

Analysis on "Internet + consumer finance" Based on E-Commerce Platform

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Abstract: In recent years, the rapid development of network technology has injected new "blood" into various industries, especially in commodity circulation. The traditional offline trading method has gradually transitioned to the electronic trading method, forming a corresponding trading platform, which has made electronic trading trend towards institutionalization. At this stage, the country vigorously supports consumer finance, which makes the development of consumer finance faster. In this article, the specific concept of "Internet + consumer finance" on e-commerce platforms is analyzed in depth, including the advantages and risks of this model's development, and relevant risk control measures are proposed based on real-life situations, in order to provide help to relevant parties.

1. Introduction

In China, the concept of consumer finance first appeared in 1987 and focused on credit transactions with non-consumer goods. After more than 20 years of development, a State Council meeting in 2015 reaffirmed the establishment of an independent financial industry and allowed it to enter the national market, promoting the development of consumer finance and domestic demand. In recent years, the rapid development of online e-commerce platforms has led to the emergence of many consumer finance companies or partnerships between such institutions. This model not only constitutes consumer credit business but also perfectly combines internet e-commerce with consumer finance, promoting the development of "Internet + consumer finance".

2. The Specific Concept of "Internet + Consumer Finance"

First of all, regarding consumer finance, there is still no unified definition so far. In general, it can be understood as providing financial credit consumer services or goods to consumers with the help of consumer finance institutions or companies. "Internet + consumer finance" is a product of the combination of the internet and consumer finance. With the development of network technology and consumer finance, consumers can choose products on e-commerce platforms and complete payments using consumer finance software [1]. In this model, people can select and pay without leaving home. In this model, users can also use their own credit for lending, while financial institutions act as fund providers and transfer funds to users through network technology and

information platforms. Therefore, the innovation of combining "Internet + consumer finance" breaks the traditional operation mode between the two and provides a broader space for their development. At the same time, this combination of ideas will also bring more development opportunities, allowing the effects and advantages of the "Internet + consumer finance" model to be fully reflected.

3. Background Analysis of the Development of Internet Consumer Finance

China's economy is experiencing an important transformation during its development process. In the past, the country's economic development relied heavily on investment. In recent years, the government has begun to pay attention to the impact of domestic demand on economic growth and has used the expansion of domestic demand as a means of driving economic growth. In the new business model, customer-oriented consumer finance services are of great significance in meeting the diverse financial needs of customers. Internet consumer finance, as the fastest-growing consumer finance business today, has made significant contributions to the sustainable development of the Chinese economy and society while promoting its own development [2].

3.1. Policy background of Internet consumer finance

The policy background has a great influence on the development of Internet consumer finance. In recent years, the Chinese government has paid great attention to the development of consumer finance and has introduced a series of policies to promote the development of Internet consumer finance. The 19th Party Congress also gave clear instructions on the healthy development of Internet finance, which has a very positive effect on the development of Internet consumer finance. At the same time, the regulators of the Internet finance industry have also issued corresponding regulations, which have played a positive role in regulating the development of Internet finance and promoting the development of Internet consumption [3].

3.2. The market background of Internet consumer finance

The development of Internet consumer finance is closely related to the market environment. At present, the proportion of social consumer loans in personal consumer loans in China is still very small, and there is still a big gap with developed countries. Therefore, Internet consumer finance has a broad space for development in China. The consumer finance market in developed countries in Europe and the United States is mature, with a sound credit system and diversified consumer finance products and services, which is a strong support for the development of consumer finance in developed countries in Europe and the United States. China's consumer finance market is not well developed and started late. At the same time, traditional consumer finance also has great limitations, which makes it difficult to meet people's increasing consumer finance needs, therefore, China's consumer finance has great potential. In recent years, China's consumer finance has been developing rapidly, and in 2015, the transaction volume of Internet consumer finance reached 140 billion yuan, an increase of 444% compared with the same period of the previous year, showing that China's consumer finance market has great potential for development [4].

4. Analysis of the Advantages of the "Internet + Consumer Finance" Model

4.1. Broaden the mode of e-commerce financial consumption

In recent years, "Internet Plus Consumer Finance" has gained a foothold in China's financial

