

Analysis of the Development Strategies of Commercial Banks Under the Background of The Internet Banking

-- Take Chinese Rural Banks as An Example

Siyu Wei^{1, a}

¹School of International Business, Chengdu Institute Sichuan International Studies University, Chengdu, Sichuan, 611844, China

^aapple475722085@sohu.com

Abstract: In the context of the rapid development of Internet finance, the development of commercial banks in China is faced with the dilemma of decreasing the increasing number of audience and the benefit level, these characteristics are particularly obvious in rural banks, Rural Banks as one of the most important financial channels to promote the development of rural economy, accounting for about 36% of the total number of banking financial institutions, so explore the traditional rural Banks in our country, to provide reference value for the development of rural Banks in China, to promote the sustainable development of rural Banks, provides the reference value and enrich the theory of rural financial research system blank, provides the sustainable development of banking practitioners, for the further development of rural financial provides a more sufficient basis.

Keywords: Village banks, Online finance, Transformation and development.

1. Introduction

Due to the rapid development of Internet finance, rural finance has also gradually developed, and more and more rural banks have emerged. But at present our country village Banks in the process of development encountered all kinds of problems, these problems seriously affect the development of rural finance, under the background of the rapid development of Internet financial, the present situation of the development of village Banks, and the problems become a hot topic, many scholars to study, this paper by combining a large number of literature, and in the in-depth analysis.

2. Analysis of the Development Status Quo of Rural Banks in China

With the development of Internet finance, China's traditional commercial banks gradually appear more and more problems. This paper will analyze these main problems.

2.1. The number of rural banks is increasing year by year, but the regional distribution is uneven

Although the number of rural banks in China shows a good trend of increasing year by year, there is a current situation of uneven regional distribution. This is mainly due to the different levels of economic development in different regions. For example, although there are many provinces in western China, the economic development level is far less than that in the eastern region. Due to the profit-driven capital, the number of rural banks in western China only accounts for 12% of the country, while the number of rural banks in eastern China accounts for 46% of the country. According to the statistics, rural banks account for the top three provinces according to Shandong, Hebei and Henan.

2.2. Remote areas are limited by the economic environment

On the one hand, most of the rural Banks in the county level in rural areas, the western region and the northern rural pastoral areas, and these areas have always been sparsely populated, and less commercial activities, objectively not the first choice of the development of financial business and economic activities, because of its high operating costs, default risk of default, in part of the remote cities and counties to open a bank is difficult to profit, and has a certain inclusive public welfare attribute. On the other hand, due to the impact of the economic cycle, the economy has changed from high-speed growth to high-quality development stage, and the decline of the economic growth rate leads to the decline of the profitability of the entire banking industry. In addition, affected by the epidemic in previous years, the inclusive financial customers of rural banks were more adversely affected. Rural banks have the characteristics of small scale and weak risk resistance ability, and the impact of external factors may lead to the operation difficulties of rural banks. Therefore, there are some objective reasons for the development problems of rural banks.

2.3. Financial supervision issues

Financial supervision restricts the transformation and development of rural banks, which is mainly reflected in the difficulty of supervision and implementation of regulatory agencies. Most of the rural banks in China are set up in rural areas, while most of the regulatory agencies of banks are set up in prefecture-level cities, which leads to the lack of county supervision resources. At the same time, the supervision scope of China's financial industry is constantly expanding, which will greatly enhance the difficulty of field investigation and field investigation of rural banks. In recent years, the operation and management of banks have shown a diversified development trend, which greatly increases the difficulty of supervision. On the one hand, rural banks are mainly set up in

rural areas, providing diversified financial products and services to small and micro enterprises and farmers in rural areas, which not only have a small business amount, but also have a high business frequency. On the other hand, the size of rural banks is different, mainly taking the registered capital as the measurement index. The larger scale will even reach hundreds of millions of yuan, while the smaller scale will only reach millions of yuan. Different operation scales will inevitably lead to different management modes, and it is difficult for regulatory agencies to carry out unified management to the rural banks.

2.4. External service environment problems

The external factors of the transformation and development of rural banks are mainly reflected in the support of the government. Only with the strong support of the government, can the rural banks obtain the opportunities of transformation and development. Rural banks are positioned to serve "agriculture, rural areas and farmers", but a series of preferential policies such as tax reduction, financial support, agricultural re-lending and agricultural loan interest discount still need to be improved. First, the preferential tax reduction and exemption policies have not been fully implemented. In recent years, the CPC Central Committee and The State Council have issued a series of tax and fee support policies to continuously consolidate and expand the achievements made in poverty alleviation, and effectively link poverty alleviation with rural vitalization. In May 2022, the state administration of taxation issued the support rural revitalization of the tax preferential policy guidance, strengthen the rural revitalization of financial services, enhance financial support for rural industry and new operators, is an important guarantee of rural revitalization, also reflects the CPC Central Committee and the State Council for the tax breaks preferential policy implementation of attention. Second, the central bank has issued discount interest on agricultural loans to the Agricultural Bank of China and rural credit cooperatives, but it does not clearly stipulate the discount interest policy for rural banks, and a series of preferential policies such as the central bank's entrusted loan and rural re-lending are not significantly inclined to rural banks. Third, the village bank interest rate pricing, bad debt write-off related policies have not made clear provisions at present, it is not operable.[1]

