

# Research on Risk Prevention and Control of Internet Finance in Hubei Province under Supply-side Reform

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**Abstract:** in Today's Society, Internet Finance is an Effective Way to Solve the Problem of Lack of Funds for Small and Medium-Sized Enterprises in Hubei Province under Supply-side Reforms. Supply-side Reform is a Reform That Realizes the High-Quality Development of the Manufacturing Industry and Promotes the Sustainable and Healthy Development of the Economy and Society. Internet Finance is One of the Contents of the Supply-side Reform. the Existence of Risks Hinders the Development of Internet Finance and Affects the Advancement of Supply-side Reforms. This Article Analyzes the Risk Characteristics of Internet Finance in Hubei Province under Supply-side Reforms, and Proposes Specific Precautionary Measures, Hoping to Provide Opinions for the Development of Internet Finance in Hubei Province.

## 1. Introduction

In the past 40 years of reform and opening up, China's economy has continued to develop at a high speed and has become the world's second largest economy. However, with the change in the structure of economic demand, China's economic is facing a new round of challenges. The proposal of supply-side structural reform is the key to promoting the upgrading of the manufacturing industry and catering to market demand in order to achieve supply and demand counterparts. Hubei Province is a national regional development center. Its manufacturing and manufacturing-related industries are leading the country. The financial industry is also radiating the central region of the country.

In the tide of supply-side structural reform, we should seize the opportunity and actively promote the city. The optimization and upgrading of backward industries cannot be separated from the support of the financial industry. Internet finance has become the important financing way of Chinese enterprises, especially SMEs and technology-based enterprises, because of the advantages of low cost, low threshold, and a large amount of private capital of Internet finance. Therefore, this article will analyze the current situation of Internet finance risks in Hubei Province under supply-side structural reforms, and propose effective measures to prevent and control risks.

## 2. Importance of Internet Finance Development in Hubei Province under Supply-side Reform

At present, the downturn in the world economy and trade, and the turbulence in the international market, have deepened the impact on China, and have formed a superposition with the deep-seated domestic contradictions. The real economy is experiencing greater difficulties, and the dilemma facing macro-control has increased. Supply-side reform is to improve the quality of supply, use structural reforms to advance structural adjustments, correct distortions in the allocation of factors, expand effective supply, increase the adaptability and flexibility of supply structures to changes in demand, increase total factor productivity, and better satisfy the people. The needs of the masses promote the reform of sustained and healthy economic and social development.

At present, Hubei Province's supply-side structural reform is advancing in an orderly manner and achieving some results, but it is also facing development bottlenecks. The biggest problem is that the financing of small and medium-sized enterprises and technology-based enterprises that provide the most innovation and vitality for the reform appears to be difficult. In this regard, the booming

Internet finance is a major breakthrough in solving corporate financing problems. Hubei Province should seize the historical opportunity to vigorously regulate the development of Internet finance and help the supply-side structural reform to advance further across the province.

### **3. Risk Situation of Internet Finance in Hubei Province under Supply-side Reform**

Internet finance has established an efficient platform for matching the supply and demand sides of the capital market, which has an impact on the operation and development of the entire society and economy, that is, Internet financial risk refers to the entire social level of risk. Therefore, from the perspective of the entire Hubei Province, we summarize the characteristics of Hubei Province's Internet finance with risk concentration, strong spillover capability, rapid proliferation, and difficult supervision.

#### **3.1 Risk Concentration**

According to the policy positioning of the Internet financial platform, its main function is to provide information matching and transaction matching services for investors and financiers by means of information intermediation. This means that the Internet financial platform obtains risk-free income and does not provide credit guarantee and pocket service. At present, a common problem among Wuhan Internet financial companies is that risk pricing is not satisfactory. The return rate of all financial assets or financial products should be determined by the risk of the underlying assets corresponding to such assets or products. If the risk pricing is not satisfied, it will lead to the rigid payment and high leverage of the financial market. This is also the biggest problem in the entire financial market and current China bond market. The completion of asset risk pricing within the group will lead to rigid redemption, which means that the provider of Internet products needs to guarantee or guarantee the maturity of the product. This Internet financial development model will inevitably concentrate the risk of all underlying assets in the group, and investors are getting excess risk-free returns. With the deterioration of the economic environment and the rise of systemic risks in the financial markets, large-scale defaults are prone to occur, and related companies will have a liquidity crisis, which will inevitably lead to concentrated exposure of risks.

#### **3.2 Spread Ability**

If buyers of financial products do not have the ability to bear the risks associated with such products, it is likely to increase the risk spreading ability of financial markets. At the same time, it has caused huge social effects. That is to say, the qualified investors of the original financial products are high-net-worth investors who can resist risks, which can be accepted even if losses occur. Now, the financial product subscriptions reached through various asset management plans, partnerships and structured designs are mostly held by ordinary low-net-worth investors. Their ability to resist risks is weak, and in many cases they cannot tolerate asset losses. Once the number of ordinary investors is large, it will inevitably lead to group events and eventually lead to market turbulence.

