

Credit Problems and Guarantee Measures of Cross-border E-commerce in China

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Abstract: Cross border e-commerce is booming in China, but it is facing increasingly serious credit problems. This paper finds that the reasons lies in information asymmetry and high transaction cost. This paper proposes that we should implement the cross-border e-commerce credit legislation, establish and improve the credit evaluation system, establish the quality information transmission mechanism, improve the credit ethics, and establish the official credit service institutions.

1. Overview of the Development and Credit of Cross-border E-Commerce in China

Cross border e-commerce refers to a transaction mode in which economic and trade matters of different countries or regions are paid and settled through online e-commerce service platform, and goods are handed over through logistics and transportation. With the advent of the era of big data, consumers' pursuit of high-quality living standards and high-level spiritual culture has further expanded the market demand for cross-border goods, and various platforms have risen rapidly, making cross-border e-commerce gradually show a trend of leapfrog development.

1.1 Overview of the Development of Cross-border E-Commerce in China

1.1.1 Transactions in cross-border e-commerce market continue to expand

In the context of global economic integration, China's cross-border e-commerce trade volume increased from 20.2 trillion yuan in 2010 to 34.6 trillion yuan. Taking 2013 as the boundary point, the growth rate of cross-border e-commerce trade volume is more than 3%. This shows that in recent years, China's cross-border e-commerce has made great progress, and the future market prospect is also very clear. (data source: China Industrial Information Network). According to the data released by immediate prospective industry research institute, the number of users of China's online shopping has climbed to 100 million in 2018, indicating that consumers' demand for global goods is increasing.

1.1.2 The amount of investment and financing in cross-border e-commerce industry has increased and the amount is huge

According to the detailed list of top ten investment and financing cases of China's export cross-border e-commerce in 2017 issued by China e-commerce research center, in 2017, China's export cross-border e-commerce financing mainly occurred in the eastern coastal areas, such as Beijing, Shanghai, etc., with a large amount of financing. On the one hand, it shows the capital advantages of the eastern region, on the other hand, it shows that the cross-border e-commerce industry has great attraction and foreign trade. The export industry has grown rapidly.

1.1.3 B2B business is the main business of cross-border E-commerce

From the data of cross-border e-commerce operation structure in 2012-2017 released by China e-commerce research center, it can be seen that B2B mode accounts for about 90% on average, while B2C mode gradually climbs from 3.8% in 2012 to 12.6% in 2017, which shows that there are certain differences between the two profit models. B2B mode is dominant, but the rapid growth of B2C business can not be ignored.

1.2 Overview of China's Cross-border E-commerce Credit

In the virtual trading environment, the credit of the transaction subject will directly affect the transaction. Cross border e-commerce credit system refers to a huge and complex system based on e-commerce trading platform, which is established by governments, industries, enterprises, consumers and media, supported by morality, guaranteed by law, with scientific organization and management and advanced technical means to promote the smooth progress of e-commerce activities. Compared with developed countries, there are obvious problems in China's credit system and credit management mechanism, which lead to the frequent occurrence of credit loss, infringement events, counterfeit and shoddy transactions. The credit problem has obviously become the biggest resistance to the development of China's cross-border e-commerce, which must be solved at present.

2. Credit Problems in Cross-border E-Commerce in China

2.1 Imperfect legislative system

In recent years, the relevant policies and regulations issued by various government departments have not effectively solved the problem. First of all, an incomplete credit system often breeds many bad events. Secondly, the lack of relevant laws and regulations, to some extent, will lead to a series of dishonest behaviors, coupled with the low cost borne by the transaction subject, which obviously encourages the formation of a bad atmosphere. Finally, the legal system of consumer interest protection, privacy security issues and transaction disputes is not complete, which makes it impossible to deal with cross-border e-commerce disputes.

2.2 Lack of Credit Consciousness of the Transacting Parties

In order to regulate the effective operation of the market, the virtual trading market is subject to more restrictions. The anonymity of cross-border E-commerce makes it very different from the real market, and a series of problems caused by the lack of credit ethics are exposed. In the face of the bad behavior of inferior products and dishonesty in transnational transactions, buyers urgently need a good trading environment. In the transaction, the lack of credit awareness of a few buyers, the praise of false products without thinking, will also mislead the subsequent buyers. Such a vicious circle will inevitably make the development of cross-border e-commerce difficult.

2.3 Insufficient supervision of commercial platforms

From the perspective of the supervision of the trading platform on the seller, the e-commerce platform will require real name identity authentication at the beginning of the seller's registration of the online store, but only relying on real name authentication is not enough to understand the seller's credit status and business behavior. Once the seller fails to trust the buyer, the punishment mechanism of the platform is not transparent enough. From the perspective of the supervision of the transaction platform to the buyer, the audit of the e-commerce platform to the buyer is not rigorous enough, and the success of the authentication can be achieved only by a mobile phone number or email address. Once there is a situation of dishonesty, the risk of violation and the cost of transaction cannot be underestimated for the seller.

