



# Economic analysis of core competitiveness of Internet finance

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**Abstract.** This paper aims to discuss the formation of core competitiveness in the field of Internet finance, its influencing factors and its impact on the financial market and economic system from the perspective of economics. Through in-depth analysis of the internal mechanism, market pattern, regulatory policies and technological innovation of Internet finance, this paper will analyze the economic basis of core competitiveness and provide insight into the future development trend.

**Keywords:** internet finance, core competition, financial innovation, technology trends, financial markets, regulatory policies

## 1 Introduction

### 1.1 Research background

Internet finance refers to a form of financial innovation that uses the Internet and information technology to change the traditional financial business model, improve the efficiency of financial services and reduce the cost of financial services. The rise of Internet finance marks that the financial field has entered a new era. It has overturned the pattern of traditional finance and has had a profound impact on the financial market and economic system.<sup>[1]</sup>

### 1.2 Research purposes

The purpose of this paper is to deeply explore the formation of the core competitiveness in the field of Internet finance, its influencing factors and its impact on the financial market and economic system from the perspective of economics. Specific objectives include:

## **2 Development and characteristics of Internet finance**

### **2.1 The concept of Internet finance**

The emergence of Internet finance not only enriches the forms of financial products and services, but also promotes the digitization and intelligentization of financial markets, changes the business models of financial institutions and expands the boundaries of financial services. Through in-depth discussion of the concept of Internet finance, we can better understand its position and role in the financial industry.

### **2.2 The Historical Evolution of Internet finance**

The development of Internet finance has gone through many stages, including the initial exploration stage, P2P lending boom, the rise of mobile payment, the development of Internet insurance, etc. Historical evolution reflects the interaction of technological innovation, market demand and regulatory policies, forming a diversified pattern of Internet finance. <sup>[2]</sup>

## **3 Core competitiveness of Internet finance**

### **3.1 Concept of core competitiveness**

Core competitiveness is the ability of an organization or industry to gain competitive advantages in the market. It reflects the uniqueness of an organization relative to its competitors, enabling it to provide more attractive products or services and realize the growth of market share and profit. Core competitiveness is the foundation of competitive strategy, involving the organization's resource, ability, culture and value creation process. In the field of Internet finance, the construction and maintenance of core competitiveness is crucial because this industry is full of competition and innovation.

### **3.2 Core competitiveness elements of Internet finance**

The core competitiveness elements of Internet finance cover many aspects, including:

#### **3.2.1 technological innovation.**

Technological innovation is the lifeline of Internet finance. This includes constantly improved Internet technologies, big data analysis, artificial intelligence, and blockchain. Internet financial institutions need to continuously invest research and development resources to provide more advanced and safer technology platforms. Technological innovation also includes the development of new financial products, such as virtual currency, intelligent contracts and digital financial instruments. <sup>[3]</sup>

### **3.2.2 Market pattern.**

The pattern of Internet financial market is an important part of core competitiveness. The market pattern includes the number of competitors, market share distribution, market development speed, etc. The stability of the market pattern and changes in the competition pattern will affect the development strategies of Internet financial institutions. For example, market monopolists may have more bargaining power, but a highly competitive market may lead to lower profit margins. <sup>[4]</sup>

By combining economic theories and practical strategic applications, Internet financial institutions can better understand the elements and mechanisms of core competitiveness, formulate targeted competition strategies, and improve their competitiveness in the market. The construction and maintenance of core competitiveness will help Internet financial institutions stand out in the highly competitive market and achieve sustainable growth and success.

## **4 Factors affecting the core competitiveness of Internet finance**

### **4.1 Technological Innovation**

Technological innovation has always been the key driving factor of the core competitiveness of Internet finance. Technological innovation in the field of Internet finance includes the following aspects:<sup>[5]</sup>

#### **4.1.1 Internet technology.**

The continuous development of Internet technology has promoted the rise of Internet finance. High-speed Internet connection, mobile Internet application and cloud computing technology provide financial institutions with more powerful data processing and service delivery capabilities. This makes financial services more convenient and provides a foundation for the development of new financial products.

#### **4.1.2 big data and artificial intelligence.**

The application of big data analysis and artificial intelligence technology enables financial institutions to better understand customer needs, assess risks, predict market trends, and provide personalized financial products and services. Machine learning algorithms can be used for credit scoring, risk management, and fraud detection to improve the efficiency and accuracy of financial decisions.

### **4.2 Market pattern**

Market pattern is another key factor affecting the core competitiveness of Internet finance. The market structure covers many aspects:

#### **4.2.1 Competitors.**

The number and strength of competitors directly affect the competitiveness of Internet financial institutions. The existence of a large number of competitors in the market may lead to fierce competition and reduce market share and profit margin. On the contrary, market monopoly may bring high profits, but it may also lead to lower service quality and innovation.

#### **4.2.2 Market share distribution.**

The distribution of market share is crucial to the competitive position of Internet financial institutions. Market leaders usually have more resources and bargaining power, making it easier to obtain users, launch new products and negotiate favorable partnership.