#### **3.3 Risk Spreads Fast**

Internet finance is based on a virtual network. The Internet network is a network spread all over the world. The number of users is difficult to estimate. Moreover, it transmits information in a digital form. There is no time or geographical limitation on the speed of information transmission. The speed is far faster than traditional finance, but at the same time, the breadth and speed of risk diffusion are also increasing in a positive proportion and in the same proportion, which may cause chain infection of risks. Whether it is third-party payment or mobile payment, Internet finance, including P2P, big data finance, crowdfunding platforms, information finance, etc., have the fast remote processing function of high-tech network technology, which is convenient and fast for finance service that provides strong IT technical support. However, at the same time, the rapid spread of the Internet and the characteristics of no regional restrictions will also accelerate the spread of payment, clearing and financial risks. Just as computer viruses can spread and spread

quickly through the Internet, the entire computer and even the entire transaction Internet will be threatened by the virus once a program is infected by a virus, which will lead to the collapse of the system. This is a difficult problem facing Internet finance nationwide.

### **3.4 Risk Supervision is Difficult**

At the same time that Internet finance in Hubei Province is booming, the legal system is not yet perfect, and Internet finance companies are often scattered in gray areas. However, the relevant regulators have no way to supervise the behaviors that have not yet been judged. In addition, as a small capital investor, the general public does not know much about the operation and risks of Internet finance. These practical factors have caused regulators across the province to supervise Internet finance, a new issue, which is extremely difficult. The transaction and payment process are completed on the Internet or mobile Internet. The virtualization of transactions makes financial services lose time and geographical restrictions, the transaction objects become blurred, and the transaction process is more opaque. The forms of financial risk are more diversified.

## **4. Measures to Prevent and Control Internet Financial Risks in Hubei Province under Supply-side Reform**

With the vigorous development of the Internet finance industry in Hubei Province, the corresponding risks are also increasing day by day. Preventing and resolving financial risks has become a major political task that must be completed. Solving this problem is a major hurdle that must be crossed to achieve high-quality development. It is also a major issue that must be resolved to do good economic work. In order to prevent and control the Internet financial risks in Hubei Province, we make the following recommendations for government departments, regulators and Internet companies.

### **4.1 Government Departments: Improve Regulations and Policies and Do a Good Job in Advancement**

Internet lenders in Hubei Province's Internet finance cases are not only similar to creditors in private lending cases, but also Internet finance consumers who are at an information disadvantage and do not focus on financial investment. They should be included in the protection of Internet finance consumer rights and interests. As the main method of private right relief, civil liability is the most commonly used method of liability in Internet financing disputes, and the current law's civil liability for Internet finance only stipulates legal liability from the perspective of private lending. Therefore, it is necessary to strengthen Internet financial legal regulations. Improve Internet finance laws and regulations. In general, to improve the legal system of Internet finance in Hubei Province, regulations and standards should be accelerated, whether it is macro-level Internet finance legislation, related Internet finance basic laws, and supporting Internet finance technology links. It is possible to avoid the legal risks of Internet finance.

### **4.2 Supervisory Agency: Promote Strengths and Avoid Weaknesses, Implement the Supervision System**

The refinement and supervision of the supervision model should meet the requirements of relevant laws and regulations, and compliance with laws and regulations is the basic condition for promoting the healthy development of Internet finance. If the supervisory department only focuses on supervision and ignores the punishment of law enforcement and illegal activities, its supervision function will be weakened, leading to the failure of Internet financial supervision. Therefore, the supervisory authority should grant appropriate enforcement powers in accordance with its responsibilities and scope of supervision. This power should ultimately be used to monitor consumer protection and illegal behavior. Internet finance has obvious cross-industry and cross-market characteristics, which breaks through the boundaries of the separate operations of the banking, securities, and insurance industries, and poses a great challenge to the supervision model of separate industries. Hubei Province should establish a joint conference system including a

three-member party, industry and commerce, industry credit, and judicial departments, and clarify the regulatory responsibilities of each department. This can alleviate legal risks, credit risks, and moral risks caused by poor supervision.

#### **4.3 Internet Companies: Pursue Excellence and Learn from Development**

In the context of the rapid advancement of science and technology, financial business is no longer confined to geographical restrictions. A series of network effects have further accelerated the risk of outbreaks, and the channels of transmission have become more diverse and hidden. Therefore, the industry engaged in Internet finance should strengthen its network security management, upgrade its network security system, and prevent system failures caused by malicious attacks from various aspects and high angles. Although the Internet financial industry is developing rapidly and has great potential, we cannot relax our vigilance and follow the trend. Enterprises in various financial industries should always pay attention to and understand the market, gain insight into market demand, and maintain continuous development and stability in freshness and creativity. At the same time, companies in the Internet finance industry should also focus on market demand trends, conduct data analysis based on the information at hand, and try to launch financial products with a wide audience, long sustainability and high security performance. Only by knowing what customers need, and closely integrating with the trend of the times, thinking and innovation can gain market recognition, create new value and profits, and the Internet finance industry will flourish.

#### **5. Conclusion**

Internet finance under supply-side reform is an important means for Hubei's economy to achieve leapfrog development, which requires the joint efforts of government departments, regulatory agencies, and Internet companies. Preventing and resolving Internet financial risks is a major barrier that must be crossed to achieve high-quality development.

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