Influence of Fintech on Bank Outlets

Yiran Zhang[1, *]

[1]Department of finance, Guangzhou College of Commerce, Guangzhou, China

*Corresponding author: gzsxy@gcc.edu.cn

Abstract. In recent years, the rapid development of financial technology in China not only promotes the development of traditional Chinese banks, but also has a great impact on traditional banks to a certain extent. As the smallest service unit of commercial banks, grass-roots outlets bear the brunt of this wave of new technology. Commercial banks have realized the importance and urgency of outlet transformation one after another, and explored outlet transformation as an important cornerstone of commercial bank transformation. Financial technology not only brings new vitality to commercial banks, but also has an unprecedented impact on them. In this regard, commercial banks must actively adapt to the changes in customer needs and the new needs of the development of financial technology. Under the new situation, we should use financial technology to innovate business processes and delivery methods, innovate the business forms of outlets, promote the transformation of outlets into marketing centers, build a mobile payment ecosystem, and develop derivative services. Therefore, this paper analyzes the development status of China's financial technology and bank outlets, the impact of financial technology on China's commercial banks, and on this basis, analyzes the countermeasures that commercial banks should take when facing the challenges of financial technology.

Keywords: Fintech; influence; commercial bank; outlets; development.

1. Introduction

At present, financial technology is one of the most distinctive features of global banks, especially commercial banks. Financial technology not only brings new vitality to commercial banks, but also has an unprecedented impact on them In this regard, commercial banks must actively adapt to the changes in customer demand and the new requirements of financial technology development under the new situation, further accelerate their own system construction, talent reserve and technology input, actively explore cooperation modes with financial technology enterprises, rebuild core competitiveness, and deliver high-quality financial services to a wider range of customers, which has formed a huge impact and challenge to the traditional banking industry. China's commercial banks should clarify the situation, innovate service forms, improve service contents, better meet the comprehensive needs of customers, create a new development model that serves the development of the real economy and the better life of the people, and build a new financial ecosystem that integrates banks, third parties and customers, and coexists and prospers. In addition, China's commercial banks should take a correct view of financial technology innovation and actively integrate various advanced financial technologies into all aspects of China's commercial banks' operation and management, innovation and development and financial services. This can improve operational efficiency and enhance service capacity.

2. Current situation of China's fintech development

On August 7, 2017, Goldman Sachs released a blockbuster special research report, "The rise of China fintech", which comprehensively combed China's booming fintech industry.

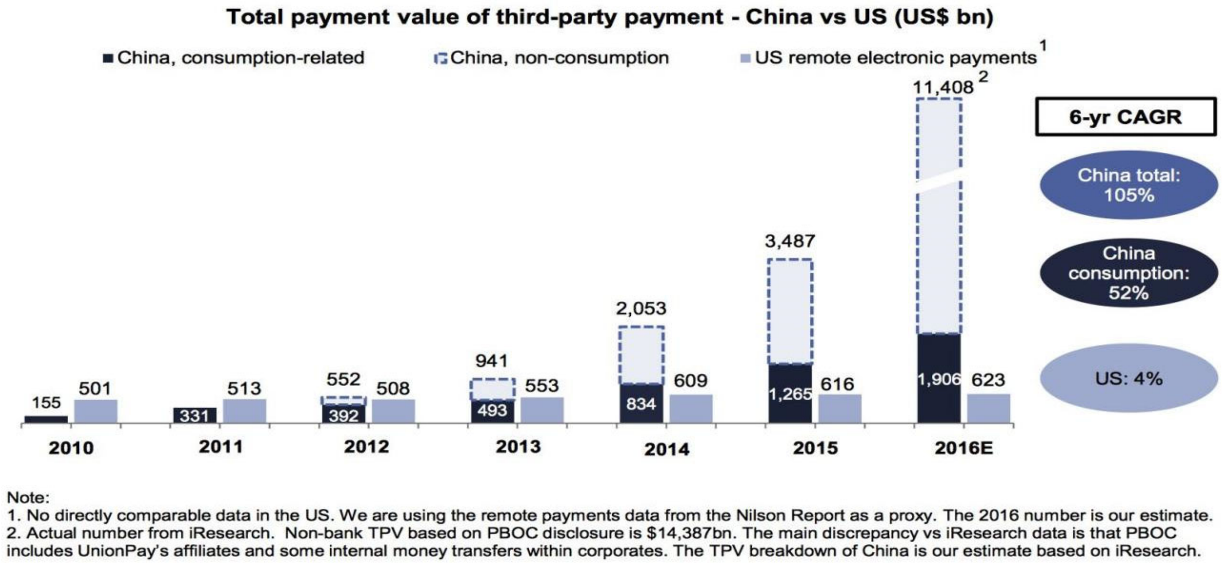

Fig. 1 Total payment value of third-party payment-China vs US

Source: iReseach, Nilson Report, Goldman Sachs Global Investment Research

From the above data, it can be seen that in the past few years, China's fintech development has shown an exponential growth, and the Chinese people's payment methods, loan methods, investment methods, etc. have greatly improved and progressed.

