

Analysis on Financial Innovation in the Development of Internet Finance

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Abstract: With the development of Internet technology, the financial market of china has provided a new opportunity for development. Online financial innovation model has been favored by investors, showing a vigorous development trend, which has brought a strong impact on the development of traditional financial model to a certain extent. From the perspective of Internet finance, this paper deeply explores the motivation of financial innovation and the impact of financial innovation on the market, and analyses the development advantages of financial innovation under the background of Internet finance, so as to point out the direction for the development of Internet finance.

1. Introduction

Although most of the definition of financial innovation is derived from the concept of Schumpeter's economic innovation, the connotation of the definition of financial innovation is relatively large. However, the definition could be generalized from three levels[1]. Financial innovation in terms of Macro-economy; Financial Innovation in terms of banks as intermediate agencies; Financial Innovation in terms of Micro-economy.

The definition of Chinese scholars are as follows: financial innovation refers to the new things created or introduced through the combination of various factors and the creative change in the financial interior. They also think that financial innovation can be classified into three categories: (1) financial system innovation; (2) financial business innovation; (3) financial organization innovation.

From the cognitive level, innovation has three meanings: (1) the leap forward of original ideas, such as the first option contract, (2) the integration will require to understand and use the existing concepts, such as the emergence of futures contracts, and "innovation" has three meanings: (1) the leap of original ideas, such as the emergence of the first option contract; (3) combinatorial originality, such as the generation of butterfly options.

2. Motivation of Financial Innovation

2.1. Financial Business Innovation

In essence, financial innovation is to innovate from many angles and models, such as business, including financial instrument innovation, technology innovation, transaction mode innovation and market innovation, and so on. Although different innovative models adopt different ways and focus on different angles, they are inseparable from modern Internet information technology[2]. Because the involvement of science and technology in the new era, more and more business aspects have been greatly changed, and the financial industry has gradually moved towards information and electronization. At present, the financial industry has basically realized the electronic flow of funds, which provides a new channel for the circulation of funds and promotes the emergence of Internet finance.

2.2. Circumvention of Financial Regulation

From the point of view of the world financial market, the United States has defined the exchange rate of commercial banks from the beginning of the 1930s, and has banned more banking, which

has a negative effect on the development of financial market. This kind of financial regulation restricts the development of our financial market to a great extent[3]. Now, the development of the financial innovation of the developed countries is basically mature, and the bank and the securities company use the financial innovation to escape the financial regulation, and the financial service is gradually integrated. The development of financial innovation in China is relatively late, but the rapid development of financial innovation will bring more development advantages to the financial market.

2.3. Application of Electronic Information Technology

Since the eighties of the last century, the computer information technology has gradually entered the financial industry, which has promoted the technology and the information of the financial business to a certain extent, and promoted the development of the financial innovation. At that time, the development of the financial innovation business has started and is gradually accepted. Then the appearance of the electronic money has not allowed the development of the financial market to be restricted by the traditional mode, and the binding and the insecurity of the paper money transaction are broken, and the development of the financial service field is widened. In this way, the quality of the service is improved on the basis of financial innovation.

3. The Influence of Financial Innovation on Financial Market

3.1. Increased Depth and Breadth of Financial Markets

Macroscopically, financial innovation broadened the depth and breadth of the financial market to a certain extent, increased the types of business, increased the variety of financial assets accepted by the financial market, and promoted the emergence of new types of bonds[4]. At the same time, it also promoted the development of financial derivatives. With the integration and innovation of technology in the new era, the types of financial derivatives are increasing day by day, the characteristics are becoming more and more obvious, and the competitiveness of the market is gradually enhanced.

3.2. Promoting Financing Securitization in International Financial Market

The emergence of financial innovation, to a great extent, promoted financing securitization and affected the financing mode of enterprises. First of all, from the perspective of securities issuance, companies have paid more attention to securities financing than bank loans, and their dependence on bank loans has plummeted. Secondly, the assets of commercial banks gradually began to change to the direction of securitization, the proportion of securities assets gradually increased, and banks became the main investors in the securities market.

3.3. Improving the Operation Efficiency of the Financial Market

Firstly, the financial innovation can make the price of the international financial market be rapidly and sensitively respond to all available information by improving the modernization degree of the market organization and the equipment, and the sensitivity of the price change of the financial market is improved, and the price rapidly and timely responds to the obtained information so as to improve the rationality of the price and the acting force of the price mechanism. Second, alternative types of financial commodities have been added. The emergence of a large number of new financial instruments in the modern innovation, makes the financial commodities available to the financial market have a wide variety of financial commodities and the investors have increased selectivity. In the face of the many financial commodities with their own characteristics, all kinds of investors are easy to achieve their own satisfactory combination of efficiency. Third, the ability to eliminate individual risks is enhanced. Financial innovation enhances the ability to eliminate individual risks by providing a large amount of financing for new financial instruments, trading technology. Investors can make a diversified portfolio of assets and can adjust their portfolio in a timely manner and, in the process of maintaining a combination of efficiency. Investors can reduce individual risks to a lesser extent by dispersing or transferring laws. Fourth, the transaction cost is

reduced, the investment income is increased relatively, more investors and fund-raising persons are attracted to the market, and the active degree of the transaction is improved.

