial economy. Currently people rarely use cash in the process of consumption, most of them use Alipay, WeChat and other payment methods. The development of the financial economy has boosted the development of consumer credit business on the Inter-

net. Online loan software such as Huabai, Baitiao and Qihoo 360 Loan emerge in an endless stream, and these Internet financial economy has a significant impact on the development of consumer credit in traditional commercial banks. Therefore, commercial banks must pay more attention to the innovation of traditional credit work and explore the road in line with the development of the times.

1 The impact of Internet-connected finance on traditional commercial banking operations

1.1 Impact on traditional credit business entities

Internet finance credit business is mainly carried out in small and medium-sized enterprises as the service object, traditional small and medium-sized enterprise financing is mainly through commercial banks of credit services business completed, and the ease of access to financial banking credit services has led most SMEs to turn to the in Internet finance^[1]. The analysis of the relevant data from the People’s Bank of China shows that since the emergence of Internet finance, the number of short-term loans of commercial banks has been extremely reduced (Table 1), and the main reason for this phenomenon is the impact of Internet finance on traditional commercial banks. The establishment of various online financing platforms that can meet the short-term financing needs of most SMEs has led to an increase in the number of short-term loans.

Table 1. Growth in credit business of selected commercial banks

Commercial bank	Credit balance (\$ billion)	Year-on-year growth (\$ billion)	Year-on-year increase (%)
ABC	1642.8	111.2	6.9
Ping An Bank	2687.3	—	—
ICBC	2601.5	129.8	5.4

1.2 Decrease in profitability of credit operations

The process of granting loans from traditional bank credit facilities to SMEs in the undeveloped stage of the financial economy is too stringent, and some of those in urgent need of funds are not able to obtain them. SMEs are seldom able to obtain loans from commercial banks and this is the main reason for their financing difficulties. With the birth of the Internet financial credit platform, it has effectively solved the problem of SMEs in dire need of loans, and driven by these SMEs' Under more and more companies and individuals are shifting to the Internet financial credit business, resulting in a sharp decline in the number of credit business customers for banks^[2]. The shift in credit customers will inevitably reduce bank lending, resulting in lower profits for commercial banks. In addition, the Internet finance market mainly uses virtual operation, so the cost required in the process of lending and financing is lower. Through the analysis of data related to Internet finance, it can be seen that the cost of Internet finance compared to the credit business of traditional commercial banks is only 1%, which greatly reduces the cost of capital credit transactions^[3]. The commercial banks need tedious procedures, labor, and time in the conduct of credit business, which requires higher costs (as shown in Table 2、 Figure 1).

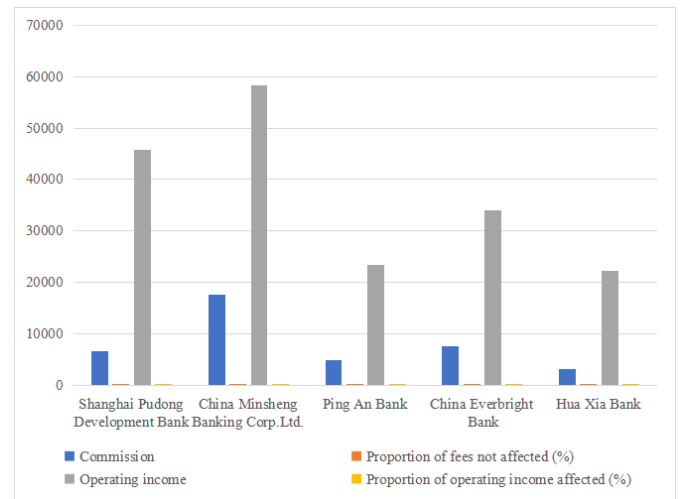


Figure 1. Diagram of commercial banks influenced by internet finance

to comply with this approval process, especially for some small and micro enterprises, and the assessment is more stringent, even Need to conduct field research, the whole process down takes dozens of days. But small and micro-enterprises in the financing process, generally on the capital in place requirements are higher, long approval process waiting for the development of small and micro-enterprises to speak unfavorably^[4]. The Internet lending and financing platform can verify the assets

Table 2. Proportion of commercial banks affected by Internet finance

Commercial bank	Commission	Proportion of fees not affected (%)	Operating income	Proportion of operating income affected (%)
SPD BANK	6661	45.62	45681	6.45
CMBC	17571	44.98	58397	12.94
Ping An Bank	4913	72.05	23396	15.02
CHINA EVERBRIGHT BANK	7659	72.34	34012	16.98
Hua Xia Bank	3189	57.95	22196	8.53

1.3 Unscientific credit business processes

Traditional commercial banks in the process of loan approval procedures are complex and slow, apply for a loan needs to go through layers of application, approval, and Verification as well as risk assessment etc. All aspects of the lender's assets quantity, liquidity, debt ratio, risk tolerance, and so on are need to be thoroughly examined and evaluated. All commercial banks need

and creditworthiness of loan applicants through big data technology and use the flattened structure of the organizational form of business transactions, which can effectively solve the problem of asymmetric information between the two sides of the loan, ensure the connection of information as well as demand between the financier and capital holders, shortens approval time, improve financing efficiency, and meets the loan needs of small and micro enterprises. The commercial bank credit busi-

ness under the comparison of the two is significantly behind.

