

Research on Opportunities and Challenges of Internet Finance in China

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Abstract: Since 2013, the development of Internet finance in China has shown a rapid growth, which is a concrete manifestation of China's financial innovation. However, due to the fact that the regulation of Internet finance in China is basically blank, the development of Internet finance in China has also faced many problems. By analyzing opportunities and challenges of Internet finance, the author puts forward some countermeasures and suggestions to improve Internet finance in China.

1. Introduction

The development of Internet technology has profoundly changed the development model of traditional financial industry. The channel function of the network makes it easier for banks and other financial institutions to obtain customer information, grasp customer needs, design financial products, and return the product purchase initiative to customers, thus significantly reducing operating costs. On the other hand, the virtual nature of the network has caused financial institutions such as banks to generally lack face-to-face communication with consumers, which will affect consumers' understanding of financial products. If there is a lack of professional modules such as risk control, research and statistics, online sales will not get timely and effective feedback. In addition, if the cost caused by the redundancy of the payment link is too high, the amount of information processing becomes large and other factors will make financial companies lose the enthusiasm to enter the field of electronic commerce.

2. Opportunities

First of all, government policies actively support, facilitate the development of financial products, and expand industry development space. For Internet finance, banks and other financial institutions, as well as consumers, should not avoid, resist and respond negatively. Instead, they should seize the opportunity to forge the financial industry chain and expand the industry's development space. China is planning to issue some policies on Internet finance in China, showing a tendency to support Internet finance. This is good news for the development of Internet finance.

Secondly, with the popularization of smart devices, China has a large number of Internet users and huge market potential. At present, China has more than 800 million Internet users, of whom 70 % of Internet users are aged 20-50. These groups have become or will soon become the main force of online financial consumption, and have the ability and willingness to consume online financial resources. At the same time, the popularity of smart phones and the application and development of related software have all made the Internet financial market's potential huge. China also has a large number of small and medium-sized enterprises, these enterprises to a large extent by Internet finance to meet the capital needs.

Thirdly, China is accelerating the transformation of Internet financial channels into forms of business. Under the background of big data age, the degree of information asymmetry between industries can be greatly reduced. At present, the credit system of Internet finance in China is not perfect enough. Through the sharing of industry information, the operating cost of Internet finance can be reduced. If China's Internet finance can be integrated with traditional finance, it can bring into

play the synergy effect of complementary advantages in the design of technology and financial products, which will be more beneficial to the development of Internet finance. The emergence of the Internet not only has an impact on the business model of the traditional banks, but also has an impact on the traditional concept of financial consumption. Through the Internet, the design, consultation, sales and consumption of financial products can achieve one-stop services, and consumers will be free to take risks and carry out financial management and investment of financial products.

3. Challenges

3.1 Challenge of Traditional Ideas and Consciousness

As an emerging thing, Internet finance has greatly changed the public's consumption concept and model. It is generally accepted that it takes time and can't be achieved overnight. Some consumers are not used to online payments, and prefer to go to the counter and face-to-face with the salesman, sign paper agreements, handwritten signatures, etc., which need to be effectively guided and demonstrated.

3.2 Challenges of the Internet's Hardware and Software Environment

Information security, storage and dissemination technologies need to be constantly updated and improved to achieve the safe, convenient and efficient storage and use of consumer information on the Internet.

3.3 Challenges of Electronic Means of Payment and Security

The central bank of China implements hierarchical management of network payment business. For balance accounts with a low level of security, the accumulated amount on a single day can't exceed 5000 yuan or 1000 yuan, and the accumulated amount can't exceed 200,000 yuan or 100,000 yuan. For small Internet financial products, this provision has little effect; For large Internet financial products, this regulation will prompt financial institutions to explore new payment methods to control the payment safety risks faced by consumers to some extent.

3.4 Traditional Financial Enterprises Facing the Challenges of Transformation and Industry Competition

Internet finance, as an emerging thing, has revolutionized the business model and concept of traditional banking and other financial institutions. The big data brought by the Internet has also made the industry more competitive. The financial industry has entered a competitive era. These are also challenges for the future of Internet finance.

3.5 Challenges of Competitors, the Best and the Worst

Internet finance is an emerging financial system in China. With low barriers to entry and many competitors, Internet financial institutions without competitive advantages will be eliminated from the market. In addition, China has fully liberalized the regulation of lending rates for financial institutions, and financial institutions independently determine the level of lending rates according to commercial principles. In order to prevent the loss of customers, different financial institutions will lower lending rates and reduce market interest margins. It makes it difficult for some Internet financial companies to survive.

4. Countermeasures

Firstly, it is not enough for Internet financial enterprises to simply rely on industry self-discipline. The government should as soon as possible promulgate the laws and regulations on Internet finance, the Internet financial risk management regulations, the development of fair transaction rules on the Internet, and the establishment of a corresponding deposit Reserve system. We should clarify the

legal status of Internet finance, not illegally absorb public deposits, not illegally raise funds, strengthen supervision over Internet finance, and establish a strict post-punishment mechanism.

Secondly, the government should improve the construction of China's Internet financial credit system, link the data and information of Internet finance with that of the central bank, and authorize qualified Internet financial institutions to establish credit files for independent third-party couples and customers. And on schedule, customers' credit records are reported to the Central Bank's credit collection system. The central bank credit information collection system should collect the personal information of Internet financial enterprises and customers in a comprehensive way, realize the sharing of credit information, increase the default cost of Internet financial enterprise.

Thirdly, there have been a number of cases in China recently where P2P network lending platforms have run away, laundered money, closed down, and deposited large amounts of funds into platform accounts. These P2P network lending platforms have not achieved third-party custody of funds, and settlement and settlement have been separated. Third party fund custody, liquidation and settlement analysis can effectively prevent running, adverse selection and moral hazard.

Finally, nowadays the development of Internet finance in China is not quite mature, can't arbitrarily expand the size of enterprises, which can reduce capital pressure and avoid capital turnover difficulties to reduce financial risks. At the same time, we should vigorously cultivate innovative people, increase innovation in product design and system security, and strengthen the core competitiveness of enterprises. In the end, we can strive to build a comprehensive platform with traditional financial integration, implement advantageous resource sharing, and achieve a win-win situation.

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