



Research on Risk Management and Control of Bank Finance Under Internet Finance

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Abstract. With the development of internet finance and the rise of e-commerce economy, internet finance has a great influence on the financial affairs of the domestic banking industry. This article takes the financial impact of Internet finance on banks as the research object, and combines the literature on the impact of Internet finance on the banking industry as the theoretical basis. Firstly, it introduces the concept of Internet finance and the connection between Internet finance and banks, and expounds the background of current Internet finance, and finds out the reasons for the emergence of Internet finance. This article mainly analyzes the influence of Internet finance on bank financial risk management and control from several aspects such as business philosophy, business model and service model. It can put forward corresponding opinions in response to these effects. It is hoped that the research results of this article can provide constructive suggestions for Internet finance in the future, improve financial supervision environment, and contribute to the stability of my country's financial environment.

Keywords: Internet Finance · Banking · Financial Impact

1 Introduction

In the modern financial system where traditional finance is also the mainstay, major banks still occupy a very important position. The emergence of a new financial system will inevitably have a certain impact on the past and successful financial system. Although the Internet financial industry will have certain contradictions with the traditional banking financial industry in the development process, in terms of the future development of the entire financial economy, traditional banks will inevitably be integrated into the new Internet finance. It is possible to retain some of the banking financial risk management and control financial systems that are beneficial to financial economy, and then combine the advantages and advantages of the Internet financial system. The combination of the two can inject new blood into the development of financial industry system in the future. A financial system suitable for actual conditions will improve the development of financial system and further promote the efficient and healthy development of financial system.

2 Internet Finance Overview

2.1 The Current Situation of Internet Finance Development in China

- Development course of Internet finance

With the rapid development of e-commerce economy and the gradual increase of financial enterprises, many non-financial Internet companies have gradually begun to transform into Internet companies. With the rapid development of electronic technology, the types of Internet finance companies in China are becoming more and more diverse, and the forms of operation are also different. Similarly, the number of financial entrepreneurs in the Internet industry is also increasing [3]. Compared with the new Internet financial model, the traditional financial industry has a lower degree of satisfaction for the development needs of mass customers. Generally speaking, with the current rapid economic development and the infiltration of Internet finance, people's lifestyle and life needs are also changing and providing. Therefore, to a certain extent, the traditional banking financial service model can no longer meet the development needs of current customers. The emergence of Internet finance conforms to the background of the times, and it is also an indispensable product of people's growing demand [2].

- The characteristics of Internet finance development

Internet finance is different from traditional finance in terms of payment, information processing and resource allocation. In the past development of traditional financial models, there were problems of high transaction costs and information asymmetry. However, the emergence of new Internet financial models has gradually reduced these problems that existed in traditional financial models in the past, and has also made the allocation of financial resources more optimized. This is due to the innovation of new Internet financial technologies and the explicit characteristics of big data [8].

2.2 The Form of Internet Finance in China

Internet finance is actually derived from the traditional financial model. It is the result and product of the integration of traditional finance and new Internet technology [14]. Therefore, by definition, all financial formats with the nature of Internet finance belong to the category of Internet finance. Capital refers to the financing of funds through certain channels, so the form of Internet finance is to realize the financing of funds through Internet technology. Traditional banks usually circulate paper money or bank securities. At present, the new type of Internet finance has added more methods such as third-party payment platforms [13]. Alibaba's small loans, P2P and other models of small loans and deposit business models, as well as new wealth management sales models such as WeChat and Alipay, are new forms of Internet finance (Figs. 1 and 2).

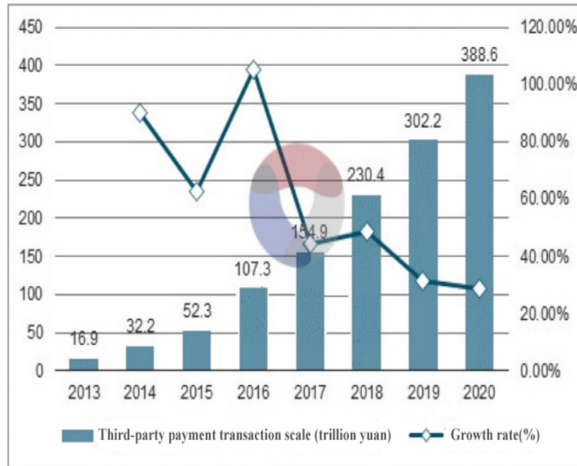
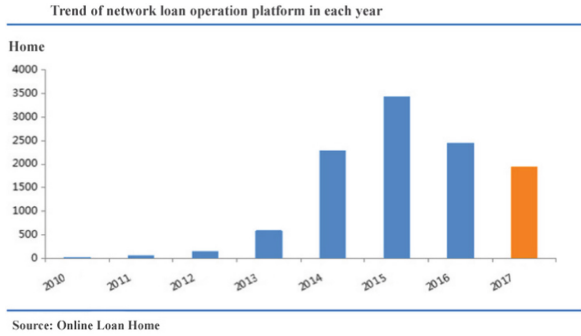