## **5 Economic analysis of core competitiveness of Internet finance**

### **5.1 Cost leadership strategy**

Cost-leading strategy is a competitive strategy that provides products or services by reducing costs, thus obtaining market share and competitive advantages. In the field of Internet finance, the cost-leading strategy can be achieved in the following ways:

#### **5.1.1 economies of scale.**

Internet financial institutions can reduce unit costs through economies of scale. As the number of customers increases, the service cost of each customer may decrease, thus improving profitability. This can be achieved by attracting more customers, expanding market share and optimizing business processes.

#### **5.1.2 automation and intelligence.**

Automation and intelligent technologies can reduce operating costs. Automated processes, intelligent customer service, and self-service can reduce labor costs and improve efficiency. Machine learning algorithms can be used to automate credit scoring, risk management, and customer service.

### **5.2 Differentiation Strategy**

Differentiation strategy focuses on providing customers with different and unique values from competitors. In the field of Internet finance, differentiation strategy can be achieved in the following ways:

### **5.2.1 innovative products and services.**

Launching innovative financial products and services can help Internet financial institutions achieve differentiation. This can include unique investment products, customized financial plans, innovative payment methods, etc. <sup>[6]</sup>

### **5.2.2 personalized customer experience.**

Providing personalized customer experience is part of the differentiation strategy. Through in-depth understanding of customer needs and providing personalized suggestions and services, loyal customer groups can be established. <sup>[7]</sup>

## **6 Impact and challenges of core competitiveness of Internet finance**

### **6.1 Impact on financial market**

The rise of Internet finance has had a profound impact on the traditional financial market. The following are some impacts of Internet finance on financial markets:

#### **6.1.1 increase market competition.**

The emergence of Internet financial institutions has increased the degree of competition in the financial market. New competitors challenge the status of traditional financial institutions by innovating products and services, reducing costs and providing better customer experience. <sup>[8]</sup>

#### **6.1.2 promote financial inclusiveness.**

The popularity of Internet finance has improved financial inclusiveness. It can help those who are hard to reach by traditional financial institutions to provide financial services and products and reduce financial inequality.

#### **6.1.3 provide more financial options.**

Internet finance expands consumers' financial choices. There are more products and services to choose from in the fields of loan, investment, payment and insurance, which help to meet different needs of consumers. <sup>[9]</sup>

### **6.2 Impact on financial institutions**

The rise of Internet finance has influenced traditional financial institutions in many aspects:

### **6.2.1 stimulate innovation competition.**

The Competition of Internet finance urges traditional financial institutions to accelerate the pace of innovation. They have to launch new products and services to improve customer experience to cope with competition.

### **6.2.2 reduce cost pressure.**

The low-cost mode of Internet financial institutions poses a competitive threat to traditional financial institutions. Traditional financial institutions need to reduce operating costs and improve efficiency to maintain competitiveness.

## **6.3 Impact on Economic system**

Internet finance has also had a profound impact on the entire economic system:

### **6.3.1 promote economic growth.**

The development of Internet finance has promoted economic growth. It provides financing channels for entrepreneurial enterprises, improves productivity and promotes innovation.

### **6.3.2 Financial Risk Management.**

Internet finance also brings some risks, including network security risks, credit risks and regulatory risks. The economic system needs to strengthen risk management to ensure the stability of the financial system.

### **6.3.3 financial supervision challenges.**

The rapid development of Internet finance poses new challenges to financial supervision. Regulators need to constantly update regulations to ensure market order and consumer protection.

## **7 Future trend and prospect of core competitiveness of Internet finance**

### **7.1 Technical Trends**

#### **7.1.1 blockchain technology.**

Blockchain technology will play an important role in Internet finance. It can improve the transparency and security of transactions, reduce transaction costs and speed up fund settlement. In the future, blockchain technology may change the structure and operation mode of financial markets.

### **7.1.2 artificial intelligence and big data.**

Artificial intelligence and big data analysis will be used to better understand customer needs, predict market trends, quantify risks, and provide personalized suggestions. Machine learning algorithms will be used for credit rating, portfolio management, and customer service.

## **7.2 Market Trend**

### **7.2.1 financial science and technology ecosystem.**

Financial technology companies will continue to build a broader financial technology ecosystem. This will include cooperation between financial technology companies, integrated financial services, cross-industry cooperation, etc. to provide more comprehensive financial solutions. <sup>[10]</sup>

### **7.2.2 Regional Market Growth.**

Emerging markets and developing countries will become important areas of growth in internet finance. Internet finance will meet the unmet financial needs in these markets and provide financial inclusiveness and growth opportunities.

## **8 Conclusions**

### **8.1 Main findings of the paper**

First of all, Internet finance is an important innovation in the financial field. Based on digital technology and the Internet, it provides diversified financial products and services, affecting financial markets, financial institutions and the overall economy.

Secondly, the core competitiveness of Internet finance lies in cost-leading strategy, differentiation strategy, innovation-driven strategy and service quality strategy. Different financial institutions can choose different strategies to adapt to different market environments and customer needs.

In addition, the factors that affect the core competitiveness of Internet finance include technological innovation, market structure, financial products and services, regulatory policies and consumer demand. These factors interweave with each other, shaping the competition pattern of Internet finance.

Finally, the future of Internet finance will be affected by technology trends, market trends and financial innovation trends. Blockchain technology, artificial intelligence, digital cash, and Social Finance will change the financial industry. At the same time, data management and compliance, financial education, innovation, and flexibility will continue to be key factors in competitiveness.

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