2.4 Lower quality of operation of credit intermediaries

The chaotic situation in China's cross-border e-commerce credit intermediary service industry is mainly manifested in the following aspects: through the investigation of the credit system of intermediary institutions, it is found that no large or small-scale credit intermediary institution has a complete information database of its own, and the relevant data and materials are also scarce, which cannot be recognized by the market. Most of the credit intermediaries are in the embryonic stage, the overall business level of the industry is uneven, the industry self-discipline rules are not perfect, the industry development prospects are questioned, which is a severe test for the credibility of the cross-border e-commerce credit intermediary service industry.

2.5 The drawbacks of virtualized transaction model

The virtual transaction mode is easy to be used by lawbreakers to seek illegitimate interests, such as evading the inspection of tax authorities. The amount of cross-border e-commerce transactions is very large, the amount of settlement data of e-commerce platform is very complex, and the lack of strict regulatory procedures provides the possibility for illegal persons to manipulate in the dark. These illegal acts not only seriously disturb the national economic order, but also damage the social and public interests. It also causes the chaos of trading environment, disrupts the standardized operation of e-commerce platform and destroys the survival rules of the international market, which is not conducive to the steady pace of Chinese enterprises in the international market.

3. The Source of Credit Problem in China's Cross-border E-Commerce

3.1 Information asymmetry

In the market economy, information asymmetry means that people's understanding of relevant information is different to some extent. This kind of person with sufficient information is usually in a favorable position, and the dominant person generally exists; while this kind of person with insufficient information is in a disadvantageous position, and can only obey the behavior of the dominant person. There are different payment costs for valuable market information, which makes the information held by market participants unequal, leading to adverse selection and moral hazard. The most direct cause of various credit problems in cross-border e-commerce is the asymmetry of information provided by the market. Its emergence inevitably has a serious impact on the market operation efficiency and the interests of the transaction subject, and it is also the biggest restriction on the development of cross-border e-commerce.

3.2 Transaction costs

Transaction cost, also known as transaction cost, in a narrow sense, refers to the cost of completing a transaction. The performance of transaction behavior in the market is the transaction cost paid by the transaction subject to meet the demand. Compared with traditional trade, cross-border e-commerce benefits from Internet technology, with low transaction cost, which to a certain extent enables the transaction subject to obtain more profits. However, due to the credit problems in cross-border e-commerce industry, the market environment is dirty and the transaction cost is gradually increasing. Considering its own anonymity, the transaction cost will increase greatly, which will also destroy the normal operation of cross-border e-commerce industry.

4. Credit Guarantee Measures for Cross-border E-Commerce in China

4.1 Implementing cross-border e-commerce credit legislation

The government should actively introduce regional laws and regulations, adopt regional pilot and comprehensive improvement strategies, establish a relatively perfect cross-border e-commerce legal system, accelerate the improvement of credit supervision system, and establish a credit information sharing mechanism. Establish self-discipline industry rules to provide a good social environment for the development of cross-border e-commerce.

4.2 Establishment and improvement of credit evaluation system

Establish a sound credit evaluation system, investigate the credit qualifications of cross-border platform merchants, regularly query the seller's recent transaction details, eliminate the default praise mechanism of the platform system, and truly and objectively reflect the transaction situation. After the transaction between the buyer and the seller is completed, the seller's transaction credit can be comprehensively evaluated through transaction time, buyer's evaluation, additional evaluation, after-sale processing, etc.

4.3 Establishment of Official Credit Service Institutions

Establish an authoritative, third-party credit service agency guided by the relevant national departments or designated relevant agencies, through which the credit information of the transaction subject can be integrated. Collect and sort out all kinds of transaction data and practical information of e-commerce platform, and then reorganize the huge data information base into an intelligent credit information system and sharing service platform to publish effective sorted data information for the buyer and the seller to use and play a role of mutual reference.

4.4 Establishment of quality information transmission mechanism

If it is further raised to the national level, it is necessary for relevant government agencies or industry associations of all countries to work together for mutual benefit and reciprocity, to jointly formulate perfect and unified system standards, and to establish an efficient credit information transmission mechanism. Each cross-border e-commerce platform needs to regularly update the credit evaluation system to share information in the flow, break the information barrier of credit evaluation, and achieve high-quality information transmission of cross-border e-commerce platform.

4.5 Perfecting Credit Ethics

To improve credit ethics, we need to rely on all sectors of society to make unremitting efforts to cultivate the credit awareness of market participants. First of all, regular publicity and education should be carried out for enterprises participating in online sales. Secondly, we can promote corporate culture with the help of network media and give policy support to enterprises with good credit. Finally, improve consumers' awareness of rights protection.

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