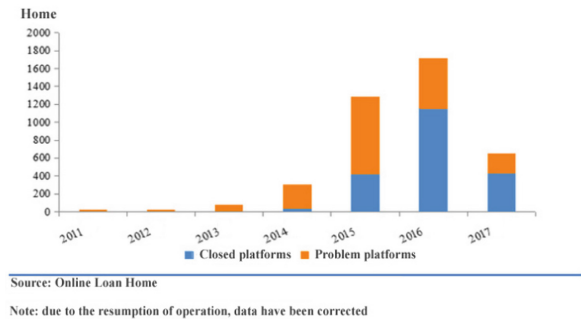
Fig. 1. Development of third-party Internet payment in China (Data Source: Airui Research Consulting)

2.3 Under the Development Situation of Internet Finance, Bank Financial Risks are Reflected

In the traditional banking business model in the past, banking knowledge played a role as a financial intermediary in terms of financing [12]. At present, the main source of income of Chinese banks is the interest rate differential obtained through the professional financial service technology provided to customers, the perfect financial management system and some other professional financial services. However, there is a certain degree of financial monopoly in the development of the traditional banking financial system, which has also led to the appearance of price injustice in the financial market, which is also related to the state's support and policies for banks. Because the state has a lot of support for banks, the profitability of banks is very open, and there is no certain rules. However, the emergence of Internet finance has changed the target customer groups for bank financial risk management to a certain extent. Under the premise of the in-depth development of global Internet technology, many former target customers of bank financial risk management will actively participate in the development trend of Internet finance. With the advent of Internet finance, people's lifestyle and consumption concepts have changed. Therefore, under this background, the traditional banking financial model is gradually being replaced by the new Internet financial model [1]. In addition, with the country's reform of the interest rate market, it is far from enough for banks to use only the benefits of interest rate differentials. Banks must pay attention to and value other income channels in order to adapt to the current impact and influence of Internet finance on their market position.



(a)



(b)

Note: The data can be reproduced for use.

Fig. 2. Development of third-party Internet payment in China in recent years

3 The Impact of Internet Finance on Bank Finance

3.1 Internet Finance Leads to the Increased Risk of Poor Bank Interest Rates

First of all, the emergence of third-party payment platforms in Internet finance will directly lead to a reduction in the income of Chinese banks in terms of interest rate differentials. It can take Alipay wealth management method as an example. According to relevant financial data, there is a considerable gap between the bank's financial risk management and control of demand deposits and annual income of 7%. Obviously, wealth management deposits through the Internet financial platform bring customers several times the profits of demand deposits in the bank's risk management and control. This will directly attract a large number of customers who have demand deposits in banks to abandon their current financial management in banks and instead use some Internet financial platforms for financial management. The loss of financial management customers will directly bring a fundamental impact on the bank's financial risk management and control. Therefore, the financial management model before the financial risk management and control of banks can no longer meet the needs and interests of more financial planners in the development trend of the Internet financial model. If banks do

not pay attention to this issue, then traditional banks will sooner or later be replaced by new Internet financial models [4]. Secondly, there are also innovative services in the new Internet finance that many banks do not have in risk control, such as electronic payment services in Alipay's third-party payment platform, ant platform credit services, and comprehensive insurance guarantee services. These new service functions have also attracted more people to choose this Internet financial model, which has also led to a reduction in the bank's intermediate income and the loss of customers.

3.2 Internet Finance Has Led to Changes in Bank Financial Management Concept

Since the new type of Internet finance relies on advanced Internet network technology and computer knowledge systems, it is technically more advanced than traditional banking financial models, and Internet finance is more convenient and faster in customer financial services. In the current high-tempo and high-efficiency social office environment, more people are willing to choose an Internet financial platform to handle business, which saves time and effort. Because there is no big data, cloud computing, and micro-loan in the traditional bank business model, this has become a major obstacle and drawback in the development of bank financial risk management and control [5]. For example, for the current Alipay third-party platform, Alibaba can use big data technology to further understand the business behavior and corporate reputation of enterprises and individuals, and can quickly develop a related personal online reputation evaluation system based on the evaluation report. In cooperation with the People's Bank of China, the credit review of users who need loans is faster and faster. Therefore, in comparison, compared with traditional bank credit business, the financial management concepts and methods of Internet finance are more advanced, which is mainly reflected in the convenience and speed of financing and loans for SMEs. Such a transaction service model has continuously reduced transaction costs, which is very beneficial to the development of the real economy. Therefore, in the face of the Internet financial service model, the credit business of traditional banks has no advantages and competitiveness.

In general, the financial risk management and control of banks must face the huge impact of Internet finance on their business and service concepts, change the previously outdated financial business concepts and behaviors, and change their profit model and business structure.

4 Countermeasures of Banks to Financial Risks Under the Background of Internet

4.1 Change the Business Philosophy, Improve the Construction of the Bank Financial Management Personnel System

In order to cope with the current rapid development of Internet finance companies, it is necessary to learn to get close to the new Internet finance model, and to actively and effectively make good use of the current Internet network technology. These new application technologies and service concepts should be integrated into the previous

traditional business model, combined with the shortcomings of the bank itself, complementary advantages, and explore a new business development path suitable for its own development.

