Research on Internet Finance Development

Gang Li

Yunnan College of Business Management, Kunming, Yunnan, 650300, China

Keywords: Internet Finance, Development Trend, Problems and Countermeasures

Abstract: The rapid development of information technology such as cloud computing, social networking, and big data provides technical support for the rise of Internet finance. According to the current development status, model research and risk monitoring analysis of Internet finance, the main viewpoints of Internet financial development model and risk supervision are extracted, and the shortcomings of existing research are summarized to explore the future development direction of Internet finance.

1. Introduction

With the rapid development of information technology, Internet finance has risen rapidly. At the same time of rapid service economy construction, due to the lack of access to P2P and crowdfunding models and the lack of financial restrictions, new problems have emerged in the financial industry, such as illegal absorption. Funds, P2P platform "volume" running phenomenon. Therefore, under the condition of slow economic development, how to correctly understand the development trend of Internet finance and promote its healthy development, how to do a good job in the credit evaluation and supervision of the P2P model is particularly important. According to the research results at home and abroad, this paper analyzes and summarizes the research status, development mode and risk supervision of internet finance, in order to provide theoretical support for the research and development of internet finance.

2. Definition and main features of the Internet

Internet finance is an emerging field of traditional financial industry and modern information technology represented by the Internet, especially the combination of search engine, mobile payment, cloud computing, social network and data mining. It is realized by means of Internet technology and mobile communication technology. Emerging financial models for finance, payment and information brokering. Regardless of the Internet finance or the financial Internet, it is only a strategic classification, and there is no strict definition. With the mutual penetration and integration of financial and internet, Internet finance has generally referred to all acts of realizing financial communication through Internet technology. Internet finance is a part of general finance. The Internet business of traditional financial institutions should also be part of the broad Internet finance. The two sides are cross-cutting and mutually promoting (Liu Shiyu, 2 0 1 3). The current development models of internet finance mainly include third-party payment, P 2 P microfinance (pe ert ope erlendi ng), crowdfunding (crowdfunding), internet currency (such as bitcoin, Q coin, etc.), e-commerce, and others. Internet financial service platform, etc. Internet finance is a financial business based on virtual space in the Internet, with a certain cost advantage. The issuance, trading and payment of financial products can be carried out directly on the net. The transaction costs are very low, and the cost of the risk is very low, which greatly reduces the transaction cost of the market. At the same time, the Internet platform eliminates the traditional cost of large physical business outlets and the cost of hiring many employees, greatly reducing investment costs, operating expenses and management costs. It is estimated that the business cost of the Internet is very different from the traditional business cost, which can often reach 1: 1 0 0 or even 1: 1 0 0 0 2 .

High efficiency. Relying on strong credit data accumulation and mining advantages, as well as advanced technologies such as Internet, mobile payment, search engine, big data, social network

  DOI: 10.25236/erems.2018.066

and cloud computing, the Internet financial model can break through time and space restrictions, reduce intermediate links, convenient payment methods, financial activities. Participants have more direct and effective contacts through the Internet, with higher transparency, which greatly reduces market information asymmetry and makes the market fully effective, thus approaching the non-financial intermediary state described in the general equilibrium theorem, effectively improving Financial efficiency.

Focus on the customer experience. Internet finance adheres to the spirit of openness, equality, collaboration and sharing. From the traditional face-to-face counter transaction to the open group participation and interactive communication in the service model; the organization is flattened through real-time interaction and large-scale collaboration on the business model. Decentralization, customer group information platform, network, and through data mining and analysis, to identify potential customers and potential needs in advance, to provide customers with quality and efficient product and service experience.

Risk specificity. The characteristics of Internet finance determine the factors and influences of risk mitigation and traditional financial differences. In addition to the liquidity risk, market risk and interest rate risk existing in the traditional financial industry, Internet finance also has technical risks, system security risks and various business risks based on virtual financial services based on information technology, and risk spread. The speed of transmission is faster and the risk incentives are more complicated.

3. Internet finance development model

At present, the academic community divides Internet finance into six modes: network payment and settlement, network financing, internet finance, internet currency, online securities and network insurance. Among them, P2P network financing, crowdfunding financing, and third-party payment have made people's life patterns change dramatically. P2P network loans are the behavior of borrowers and lenders to complete lending through the Internet platform. The characteristics of “inclusiveness” and “de-intermediation” are in sharp contrast with traditional financing models, alleviating the institutional construction of traditional commercial banks and small and medium-sized enterprises. Contradictions have reduced the adverse effects of offline private loans.

Trust is the main factor for the success of P2P loans. Domestic and foreign scholars have done a lot of research to reduce the default rate, improve service quality, and build a perfect P2P credit mechanism. For example, Puro et al. use the Logistic regression model to construct the loan decision model through the borrower's credit rating, borrowing amount, default rate, and repayment income ratio, to help users make the most valuable decisions. Yu Ruizhang and Zhang Xiaoxia conducted an online comparison of Chinese and foreign P2P lending models, pointing out that foreign P2P is more mature than domestic development: the legal system is relatively complete and there is a sound credit system. In order to build a more perfect credit evaluation system and alleviate the information asymmetry between borrowers and lenders, Wang Huijuan and Liao Li believe that a detailed indicator system should be established to unify the forms of certification under the various platforms, and the judicial institutions should strengthen supervision. Internet finance is the product of the development of information technology. In the process of rapid development, in order to build a perfect credit evaluation index system, blockchain technology can be used. The core of the digital cryptocurrency system is the pillar of the blockchain, with decentralization. Security and other features enable data encryption, time stamping and other technical means to be better utilized in distributed systems, thus improving the construction of the credit system and building a unified and efficient credit evaluation system.

