Research on Internet Financial Development

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Abstract: The rapid development of cloud computing, social networking, big data and other information technologies has provided technical support for the rise of Internet finance. According to the current development status of internet finance, model research and risk monitoring and analysis, the main points of view of internet finance development model and risk supervision have been extracted, the insufficiency of existing research has been summarized, and the future development direction of Internet finance has been explored.

1. Introduction

China's financial industry is a modern service industry. With the intervention of the Internet, it has also formed an independent new industry. The development model has also become more and more perfect. Big data is also generated during the continuous development of the financial industry, and can be used more comprehensively to provide more effective protection for today's Internet financial development. In the financial industry, it is necessary to attach great importance to modern information technology, and in the process can also be analyzed, so as to develop the best program to improve, so that the full potential of this industry. Many related industries analyze and research big data in specific work processes, and internal reform and development are also ongoing. Therefore, based on this situation, it is also necessary for relevant Chinese enterprises to make use of big data to change the overall development model so as to make the related systems within the industry more perfect and to ensure the healthy development of China's financial industry to the greatest extent. Therefore, it is necessary to study the development of Internet finance in the era of big data.

2. Financial Functions of China's Internet Finance

Fundamental functions of finance refer to the functions of financial services and financial services that provide clearing and settlement. Internet finance can complete the financial basic settlement function through third-party payment. At present, third-party payments provide payment services to the society in a flexible and diversified manner and gradually become an important medium for clearing and settlement. From Table 2, it can be seen that the third-party payment of China Internet Finance after the financial crisis in 2008 was not affected. By the end of 2013, the Internet penetration rate in China has reached 45.8%, and the penetration rate of third-party payment has also reached 42.1%. According to this calculation, one out of every four people in China is using third-party payments, and third-party payments are replacing traditional payments. The financial intermediary function is to adjust funds between the deficit and the surplus. P2P loans and internet financial portals can achieve this function. P2P loans, through the Internet, bypassing banks also make adjustments between capital deficits and surpluses. Internet financial portals, combined with products such as banking, insurance, and funds, place a large number of products on the same platform for customers to choose. Customers can use this platform to quickly lend or purchase wealth management products to complete financial financing.

Resource allocation refers to the selection of comparatively scarce resources for various purposes. How to allocate resources more rationally with the minimum cost is the core of modern financial functions. P2P loans, big data finance, crowdfunding and financial portals in internet finance can all achieve this function. They present two major advantages in resource allocation:

First, the cost of resource allocation is lower. Under the Internet finance model, capital supply and demand information is directly published and matched on the Internet. Capital supply and demand parties complete information screening, matching, pricing, and transactions through online platforms. Consumers can quickly find financial products suitable for themselves on an open and transparent platform. Institutions can avoid the capital investment and operating costs of setting up business outlets. Both parties can save costs. Second, resource allocation is more efficient. The internet finance business is mainly handled by computers, and the operation process is completely standardized. Customers do not have to wait in line and the business process is faster. For example, a small loan merchant in Ali can apply for a loan for only a few seconds, and the loan can be completed for 10,000 loans per day.

The expansion function of finance mainly refers to the financial system can provide necessary risk aversion approaches and means. Big data finance in Internet finance is an excellent risk dispersion and management model. The emergence of risk is largely attributable to the existence of information asymmetry, and the power of big data finance in resolving information asymmetries is much greater than that of traditional financial institutions. Big data can timely find and resolve possible risk points through the verification and assessment of massive data, and have a precise grasp of the regularity of risk occurrence. Although banks have a lot of payment data, they do not overlap, data cannot be integrated, and the data obtained by banks from customers are fragmented and limited. The massive data and cloud computing capabilities of big data finance ensure that the data is comprehensive and timely. Traditional financial institutions, Big Data Finance have stronger risk management capabilities.

The derived functions of internet finance include: First, it has stronger information provision functions. The two models of China's existing big data finance provide very rich information. In addition, there are a lot of information brought by social networks and search engines. Under the guarantee of cloud computing, the information of funds supply and demand is organized and standardized by the search engine, forming continuous, dynamic and rich information collection; Second, with the incentive function. Borrowings in internet finance generally have a clear property rights system. This kind of property rights system has a good incentive function. Compared with the bank's regulatory interest rate, the interest rate on Internet finance borrowing is mainly determined by its own supply and demand, and the revenue is often higher than the bank deposits during the same period, which encourages the value-added benefits of private funds. In addition, the P2P lending rate is more market-oriented, which has stimulated China to accelerate the reform of interest rate liberalization; Third, it has a certain guiding consumption function. Internet finance can provide many novel and innovative ideas to consumers more quickly. Crowdfunding is a typical example to guide consumption. Finally, the main targets of Internet finance are the majority of low-income and entrepreneurial groups, which will bring certain social benefits.