market with its unique advantages. Traditional consumer finance generally involves large-scale loans, such as mortgages and car loans, while small-scale consumer finance is relatively rare. Furthermore, traditional loans have some disadvantages, such as complicated procedures, complex verification conditions, and long verification times. Currently, there are few unsecured, small-scale consumer finance loans available, which not only have smaller loan volumes, more complex lending conditions, and lower loan efficiency but also lead to low interest and enthusiasm among traditional residents for borrowing, greatly impacting the development of consumer finance. However, it is precisely under these circumstances that the emerging model of "Internet + consumer finance" can quickly develop. For example, in recent years, with the rise of e-commerce platforms, major commercial giants and their partner consumer finance institutions continue to develop and innovate in the field of e-commerce, ultimately forming the current "Internet + consumer finance" model [5]. For instance, in 2014, JD.com and its financial enterprise JD Finance jointly launched "JD Baitiao" to solve various expenses in JD.com shopping. In the same year, "Alipay" teamed up with Tmall and Taobao to launch "Tmall Installment Purchase," "Ant Check Later Payment," and "Ant Borrowing Payment" and other consumer finance services, providing Alibaba with "small" and "large" services. One year later, the large e-commerce enterprise "Suning" launched products such as "Suning Renxing" to allow consumers to obtain more points through Suning channels. Through the above examples, the emerging model of "Internet Plus Consumer Finance" fills the gap in China's e-commerce consumer finance services in the small-scale finance field. This emerging small-scale loan consumption model will undoubtedly play a huge role in promoting China's consumer finance industry.

4.2. Broaden the population, market for e-commerce consumer finance

At present, the new "Internet Plus Consumer Finance" model has been widely applied in people's daily life and work, providing grassroots people with more diverse and affordable financial products. It has shifted from past small loans only supporting durable consumer goods such as houses and cars to small loans for various consumer products such as best-selling commodities. For example, by borrowing a few hundred yuan through JD Finance, Alipay, Ant Borrowing, etc., one can then go to other e-commerce platforms to buy items such as a mobile phone [6]. This new small loan model avoids the complexity of traditional loans, fully demonstrating the convenience of the "Internet Plus Consumer Finance" model. It is more easily accepted by grassroots consumers and strengthens the consumption power of grassroots consumer credit. The coverage of e-commerce consumer finance has greatly expanded, and the "Internet Plus Consumer Finance" model has further developed. Moreover, the rise of e-commerce also proves that it has a large user base, which further demonstrates the popularity of e-commerce platforms. In recent years, the rapid development of "Internet Plus Consumer Finance" has also stimulated the consumption desires of grassroots consumers to some extent. As the development of the "Internet Plus Consumer Finance" model is based on consumption, people can use e-commerce platforms to meet the lending needs of more consumer groups, especially grassroots consumers, greatly expanding the market of the "Internet Plus Consumer Finance" model.

5. Analysis of Internet Consumer Finance on E-commerce Platforms

5.1. Characteristics of e-commerce consumer finance products

Consumer financial products on e-commerce platforms mainly consist of small loans with short repayment periods. For example, the average limit for the first loan of "VIPshop Credit" is 516 yuan, and most loan terms do not exceed three months. They are mainly suitable for short-term

interest-free shopping or installment payment shopping. In addition, e-commerce platforms also provide cash loan services for users' offline financing needs based on their credit rating. The repayment conditions are very flexible, ranging from one month to twelve months, and can be prepaid at any time. The interest is calculated based on the number of days, similar to the "Quick Loan" launched by the Construction Bank.

5.2. Revenue streams for e-commerce consumer finance

In e-commerce, the main sources of income for consumer finance include installment payment fees, seller installment payment fees, minimum repayment fees, late payment fines, and cash interest payments. For example, when a person purchases goods using "Huabei" during the checkout process, they need to pay a service fee, which is 1% on Taobao and 0.8% on Tmall. If the user chooses to pay by installment, they will need to pay installment payment fees. If a customer is tight on cash when the payment is due and chooses to pay only the minimum payment, they must repay the interest based on the minimum payment's interest rate. If the user fails to repay on time, they must pay an interest rate of 0.05% per day. From this perspective, as long as "Huabei" has users, it will have revenue [7].

5.3. Factors influencing Internet consumer finance on e-commerce platforms

Consumers usually make impulsive purchases, thinking that more is better without planning. These "impulsive" consumers are more likely to not fulfill their credit obligations, indicating the importance of using "positive" credit utilization for consumers. On the other hand, because urban consumers have more readily accepted the concept of "high-priced consumption," they have higher levels of consumption and are more inclined to shop online and engage in consumer credit transactions on e-commerce platforms. Due to the pressures of life, their willingness to repay is higher than that of consumers in smaller cities. In addition, gender has a certain influence on online shopping, and men are more likely to default on e-commerce platforms. Women like to spend money, while men like to take risks. On consumer e-commerce platforms, borrowing behavior is more common among consumers, and consumers who are not actively paying or have a poor attitude are more likely to default. Consumer behavior is determined by their borrowing habits. When facing risks on e-commerce platforms, relying solely on strong financial support is a big obstacle, and the most fundamental condition is to ensure the stability and liquidity of funds [8].