2.1 Transformation of traditional financial institutions

Under the tide of digitalization and big data analysis, domestic financial enterprises have undergone Earth - shaking changes with the rapid development of fintech enterprises, traditional financial institutions have also seized opportunities and challenges to seek digital transformation [1]. Financial institutions such as banks have established fintech subsidiaries of banks to carry out strong cooperation with internet giants and fintech enterprise service providers, thus forming fintech enterprises in this process, fintech companies have effectively made up for the shortcomings of traditional financial institutions in economic business, thus helping traditional financial institutions to transform and change.

2.2 Cooperation between banks and fintech Enterprises

In recent years, with the continuous development of China's economy, China has also become the second largest economy in the world, accompanied by the rapid development of information technology, which has laid a good foundation for the progress of the financial industry. With the improvement of technical level and the development of information technology, the financial industry and technology enterprises are organically combined [2]. At the same time, the combination of the financial industry and technology industry has also greatly changed a series of existing unavoidable disadvantages of the banking industry, and changed the relationship between competition and cooperation between the financial industry and technology enterprises.

3. Development status of bank outlets

From the history of the development of the global banking industry, the number of commercial bank outlets is positively correlated with the overall level of economic development. The higher the level of economic development, the larger the overall number of outlets. This is because the improvement of economic development requires more financial services from commercial banks. As a channel for commercial banks to provide financial services, outlets also need to be increased to better meet customer needs [3].However, with the development of financial digitalization, the advantages of online channels in better reaching customers, improving customer experience satisfaction, reducing financial service costs, etc. have become prominent, the problems of high operating costs of outlets have gradually become apparent, and the trend of the number of banking outlets has changed. In terms of the number of banking outlets in China, from 2008 to 2017, the total number of banking outlets increased from 179800 to 228700, showing an overall increasing trend; From 2018 to 2021, the total number of banking outlets showed a downward trend year by year.