2.5. Increased liquidity risk, and put forward new requirements for public opinion control

The customer group of rural banks is relatively single, mainly small and micro enterprises, self-employed households and farmers, and the elderly account for the majority. With the periodic outbreak of the epidemic, some elderly customers are not good at using electronic banking under the control measures; After the control is lifted, most of the elderly customers have more cash demand, small and micro business customers will resume work and production after the epidemic, and the demand for capital operation needs increase, which requires the village banks to provide sufficient reserves and effectively prevent liquidity risks. In addition, due to the epidemic control, during the temporary control period, most of the expired customers go to the branches for the number of business. Meanwhile, during the epidemic period, the public is more sensitive, the spread of various negative or false information is fast, and public

opinion events are likely to be spread maliciously. Recently, the "difficult withdrawal" incident of Henan rural bank keeps growing, which puts forward higher requirements for the public opinion control work of rural banks.[2]

3. Analysis of the Transformation and Development of Rural Banks

With the rapid development of Internet finance and the rapid development of urbanization, rural banks must put forward a series of reforms and transformation strategies to better serve the public in order to better base the society.

3.1. Introduce innovation policies

At present, China's economic development has entered a stage of rapid development. As an important part of the economic system, rural banks conform to the development trend of The Times, constantly reform on the basis of the original business model, and accelerate the innovation of financial business. With the improvement of people's living standards, people's consumption desire has increased significantly. Buying houses and cars has increased the consumption pressure of residents. In traditional concepts, people are more inclined to choose large commercial banks, which they are more secure and their business is more comprehensive. To this end, rural banks should constantly strengthen their innovation ability and raise the financial supply level to a higher level. For example, learn the same type of banks, broaden business channels and investigate the market in depth, so as to maximize the benefits of banks. In addition to expanding the number of business, we should also ensure the quality of financial business, and make it bigger, better and stronger, so as to seize more market share.[3] In order to achieve sustainable and stable development, rural banks need to focus on meeting the actual needs of users, improve the level and quality of services, follow the main principle of people-oriented, and provide targeted financial products and services. For different rural enterprises or intermediary institutions, the original business service mode should be changed to consider their market positioning, so that they can feel the depth and breadth of financial services of rural banks, as well as the ability to solve business problems such as guarantee and credit granting. Strengthen publicity, through TikTok short videos, public account tweets and other means, introduce the emerging business of rural banks, expand the scope of the audience, and form a scale effect. To go deep into the market survey, accurately grasp the user needs, and continue to adjust and optimize the business and products.

3.2. Introduce the "Talent Introduction" plan

In order to get effective transformation and development, rural banks need to introduce a series of "talent introduction" programs on the basis of innovation to attract more young college students to stay in their hometown to contribute their own strength. Talent is the first resource for the steady development of rural banks and the driving force for the steady development of rural banks. Although the location factors of rural banks cannot be improved in the short term, they can attract financial talents and retain them by effective incentive mechanism. Using the advantages of geographical marketing to realize the localization of employees can absorb college students as village officials or excellent farmers, reduce the recruitment standards of local employees, broaden

the promotion channels of employees, adhere to the people-oriented approach, guarantee the salary level and welfare of employees, and improve the attractiveness of rural banks to talents.[4]

3.3. Improve the exit mechanism of rural banks

In the 13th Five-Year Plan of Modern Financial System, China put forward the relevant contents to improve the market-oriented withdrawal mechanism of financial institutions. Existing "interim provisions on the management of village Banks", village Banks in cancellation and bankruptcy to adjust the traditional commercial Banks, however, rural Banks is independent, self-financing, financial institutions, generally have small assets, business ability is weak, combined with the rural financial environment is more complicated.[] Therefore, should be combined with the characteristics of rural Banks in China, develop operational and professional village Banks exit standards, establish covering rural Banks, on the basis of capital adequacy ratio of rapid identification and correction system, through the capital adequacy ratio, asset quality, management ability, profitability, liquidity, the comprehensive evaluation of market risk to confirm risk indicators, on the basis of collaborative legal framework, bankruptcy mechanism, responsibility main body, establish and improve the village Banks exit mechanism in our country, makes difficult to sustainable village Banks safe exit.

4. Conclusion

In the work,with the continuous innovation of national policies, rural banks will continue to transform and upgrade. In the future, during the development of rural banks in China,

the development of rural banks will bring more perfect and more powerful financial service guarantee to agriculture and rural areas, which is of great significance for promoting the development of agricultural economy and society.This paper hope that the problems and suggestions existing in this paper for rural banks can provide practical significance and value to the majority of bank practitioners. Therefore, rural banks should face up to the difficulties in their development, learn from experience and correct their deficiencies, so as to promote the transformation and development of rural banks. The reform of rural banks is inevitable. The rural revitalization strategy given by the state is both an opportunity and a challenge for the development of rural banks. Only by further clarifying talent training, innovating mechanism and reforming development orientation, can rural banks truly achieve high-quality transformation and development in the fierce market competition.

References

- [1] Wang Y. (2023) Measures for sustainable development of rural banks under the background of rural revitalization. *Shanxi Agricultural Economics*, 05:161-163.
- [2] Zhang X.Y. (2022) Development dilemma and sustainable development suggestion of rural banks in China. *Modern corporate culture*, 18: 155-157.
- [3] Zhao Y.S. (2022) Discussion on the sustainable development path of rural banks. *Times Finance*, 12: 80-82.
- [4] Leng H.Y. (2023) Analysis of the current situation and strategy of the steady development of rural banks. *Shanxi Agricultural Economics*, 03:151-153.
- [5] Wang Y, Yan X.R. (2022) Observation and thinking on the reform and development of rural Banks in the new period. *International Finance*, 08:63-65.