6. Analysis of the Risks of "Internet + Consumer Finance"

Currently, the "Internet+consumer finance" model based on consumer e-commerce platforms is still in its early stages and is still in the stage of exploring development without strict regulation. Therefore, at the current stage, although the "Internet+consumer finance" model covers a wide range, there are still many financial risks, such as default issues caused by unsecured and mortgaged products on e-commerce platforms and high-level bad debts.

6.1. Credit-related risks

"Internet+consumer finance" refers to consumer finance business based on the Internet. However, due to the insufficient risk management capabilities of Internet companies themselves and the market's incomplete understanding of the modern consumer finance industry, many consumer finance institutions have encountered serious financial risks due to issues such as the universality of their business, profitability, and coverage, even leading to credit defaults. For example, in order to

quickly occupy the consumer credit market of e-commerce, some e-commerce consumer credit companies often increase investment in financial products and business types. On the one hand, they can quickly attract customers, thereby having sufficient sources of customers; secondly, consumer finance companies generally relax loan conditions when granting loans. Although this loan method can attract many customers, it can also bring huge risks, such as "Ponzi schemes."

6.2. Legal risks

Currently, the development model of "Internet+consumer finance" is still in the preliminary stage, and there is still exploration in terms of development direction and business processing. As a new industry, the legal and institutional support for its development is not yet perfect. For example, in July 2015, under the guidance of 10 ministries including the People's Bank of China, the "Guidelines for Promoting the Healthy Development of Internet Finance" were issued, which included relevant norms and guidelines. However, since the "Development Guidelines" were not issued by the government, but only a guidance issued by a relevant department, its legal effectiveness is much inferior to China's other economic laws and quantified criminal laws. However, in recent years, the country has also introduced dozens of relevant laws and regulatory policies for the consumer finance industry under the e-commerce platform, but these laws are still relatively general and not perfect enough, which has given some illegal elements an opportunity to exploit [9].

6.3. Insufficient supervision and management

As Internet companies gain a foothold in the consumer finance industry and the two sides integrate deeply, there has been a tremendous increase in the volume of consumer finance orders from electronic platforms. For example: in recent years, Anthem and Jingdong Money, both of which are household names, have seen a dramatic increase in orders related to them. However, with the dramatic increase in the number of orders, the relevant regulators should monitor and check the transactions in the consumer finance sector to ensure their safety. However, most of the work is done by the companies involved, as the lack of strict enough regulation of microfinance has led to a situation where its supervision is unclear [10].

6.4. Narrow financing path

In the early stages of the integration and development of the "Internet+consumer finance" industries, the financing of the "Internet+consumer finance" model mainly relied on the company's own funds, supplemented by institutional funds. However, at that time, online marketing was still in its infancy and could not adapt well to the needs of enterprises. In recent years, financial enterprises have developed rapidly, and the company's own funds are no longer sufficient to meet their development needs. However, if institutions want to provide financing, they need to seek the opinions of internal shareholders to get their support, and thus successfully complete the financing. However, many shareholders think the risks are too great and are unwilling to increase their investment. Therefore, this has put higher demands on the development of related "Internet+consumer finance" enterprises.

7. Risk Prevention and Control Measures of "Internet + Consumer Finance"

7.1. Improve the financial system

Internet consumer finance is a new form of economy. To ensure its safe, stable and effective development, there must be a good legal and political environment. To reduce risks, the first thing to do is to establish a sound legal system and supervision system. Firstly, online lending is a type of lending, which requires legal constraints. For example, banks will review the borrowing method to ensure its correctness, so that consumers can have better access to borrowing. Secondly, as internet finance involves a large amount of capital flow, a complete and unified economic law must be established to regulate the lending activity. Legal monitoring must be carried out in every link. When the interests of consumers are violated, they can be protected by law, and relevant enterprises can be punished, even with criminal penalties [11].

7.2. Establish a credit system

In addition to protecting consumer rights through legal mechanisms, China needs to further improve its personal consumer credit system and safeguard the legitimate rights and interests of internet enterprises through relevant laws and regulations. On the one hand, by establishing a personal credit system, customers' credit status can be accurately evaluated, and effective risk management can be carried out accordingly. The interest rate for personal loans can also be adjusted to meet different credit levels, and individual lending activities that cause significant losses to businesses due to dishonest or illegal behavior can be prevented. For example, "Zhima Credit" is a personal credit scoring system developed by Alibaba Group for internet consumer finance platforms such as "Ant Huabei", which verifies the identity of borrowers to ensure the safety of loans. On the other hand, a sound legal system needs to be established to control those who borrow and fail to repay, or those who use other people's identities or credit qualifications to borrow illegally, in order to protect the dual rights and interests of enterprises and consumers.