3.4. Improving the Operational Efficiency of Financial Institution

First of all, financial innovation improves the satisfaction of those who need it in terms of quantity and quality by providing a large number of financial instruments, financial services, trading methods or financing technologies with specific connotations and characteristics. It increases the utility of financial goods and services, enhances the basic functions of financial institutions, and improves the operational efficiency of financial institutions. Secondly, the capacity and speed of payment and liquidation are improved[5]. After the computer is introduced into the payment and clearing system, the ability and efficiency of payment and liquidation of financial institutions have been raised to a new level, and the speed and efficiency of capital turnover have been improved, and a large amount of circulation costs have been saved. Thirdly, significant increase in assets and profitability of financial institutions. The emergence of a large number of new tools, new technologies, new transactions, and new services in modern financial innovation has greatly enhanced the ability of financial institutions to accumulate funds, and the function of credit creation has been brought into play. The rapid growth of the assets stock of financial institutions undefined capital flows increases the scale reward of financial institutions undefined operating activities, lowers the costs, and brings about innovation in management and management, and the profitability of financial institutions is enhanced.

4. The Present Situation of Internet Finance

Under the premise of the rapid development of information technology, Internet finance relies on modern and emerging technology such as Internet technology, mobile communication technology and so on to realize payment and credit. And it emerged up gradually as a financial innovation model. At present, there are four main types of Internet financial model (figure 1).

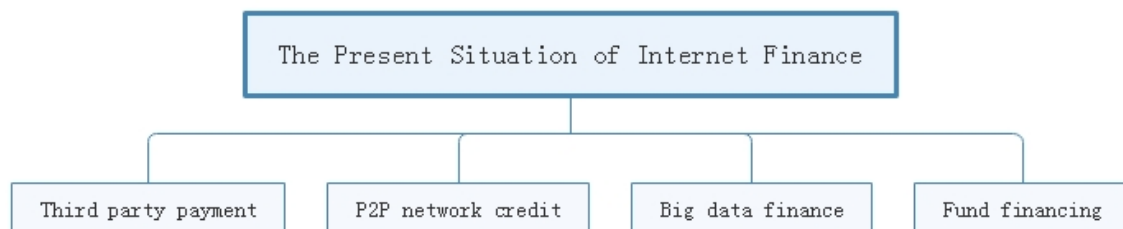


Figure 1 four main types of Internet financial model.

(1) Third party payment. Non-financial institutions provide online payments, prepaid cards, bank card receipts and other payment services determined by the people undefined Bank of China as payment intermediaries for recipients and payers, such as Alipay, one of E-commerce platforms.

(2) P2P network credit. That is, point-to-point credit refers to borrowing funds through a third-party Internet platform, matching the loan parties, and people in need of borrowing can find people who have the ability to lend and are willing to lend on certain terms through the website platform, such as Renren loan and other platforms.

(3) Big data finance. Based on massive trading information and cloud computing, this paper analysis unstructured data in real time, provides customers with all-round information for Internet financial institutions, and grasps customers undefined consumption habits by analysing and mining customers undefined trading and consumption information. It also predicts customer behaviour, taking Ali small loan, the representative platform as an example.

(4) Fund financing. The Internet is used for the settlement and sale of financial products and the provision of third-party services for the sale of financial products. In the way of vertical price comparison of financial products, the products of the financial institutions are put on the platform, and the users select the appropriate financial products through comparison. The specific representative has the balance of the platform.

5. The Development of Financial Innovation in Internet Financial Environment

5.1. The Way of Financial Payment of the Internet

The emergence of electronic money provides a new model for people to trade. With the rapid development of Internet technology, the security of network transaction has been improved and people undefined dependence on network payment has gradually increased. While banks still dominate online payments, the emergence of more payment platforms, including e-wallets, drives more innovative payment products. The development of modern e-commerce depends on the electronic payment of network transaction, which to a certain extent promotes the development of third-party payment enterprises, and the financial service enterprises such as Yu Erbao have shown a good development trend.

5.2. Advantages of Financial Innovation under Internet Finance

The emergence of Internet finance provides more directions and advantages for financial innovation. First of all, from the perspective of customer experience, network payment and transactions are more rapid and convenient, not hindered by space and time, and financial services can be carried out at any time. Secondly, with the further development and promotion of the Internet technology, the application of the financial business to the Internet information technology is also more sophisticated, and can carry on the targeted innovation to the business according to the requirements of the financial services in order to achieve high-efficiency services.

5.3. The Science and Technology Finance Becomes the Core of the Internet undefined Financial Development

From the recent development of Internet finance, it is not easy to find that technology such as big data application, block chain technology, artificial intelligence, and cloud computing plays an irreplaceable role in the development of financial system. In the future of Internet finance, the technology finance will continue to become the core of the development strategy, and the future of science and technology will become one of the developing trends of the Internet finance industry.

6. The risk of Innovation and Development of Internet Finance

6.1. Information Security Risk

Internet finance relies on cloud computing, Internet and other information technology platforms to carry out financial business. And the coexistence of high-tech security risks, the existence of user information leakage, unauthorized use of information, network hackers both illegally steal data and other hidden dangers. Once the risk erupts, the direct economic loss is incalculable. And before ‘Ctrip leak door’ belongs to user information leakage risk event.

6.2. Credit Risk

At present, as the credit system of China is not perfect, the related laws of Internet finance still need to be matched, and the cost of default of Internet finance is low, it is easy to induce malicious loan fraud, and predict the high risk of problems such as running off (in secret) with money. Especially P2P network loan platform has become a hotbed for illegal fund-raising and fraud because of its low entry threshold and lack of supervision. Since last year, gold rush loan, Youyi, Antai and other peer-to-peer network lending platform has exposed the ‘run-off’ event.

7. Conclusion

The development of Internet technology not only breaks the limitation of people undefined traditional transaction, but also promotes the integration of various industries and Internet technology. Financial innovation is just under the financial industry and the Internet technology fusion development presents the innovation pattern, which can benefit small and medium-sized enterprise financing in our country. And it has provided the enterprises with the greater support and

the motive force. With the development of internet finance innovation, the era of internet finance has come quietly, which will bring more opportunities and challenges to enterprises.

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