Crowdfunding is a lending model in which fundraisers display creative projects on the Internet platform to attract investors to obtain funds. They rely on the public to complete project financing and have three main bodies: investors, fundraisers and intermediary companies. In 2011, China established the first crowdfunding platform. As of the end of June 2015, there were about 198 crowdfunding platforms in China, and the total number of successful projects for commodity crowdfunding was around 12,000, and the fundraising amount reached 800 million yuan.

Traditional economic theory holds that the private supply of public goods is inefficient, but in the context of Internet finance, most of the “public goods” attribute projects are successfully implemented by netizens’ spontaneous “crowdfunding” model. Zhou Sha analyzes Internet crowdfunding. The internal mechanism of the model solves the "organizational cost", "insufficient guarantee" and "free-riding problem", ensures the effectiveness of public goods private supply, and further studies the application prospects of Internet crowdfunding in the field of public services. Xia Enjun, Wang Sujuan, and Wang Junpeng pointed out that the status of participation in the crowdfunding model, the participation of investors, funders, environmental constraints, risks and revenue comparisons are of great significance to the operation of the platform. Ren Xiaocong and other suggestions on the problems and further development of crowdfunding in China, pointed out that improving the crowdfunding model, the legal aspects should pay attention to the regulatory principles, improve the information disclosure system, create industry institutions, strengthen supervision, and promote the healthy growth of Internet finance.

4. Internet financial risk and regulatory control

Internet finance has a high degree of coupling between Internet technology and the financial industry. Due to its mixed nature and cross-border characteristics, there are many potential risk factors. According to the experience of international Internet financial supervision, domestic scholars mainly conduct research on technical risks, information asymmetry risks, credit risks and liquidity risks.

Zhang Yusong pointed out that there are loopholes in the security technology of Internet finance, lack of standardized evaluation criteria, and the lack of testing and testing has brought many risks to the safe operation of the platform. Nowadays, Trojan horses and hacker attacks are rampant, information leakage and malicious attacks become normal. Due to the imperfection of the system, many operations of Internet finance have moved away from the gray area of the law, so illegal fund-raising and illegal operation of securities will occur.

Zhang Weiqiang of Tsinghua University pointed out that in the P2P financing market, the lack of understanding of information by both borrowers and borrowers will lead to adverse selection problems. The research results show that the success rate of group loans and the default rate of enjoying high social welfare and stable income are not too high, and the advantages of excellent customers are not highlighted.

The domestic Internet credit business cannot be fully and effectively supervised, resulting in an increase in credit risk. Based on the characteristics of Internet informationization and virtualization, the true identity of both parties to the transaction cannot be verified, which increases the credit risk of Internet finance.

Due to the characteristics of Internet finance, cross-border cross-over, high-speed operation, etc., there will be a capital chain disruption and liquidity risk. Guo Shibang pointed out that there is a shortage of e-commerce website transaction records, and third-party payment instruments are hidden. Online payment hinders the successful implementation of the anti-money laundering system. According to many problems brought about by Internet financial risks, the regulatory issues have attracted the attention of the academic community and the industry, and the research results are quite abundant. In view of the cross-border nature of Internet finance, it is necessary to establish a sound financial supervision system. For large-scale institutions, it is necessary to focus on controlling risks. Hu Wei pointed out that the regulatory experience of the international equity crowdfunding model pointed out that China's legal system needs to be further improved, clear the regulatory body, set the minimum threshold, and strengthen supervision through capital requirements and real-name registration. The regulatory issue of P2P is also one of the focuses of industry research. Wu Xiaoguang and Cao Yi analyzed the possible risks and proposed regulatory measures according to the P2P financing method. There are technical risks, security risks and credit risks on the P2P platform. Active guidance and supervision of the department. Risk aversion and strict supervision system are the dilemmas facing P2P development. How to break through this “bottleneck” is crucial for future development.

5. Conclusion

With the rapid development of Internet information technologies such as mobile payment, social networking, big data and cloud computing, the changes in mass consumption methods and the innovation of modern financial concepts, the integration and penetration of the Internet and the financial industry have deepened. As a financial innovation, the Internet finance model represented by third-party payment, P 2 P network credit, crowdfunding financing, etc., has evolved from birth to presentation, protection of traditional financial models, monetary policy, financial supervision and financial consumer rights. Both have an important impact.

References

[1] Yuan Yong, Wang Feiyue. Current Status and Prospects of Blockchain Technology Development [J]. Acta Automatica Sinica, 2016(4):481-494.

[2] Xia Enjun, Wang Sujuan, Wang Junpeng. Current Situation and Prospects of Crowdfunding Research [J]. China Science and Technology Forum, 2016(9): 98-103.

[3] Ren Xiaocong, He Jun. Current Situation, Problems and Suggestions for Further Development of Crowdfunding in China [J]. Theoretical Exploration, 2016(3): 87-91.

[4] Ba Shusong, Yang Wei. Research and Reference of International Supervision of Third Party Payments [J]. Financial Research, 2012(4): 72-75.

[5] Zuo Li. How to prevent third-party payment institutions from colluding with depository banks: game analysis based on the assumption of double-pay deposit depository [J]. Modern Finance and Economics, 2013(9): 79-88.

[6] Tan Runzhan. Strategic importance of bank payment business: based on the perspective of third-party payment development [J]. Southern Finance, 2010 (1): 71-74