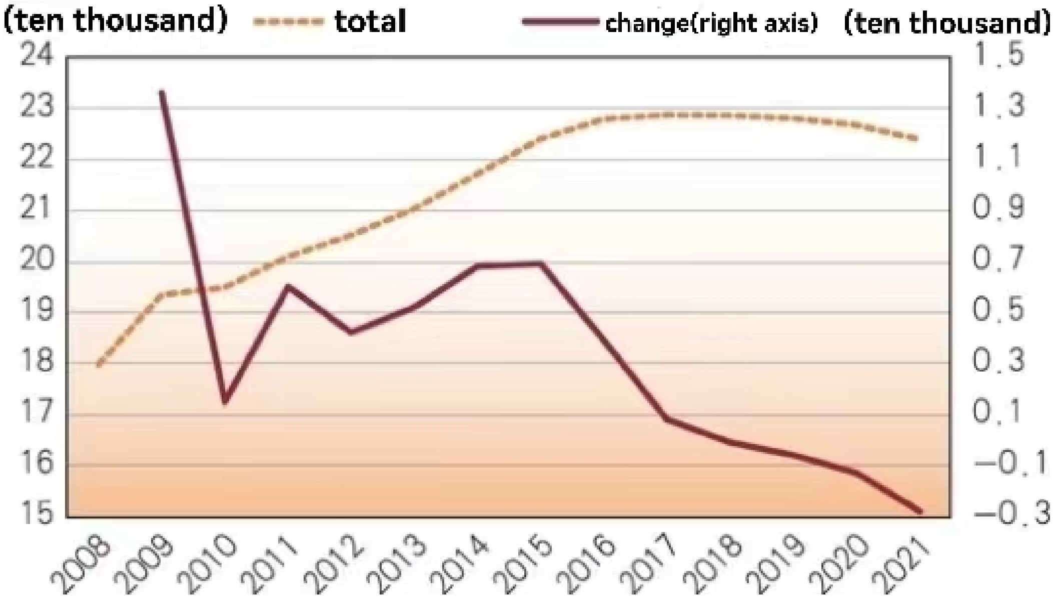

Fig. 2 Number trend of bank outlets from 2008 to 2021

Source: China banking development report relevant years

With the rapid development of financial technology, the financial products and services of commercial banks are rapidly online, and fewer and fewer customers go to outlets to handle business. In addition, compared with online channels, the operating costs of outlets are higher, and the development trend of outlets is widely concerned by all walks of life. On the whole, the number of banking outlets continued to decline slightly from 2018 to 2021. Within commercial banks, the changing trends of different types of bank outlets are different. In order to implement the strategy of serving the country, improve multiple service channels and improve business development performance, commercial banks are also actively promoting the transformation of outlets to give full play to the role of outlets. In terms of the development trend of commercial bank outlets in the future, outlets will still play an important role in the construction of multiple service channels of commercial banks, but they also need to continue to promote the transformation of outlets according to changes in the situation.

4. Influence of fintech on commercial bank outlets

4.1 The bank's profit structure is affected

In the development process of traditional commercial banks, the main source of profit is the deposit loan interest margin, but the loan business of commercial banks has been continuously reduced by financial disintermediation and market interest rate, and the income of deposit interest has gradually decreased[4].At the same time, due to the impact of Internet wealth management products on the deposit business of commercial banks and the limitation of the profit space of commercial banks' own products, the market competitiveness of commercial banks is gradually decreasing, and the market profit space is gradually shrinking, which brings great challenges to the sustainable development of commercial banks. In the face of this situation, if commercial banks cannot increase their profit channels, they will be eliminated by the market if they only rely on the interest difference between deposits and loans to make profits [5].

4.2 Promote the transformation of bank outlets

Considering that the elderly has less contact with and use online channels and prefer to handle financial business at outlets, commercial banks fully respect the financial needs and usage habits of elderly customers and carry out aging adaptation transformation at outlets. Specific measures: build barrier free channels in outlets, provide special waiting seats for the elderly, open exclusive indows for financial services for the elderly, and increase a series of services and facilities suitable for the elderly, such as the priority queuing function for the elderly; Put bankbook self-service teller machines in the outlets, promote the service function of self-service equipment for the elderly, and provide more convenient, fast and intimate services for elderly customers [6].By the end of 2021, ICBC had completed the aging adaptation transformation of 4691 outlets.

4.3 Organization setting of differentiated outlets

While doing a good job in the construction of standardized outlets, commercial banks should improve the differentiated management system of outlets, adopt differentiated methods in the construction of outlets in combination with their own development orientation or the characteristics of surrounding customers, and actively explore a characteristic and diversified network operation mode [7]. In this process, not only many commercial banks have built characteristic outlets that serve small and micro enterprises, but also some commercial banks have gone further in the differentiated setting of outlets to provide customers with localized and personalized services closer to their needs. China Construction Bank has built a variety of characteristic outlets including Inclusive Finance, housing leasing and auto finance. Bank of China has built eight financial characteristic outlets including technology finance, green finance, Inclusive Finance and cross-border finance. Ping A Bank combines the financial needs of customers of different ages to launch characteristic stores such as health, old age and children [8]. China CITIC Bank has built a diversified network format consisting of comprehensive outlets, boutique outlets, community/small and micro outlets and off-line self-service outlets.

5. Advantages of fintech for the development of bank outlets

5.1 Expand the scope of customers

In the context of the Internet, with the help of artificial intelligence, big data, mobile payment, cloud computing and other intelligent financial technology technologies, the content of financial services has become more comprehensive and detailed, and traditional services have been broken through the limitations of time and space in the past, improving the effectiveness and convenience. For example, some commercial banks have to control the number of outlets because of their small scale, and their staff are relatively small, so they are unable to expand their service scope and new service types. Moreover, the development of some small and medium-sized enterprises is unstable, and they cannot establish long-term cooperative relations with banks [9]. Moreover, the credibility of the financial statements of these companies is not high, which ultimately leads to a low tendency of commercial banks to expand the business of small and medium-sized enterprises and limits the scope of customers. And fintech can enable commercial banks to conduct targeted cooperative business with some key enterprises through data value mining.