7.3. Risk diversification

The risk prevention and control measures of "Internet + consumer finance" include risk diversification. In fact, in the lending business, funds are invested in multiple areas such as different borrowers, industries and regions to reduce the impact of a single borrower's default or the risk of a particular area. Performing risk diversification can be done by the following methods: (1) Borrower classification: classify different types of borrowers, such as individuals, enterprises, industries, etc., and adopt different risk control measures for different types of borrowers. (2) Regional diversification of business: Conduct business in multiple regions and countries to avoid excessive concentration in one region and reduce regional risks. (3) Investor diversification: Attract more investors to join and diversify the borrowed funds among more investors to reduce the risk burden of individual investors. (4) Asset class diversification: Investing funds in different asset classes, such as real estate, technology, medical, etc., to reduce the impact of single asset class risk. (5) Loan term diversification: Select loan products with different terms to diversify the repayment time and repayment pressure [12].

7.4. Protection of user personal information

Protecting users' personal information is one of the important risk prevention and control measures of "Internet + consumer finance". The following are the specific implementation

methods: (1) Strengthen technical security measures: Internet+ consumer finance platforms should establish a perfect information security management system and adopt various technical means for protection, such as encryption technology, access control technology, data backup, etc. (2) Strictly implement user data management process: The platform should formulate clear rules for the collection, use and protection of user data and implement a standardized user data management process, including data collection, storage, transmission, processing and destruction. (3) Establishment of secure and compliant instant messaging services: provide secure and compliant instant messaging services and ensure the security and privacy of user information. The platform should encrypt, anti-tampering and anti-interception measures for instant messaging services and prohibit the sending of sensitive information. (4) Strengthening staff training and supervision: The platform shall establish a sound staff training mechanism and strengthen staff learning and training on policies and systems related to user data protection, etc., and shall also strengthen the supervision and review of staff behavior. The above implementation methods can effectively protect users' personal information, reduce the risk caused by the leakage of users' information, and enhance the security and credibility of the Internet+ consumer finance platform.

8. Analysis of the Development Dilemma of Internet Consumer Finance on E-commerce Platforms

8.1. Risk prevention measures of Internet consumer finance are not in place

The development of internet consumer finance also carries certain risks. Although the consumer finance markets in developed countries such as Europe and the United States are relatively mature, they have also experienced some crisis events during their development. Thus, effective supervision is particularly important. Currently, China's consumer finance is still in the development stage, with some inherent risks. Only by preventing these risks can we promote its healthy development. The first risk is related to the legal system. To achieve healthy development of consumer finance in China, it must be supported by a sound legal system, but currently, there are still some problems with the legal system. The second risk is analyzing the internal operations of consumer finance enterprises. In this process, these enterprises may face some risks such as difficulty in assessing the customers' credit worthiness, operational risks, and risks relating to internal technology and information security. The third risk is external risk faced by consumer finance enterprises. Changes in market conditions can also have an impact on the development of consumer finance enterprises. For example, the E-Zubao incident has caused a certain impact on customer trust.

8.2. Internet credit system construction is not perfect

Building a credit system is an inevitable choice for the development of internet consumer finance. Currently, China's social credit system is not yet sound and lacks unified standards. The collaboration mechanism between platforms is not yet established, and there is a lack of credible data. At the same time, the risk of information leakage and issues relating to user privacy on the internet have become bottlenecks for the development of internet consumer finance.

9. The Development of Internet Consumer Finance Development Strategies for E-commerce Platforms

9.1. Strengthen the risk prevention of Internet consumer finance

To ensure the healthy development of internet consumer finance, it is necessary to prevent

consumer finance risks. The government should increase its supervision of internet consumer finance and implement strict regulations over the industry. At the same time, internet consumer finance enterprises should pay more attention to risk prevention to enhance their ability to withstand risks and promote the healthy development of the consumer finance industry [13].

9.2. Construction of diversified credit system

Whether it is traditional consumption or internet consumption, a good credit system must be established. Currently, China's social credit system is gradually moving towards diversification, and Alibaba's "Zhima Credit" is a significant attempt to establish a consumer credit system. In addition, major banks are continuously increasing their efforts in building credit systems. Therefore, building a diversified credit system will become an essential development trend. This will also play a positive role in promoting the development of internet consumer finance for e-commerce platforms.

10. Conclusion

The development of the consumer finance industry towards the internet is an inevitable trend. With the continuous expansion of e-commerce platforms, this is not only a mature consumption concept but also a scientific path for the modernization of finance. However, to effectively protect this emerging industry, it must be improved legally and institutionally so that it can develop better and more comprehensively.

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