The economic adjustment function of finance mainly refers to the purpose of monetary policy, fiscal policy, exchange rate policy, industrial tilt policy, etc., through the conduction of the financial system to achieve economic adjustment. It also includes the government’s special establishment of financial institutions (mainly policy-oriented financial institutions) to guide economic development. . The economic regulation function is still blank for internet finance, which is mainly attributed to the spontaneity of internet finance. At present, various modes of Internet finance, especially the various modes of completing resource allocation, are almost spontaneously formed. For example, P2P, big data finance, and crowdfunding, etc., various macro-control policies are almost impossible to intervene, and existing models occur. The amount of funds is generally small, even if there is a certain degree of economic adjustment in the autonomy, it is also greatly disturbed by the disorder of internet finance.

The existence of big data finance has enabled Internet finance to have a stronger ability to diversify risks. However, this financial function has not played to its fullest extent. The main reasons are as follows: First, the low barriers to entry and the lack of supervision have led to an unstable Internet platform. At present, China's credit system is incomplete, and credit risk is inherently inevitable. However, due to the fact that Internet financial default costs are low, entry

barriers are low, and there is lack of supervision, it makes it easier to induce malicious fraudulent loans, repayment runs, and illegality outside of credit risk. Risks such as fund raising and fraud; Second, cyber security risks are high. Many advantages of Internet finance originate from the convenience of the Internet. This is also the weakest link in Internet finance. Once hackers are attacked, the normal operation of Internet finance will be affected, threatening the safety of consumers' funds and personal information. Third, system risks are high. There are numerous Internet finance participants, and the public nature makes it easy to reach the legal red line, triggering systemic financial risks.

3. The Specific Development Strategy of Internet Financial Model

Due to the influence of the big environment, China needs to improve related financial services for individuals and related companies. In the current Internet environment, the development of specific big data also provides users with a more convenient link. However, the current user groups are also growing. Therefore, this industry should combine the research results of big data and fully utilize its own resource advantages so that it can occupy the market position.

China’s Internet finance companies should also appropriately implement appropriate reforms based on the traditional financial industry’s risk system to establish a risk control system model with its own characteristics and strengthen the control in this area. At the same time, in this process, talents should be vigorously trained and their own development scale should be constantly developed to bigger and stronger.

In the financial system, it is also necessary to take necessary measures to carry out offensive strategic adjustments. Through research on relevant laws and regulations, the financial products are in line with the corresponding requirements, and there are certain controls on the influencing factors in various aspects, thereby reducing the liquidity risks, guaranteeing effective attacks in specific systems, and making more and more of their own development. Comprehensiveness will also, to the greatest extent, promote the economy.

The applicable regulatory model for China's emerging Internet finance should be: The combination of industry self-discipline under law and market elimination. Perfecting the law is the premise, so as to shock the Internet finance can not touch the legal red line. Under this premise, the development of Internet finance will be guided by industry self-regulation and encouragement. This will require the State to grant certain authority to the Internet Finance Association established in early 2014 so that it will have some incentives that can be given to Internet finance companies so that Internet finance companies can Law-abiding business is encouraged. It is also necessary to allow the market to be phased out, allow internet finance companies to continue to improve and innovate, and retain the advantages of internet finance.

Internet finance inherently lacks the lack of economic adjustment function. From the perspective of financial development, there is bound to be a complementary relationship between Internet finance and traditional banks. The lack of adjustment of Internet financial economy is compensated by the advantages of traditional banks' important economic adjustment channels. To this end, the government may encourage the two to complement each other in a mutually beneficial way. If banks are encouraged to develop third-party custody of Internet finance, despite the high cost, this is a good channel for banks to intervene in the field of Internet finance.

The full introduction of third-party hosting will reduce the risk of Internet finance. The main area of introduction is P2P loans. The third-party custody will complete the collection, payment and transfer of funds within the account, and comprehensively strengthen the security management of the account funds. At present, some P2P companies have introduced third-party hosting. To promote the long-term development of Internet finance, the Internet Finance Association should advocate the full introduction of P2P enterprises as a condition for enjoying the association's relevant support. Specifically, the introduction of a third-party payment organization and a bank-assisted approach may be considered. This will not only benefit the supervision of the association, but also benefit China's overall financial development.

4. Conclusion

With the rapid development of information technology and the rapid rise of internet finance, while rapid service economy construction, due to the lack of access to P2P, crowdfunding and other models, there are no financial restrictions, and new problems have emerged in the financial industry, such as illegal absorption. Funds, P2P platform "rolls" running phenomenon. Therefore, under the condition of slow economic development, how to properly understand the development trend of Internet finance, promote its healthy development, and how to properly perform the P2P model of credit assessment and supervision are particularly important. According to research cost literature at home and abroad, the research status, development model and risk supervision of Internet finance are analyzed and summarized in order to provide theoretical support for the research and development of Internet finance.

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