First of all, as far as the bank is concerned, it is necessary to start from the senior leaders of the bank. The senior management of the bank should give full play to their leadership functions and play a leading role in responding to the impact of the current Internet financial model, and it is reasonable as soon as possible. It can give a response plan and measures. Although, in terms of business philosophy and service methods, the new Internet finance has a great blow to the financial risk management and control of banks, and the impact is not small, but this new financial model is not without its drawbacks [11]. For example, although most customers are more inclined to choose Internet finance. On the whole, new Internet finance companies started late after all, and their development is still in its infancy, and they have not obtained the banking business qualifications. It is also because of this that the senior management of the bank should grasp these shortcomings of the new Internet finance, advance to understand these problems, and take these shortcomings seriously. On the one hand, it is necessary to completely change the drawbacks and limitations of the previous development of bank financial risk management and control. On the other hand, it must be brave to innovate, and actively use the advantageous resources brought by the current Internet technology to completely change the previous bank's service model and service quality, and actively promote the bank's business transformation.

4.2 Mining Big Data, Marching into Internet Finance

With the emergence of new Internet financial payment methods, the payment and settlement methods of bank financial risk control have been eliminated. The current new e-commerce transaction methods are based on fast payment. In the traditional bank payment and settlement, the information resources of relevant customers are difficult. This is because traditional banks lack the support and support of big data, and the inability to grasp the information of relevant customers will lead to the loss of most customers. Therefore, if a bank wants to combine the current development advantages of Internet big data, it must master the customer's information flow and information resources, build its own e-commerce platform with the development of the times, and expand exchanges. In the current trend of the rapid development of the Internet, banks should actively take advantage of the advantages brought by the field of e-commerce, use e-commerce technology to increase the bank's marketing and expand their marketing channels [9].

4.3 Optimize the Financial Management System and Strengthen the Communication Between Banks and the Outside

As an important part of Internet finance, banks should increase cooperation and exchanges with other financial industries. Banks should continue to improve their capital financing management capabilities, hire financial personnel with rich capital management experience, strengthen cooperation and exchanges between internal financial institutions and external financial investment institutions, and ensure the scientific rationality of corporate fund management decisions [6]. In addition, banks should continue to

strengthen the comprehensive management capabilities of the financial department and cultivate the market sensitivity of financial transaction funds. In daily financial management, it must be good at seizing market opportunities and predict the possible financial risks in advance. Enterprises should actively face the potential financial risks of enterprises, and make timely and scientific assessments of various risks to ensure the safety of various funds [7].

4.4 Improve the Market Risk Assessment System, and Scientifically Evaluate the Risk Status

Banks should continuously improve the market risk assessment system, scientifically evaluate the risk status of various financial assets, and invest in accordance with market conditions. The company should establish a corresponding risk tracking system, and try to select projects with high yields and low risks to investing in idle funds that exist in operations. If the idle time of funds is relatively short, the investment should be based on projects with flexible deadlines and lower risks [10]. When the financial market is relatively stable, investment can be biased towards funds or stocks. It can make full use of the idle funds of enterprises and reduce the total amount of idle funds on the books of enterprises. When the total amount of idle funds on the company's books is relatively large, it should actively choose short-term financial management activities to fully revitalize the use efficiency of various types of funds.

5 Conclusion

Modern banks need a scientific and reasonable financial risk early warning system to increase the economic profits of enterprises. In the past, there were always more or less problems in the development of banks. In the internal control, the management must have extensive knowledge and ability to support the management's decision-making ability. As the core of the internal control bank, it is necessary to establish a standardized and efficient management system to adapt to today's Internet financial management system, and continue to innovate and expand. For this reason, in such a severe situation of market competition, bank managers should reposition the market, continuously optimize the financing model, and explore efficient financial service businesses.

In the process of transformation, banks should formulate complete financial early warning plans, which can effectively help banks avoid possible financial risks and can calmly respond to sudden financial crises. First of all, banks should follow the background of the times to change their own business philosophy, not only improve the construction of the bank's financial management personnel system, but also improve the bank's service quality. Secondly, banks should tap big data and enter Internet finance, so that convenient payment is no longer a shortcoming of banks. At the same time, banks should also optimize their financial management system and strengthen communication between the bank and the outside world, so that various financial risks within the bank can be estimated in a timely manner to ensure the safety of funds. Finally, banks should improve the market risk assessment system and scientifically evaluate the risk status. At the same time, they should make efficient use of idle funds in operations, use them

for investment in projects with high yields and low risks, and increase the use of idle funds efficiency. It is not only for the banking sector, but also for the implementation of personnel arrangements and management measures in the financial industry. Therefore, the transformation of bank financial risk management and control is not accomplished overnight, but requires continuous improvement and perfection. Under the impact of the development of Internet finance, banks can take corresponding measures in time to effectively control the occurrence of the crisis, so that the situation will not continue to deteriorate, and the bank's financial risk control will be perfectly transformed to survive the crisis.

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