5.2 Reduce labor input cost

With the high popularity of mobile Internet, smart phones and e-commerce, society has entered the information age. People increasingly recognize the effectiveness and convenience of the network and are used to solving some things through the network. The development of the Internet has given commercial banks a new direction of development, such as labor cost control. Commercial banks can expand the coverage of customer groups by opening online banking, mobile apps and other channels, enrich online financial service products, and improve customer service experience through the convenience and timeliness of online services, so as to gain user recognition. In this way, commercial banks can relatively reduce the number of business outlets and realize the control of labor costs[10].

5.3 More humanized development concept

Through financial technology, commercial banks will establish a more humane development concept. For example, commercial banks can use financial technology to collate data, comprehensively analyze the characteristics of customers and classify their needs, develop targeted service goods, and improve the viscosity between customers and banks. Secondly, online services such as mobile banking and online banking can also improve the service experience of customers, so that customers can choose the corresponding financial products through their mobile phones or networks, without wasting time queuing up, which improves the timeliness of transactions. In addition, commercial banks can also simplify the process of issuing bank bills through financial technology, so that company users can open e-bills through the network. In a word, people's life and work have become more convenient because of financial technology, and commercial banks can also use this as a basis to carry out more humane services.

6. Facing the challenge of financial technology, countermeasures and suggestions for commercial banks

6.1 Use financial technology to innovate business processes and delivery methods

The traditional business Provision Mode of commercial banks relies on the connection between banks and customers' offline outlets, which is limited by time and space. Online channels, such as mobile banking and online banking, realize the connection between banks and customers through the Internet, break through time and space constraints, and reduce the cost of offline network construction and operation, thus increasing profits [11]. At the same time, the scale of offline outlets of commercial banks is huge. By using the penetration of offline outlets, daily fragmentary offline business can be transferred to online channels faster, and online and offline business can be channeled to each other. Integrate online and offline channels, realize complementary advantages and mutual drainage, and give full play to the amplification and superposition of fintech on business performance.

6.2 Innovate the business form of outlets and promote the transformation of outlets into marketing centers

The network is no longer regarded as a simple business processing center, but through strengthening the construction of the network marketing team, carrying out special training on diversified marketing capabilities, promoting the network mobile steward, network ecological atlas and other systems, organizing various team marketing, and improving the marketing efficiency of the network. ICBC continued to promote the operation service mode of online convenient acceptance, intensive and efficient processing, and fast service delivery at its outlets, and completed the promotion and application of five major fields: physical goods, information, cash, accounts, and foreign exchange. China Construction Bank applies mobile financial service vehicles to specific business scenarios in the network area.

6.3 Build a mobile payment ecosystem and develop derivative services

The connection between customers and commercial banks is inseparable from the support of payment and transfer, which is the basis of other derivative services. First, commercial banks should actively change existing service channels, increase the development of electronic payment channels, extend the scope of electronic services such as mobile banking and WeChat banking, make full use of some emerging technologies such as code scanning payment, and build a sound payment platform. At the same time, according to customer risk types, in combination with historical transaction information, and with reference to the single transaction amount and transaction mode, they should select appropriate risk prevention measures for customer transactions [12].

Second, promote the smooth transformation of physical outlets and develop towards the direction of direct banking, from business handling as the core to sales service as the core, fully display the characteristics and advantages of offline services, and seize valuable customer resources. Third, it should actively develop business areas, develop an order platform that connects enterprises independently, and provide effective approval information for financing services. In addition, it should actively collect and sort out customer operation information to provide them with high-quality corporate financial services.

7. Conclusion

In recent years, China's financial technology has developed rapidly. In the traditional financial model, commercial banks, as intermediaries, have always occupied the core position of the financial market. However, with the emergence of financial technology, people can rely on Internet platforms for direct financing and trading. The fund supplier and demander can screen and match the transaction information according to the network, and can communicate and reach a transaction regardless of the time and place to meet the multi-level fund demand. With the rapid development of financial technology, commercial banks are at the forefront of the times and have the courage to explore Internet financial technology in the financial field. Commercial banks and financial technology enterprises cooperate with each other, use financial technology to establish differentiated outlets, promote the transformation of bank outlets, and innovate the business model of outlets. However, affected by the "double-edged sword" of digital financial technology and modern financial technology, the rapid development of financial technology has brought advanced technology to commercial banks, accelerated the pace of commercial bank reform, and also brought severe tests to the traditional business model of commercial banks. In order to adapt to the new situation and the requirements of the new era, commercial banks must further accelerate their own system construction, talent reserve and technology investment, actively explore the cooperation mode with financial technology enterprises, create core competitiveness, and deliver high-quality financial services to a wider range of customers.

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