2 Analysis of the advantages of commercial bank credit operations

2.1 High credibility

Compared to Internet financial credit, traditional commercial banks have greater brand credibility, as well as a larger asset base and a richer, more stable customer resources, more over it was widely recognized by the market over the years, so most people trust commercial banks more when it comes to consumer credit^[5]. So as long as traditional commercial banks can strengthen the improvement of their credit business, they are still very competitive in the future.

2.2 Strong reliability

Traditional commercial banks have stronger data assets and therefore greater reliability as compared to the Internet financial credit business. Traditional commercial banks have a massive base of real customer data in the business process, in the modern credit business, commercial banks credit risk can be reduced through the application of these data^[6].

2.3 Strong competitive advantage

Traditional commercial banks have a physical advantage over Internet financial credit operations and have a wider distribution of physical branches, more it is easy to gain people's trust. Through an incomplete count of commercial bank branches in China, there are more than 220,000 commercial entities. All these branches can provide customers with business consulting, processing and loan services. They can meet customers' needs for specialized advice on loans and have the advantage of comprehensive services.

3 Response to the development of credit business of traditional commercial banks in the context of Internet finance

3.1 Utilizing the opportunities of Internet finance to enhance credit business innovation

The development of Internet finance has caused a huge impact on the credit business of commercial banks, but also provides certain opportunities for development, thus Commercial banks must seize the advantageous role of Internet finance and strengthen the investment in information technology for credit business. First of all, investment in human resources, the information technology talent in traditional commercial banks

is relatively small, affecting the development of information-based financial products. Products often launched after a lot of time for research and have been eliminated without waiting for widespread rollout, resulting in increased operational risk for commercial banks. Therefore, commercial banks must focus on transformation, use the opportunity of Internet finance development to form internal bank information team, give full play to the role of internal forces to develop more information-based financial products^[7]. It is also necessary to strengthen the development of financial products for online lending platforms, and for commercial banks to be able to successfully turn around, they need to do a good job of Internet Business process reorganization efforts, making full use of big data technology, building a unique online credit platform, and innovating credit products. In the Credit product construction, it needs to take into account the current financing characteristics of small and medium-sized enterprises, and reflect the short time, frequency and small number of characteristics^[8]. In addition to strengthening the construction of operating platforms and product innovation, commercial banks also need to strengthen cooperation with e-commerce, promote the development of credit business through a strong combination and by means of information technology. For example, Everbright Bank cooperates with Taobao to build an online business hall.

3.2 Building a credit information system and improving risk management

The convenience of credit financing is the biggest advantage of Internet finance, only a mobile phone and ID card can be approved, the platform is difficult to verify personal information and authenticity of identity, and cannot directly call the bank's personal credit investigation, as a result, Internet finance Platforms are inaccurate in assessing the credit of individuals. Therefore, commercial banks must constantly improve their risk awareness in the conduct of online credit business^[9]. First of all, risk control needs to be put in the first place in the conduct of online credit business to ensure the completeness, accuracy and authenticity of the information provided by the financing customers, and credit risk should not be increased due to the Internet channels. At the same time, the improvement of personal credit information systems should be strengthened, and the construction of private credit information systems should be encouraged, so that, for a certain fee, third-party credit information systems can be established. Institutions can provide true credit reports, which is conducive to solving the problem of

information asymmetry in credit business processing on the Internet platform.

3.3 Improving the service model and reflecting the advantages of banks

Compared to Internet finance companies, commercial banks have more financial strength, social recognition, risk-taking capacity and customer loyalty. As a result, large corporations or individuals still choose to go to the Commercial banks handle it. So while commercial banks are vulnerable to the impact of Internet finance, brick-and-mortar stores still have the advantage of Internet finance incomparable. Commercial banks also need to take full advantage of their competitive advantages, enhance their services, and absorb the advantages of Internet finance to carry out O2O service model to better serve customers^[10].

3.4 Strengthening commercial bank credit publicity and guiding correct consumption attitudes

Credit has been practiced in our country for many years, but there are still some people who are unfamiliar with the credit business and products, and even the concept is vague. Most consumers do not understand or have a low understanding of credit business products, so commercial banks need to expand their understanding of credit business and Promotion and publicity of products. Financial institutions need to strengthen the explanation and interpretation of credit business and products through conferences and other forms to make consumers more aware of credit business. It can also establish the concept of rational consumption and prevent serious credit problems due to the early consumption of blind borrowing. Therefore, banks need to take on the role of consumer guidance, not only for the consumer, but also is an important way of development to ensure the safety of credit business.

3.5 Improving credit laws and regulations and ensuring credit security

In the background of Internet finance, both commercial banks and network finance need perfect laws and regulations to ensure that the credit funds are security. And in the formulation of laws and regulations, it also need to play the role of the government, taking into account the characteristics of the credit business to formulate targeted legal provisions. China's population is large, the number of graduates starting businesses each year is large, the demand for investment loans is also relatively large, although commercial banks have a more systematic credit collection system, it still

cannot guarantee the accurate grasp of each borrower's creditworthiness, leading to problems in the conduct of credit business. If the credit risk cannot be effectively controlled it will inevitably disrupt the financial market. Therefore, it is particularly necessary to strengthen legal improvements to reduce credit risks.

4 Conclusion

In summary, under the background of Internet finance, the credit business of traditional commercial banks is under great impact, but commercial banks themselves have certain advantages, so they need to take advantage of the development of Internet finance to strengthen the innovation of credit business and enhance the competitiveness of consumer credit business.

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