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Research on the Development Problems and Countermeasures of Internet Finance in the New Era

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Abstract

Internet finance is the product of the deep integration of modern Internet information technology and financial market. As a representative application mode of modern Internet information technology application in the financial field, how to further promote the transformation of modern scientific and technological achievements and drive the national financial industry to glow with new opportunities is an important practical issue facing the development of Internet Finance and urgently needs to be studied and solved. This paper focuses on the main problems exposed in the development of Internet Finance in the new period, analyzes and classifies its causes and types, and puts forward corresponding scientific suggestions in order to escort the healthy development of Internet Finance in the new period.

Keywords

The New Era; Internet Finance; Economic Development; Risk.

1. Introduction

With the in-depth development of advanced science and technology such as block chain, big data, cloud computing and artificial intelligence, "China's Internet finance has entered the 3.0 stage" has increasingly become an industry consensus. This paper focuses on the main problems faced by the development of Internet Finance in the new era, deeply analyzes its form in the actual changes, and puts forward corresponding scientific suggestions to strengthen the achievements of Internet finance development, in order to further promote the healthy and sustainable development of Internet finance.

2. The Practical Necessity of Strengthening the Supervision Of Internet Financial Development in the New Era

Internet finance refers to the function of modern Internet enterprises to provide technical support for offline financial institutions in the traditional sense, help them transfer offline conventional financial services to online, and achieve market share in advance.

As far as the actual distribution of China's market is concerned, the functional financial format and its service system formed on the Internet platform are better than many aspects of traditional finance, such as market system, service system, organizational system, product system and so on. As a new financial model, Internet finance has been widely used in Inclusive Finance, fragment finance, information finance and other fields. Compared with the traditional financial model, Internet Finance saves the capital investment and operating costs of traditional intermediary business outlets, and conventional financial business has been transferred from offline to network platform. Financial services are more direct, the scope of customers is wider, the business response speed is faster, and the user experience is better. However, it should be

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paid attention to that there is still a certain vacuum in the regulatory level of Internet finance [1], and it is urgent to strengthen the supervision of the development of Internet finance.

3. General Overview of the Current Development of Internet Finance in China

China's Internet Finance started later than developed economies such as the United States and Europe. Data show that China's Internet finance began in the 1990s and was the practical application of IT technology in the background until 2013, which was manifested in the accelerated electronization of the traditional financial industry; The completion of the Internet of front-end service channels should be calculated to 2016, which has basically completed the compliance disposal of various Internet financial risk events, which means that China's Internet finance has transformed from rapid development to standardized development. Since 2017, with the rapid development of financial science and technology, China's Internet finance has begun to try the whole process of technological application reform in the front, middle and back of business, mainly manifested in the transformation of financial products, business models and business processes by using modern technological achievements, so as to provide a steady stream of innovative vitality for the development of Internet Finance in the new era. [2].

The proportion of China's Internet financial industry in the total financial volume is still low, and the business increment mainly comes from the leading companies. Taking the Internet health insurance in June 2022 as an example, the premium income of Internet health insurance accounted for only 3.36% of the premium income of all kinds of health insurance of insurance institutions in the same period, and the business increment of all Internet health insurance came from leading companies. There is still a long way to go for small and medium-sized Internet insurance institutions to be in the forefront.

China's Internet finance is still dominated by commercial banks in the field of payment and settlement. Despite the impact of policy adjustment, the growth rate of market transactions in the Internet financial industry slowed down in 2016, the phenomenon of integration and withdrawal in the P2P online lending industry, and the number of online operation platforms decreased, but its transaction volume and the number of participants are still steadily increasing. For example, China's Internet consumer financial market loans increased from 18.72 billion yuan in 2014 to 9153 billion yuan in 2018, with a compound annual growth rate of 370.2%. It is expected that by the end of 2023, the loan scale of China's Internet consumer financial market will reach 50288.47 billion yuan, and the compound annual growth rate from 2018 to 2023 will reach 40.6%.

4. Analysis of Market Development Environment of Internet Financial Industry

4.1. Policy Environment

In 2014, "Internet finance" appeared for the first time in the government work report, expressed as "promoting the healthy development of Internet finance", and then was written into the government work report for five consecutive years. At the same time, from a number of policies announced, it is also enough to see the government's position on the development of the Internet financial industry, reflecting the process from rapid development to standardized supervision of the Internet financial industry. [3].

In 2015, network risk events occurred frequently, which attracted great attention from the whole society and government regulatory authorities. In July of the same year, the people's Bank of China, the Ministry of industry and information technology and other ten departments jointly issued the guidelines for promoting the healthy development of Internet Finance (Yinfa

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[2015] No.221, hereinafter referred to as the guidelines), announcing that Internet financing has officially entered the era of comprehensive national supervision.

In 2019, China's special rectification of Internet financial risks has achieved remarkable results, and the risk situation has been effectively controlled.

In 2020, with the continuous introduction and approval of political dividends by government departments, China's Internet Finance officially entered the final stage of rectification, clearly stipulating that "financial business must be licensed", and the next supervision will be positioned to establish a long-term supervision mechanism.

4.2. Economic Environment

As China's economy grows at a geometric rate, the economic income and personal wealth of its residents are also rising rapidly. In the past five years, the per capita disposable income of domestic residents has steadily increased, the per capita disposable income of Chinese residents has increased from 53800 yuan in 2016 to 85700 yuan in 2022, and the consumption capacity has been significantly improved, which provides a good economic background for the development of Internet finance.

4.3. Social Environment

Since 2018, the domestic network environment has continued to improve, Internet enterprises have continuously optimized user experience, the information accessibility service system has been continuously improved, the scale of Internet users has been expanding, and the demand for mass asset management has increased, which has promoted the Internet from universal access to high-quality development.

Statistics at the end of December 2022 confirmed that the scale of Internet users in China exceeded 1.067 billion, 35.49 million new users were added on the basis of the end of December 2021, and the Internet penetration rate exceeded 75.6%, an increase of 2.6 percentage points over the previous year [4].

5. Main Problems Faced by the Development of Internet Financial Industry

First, affected by the impact of the epidemic, the overall investment risk preference of the market has declined. In 2023, with the gradual emergence of the positive effects of various optimization measures for epidemic prevention and control, China's economy gradually reversed its recovery. Overall economic improvement, however, will not happen overnight. Over the past three years, the covid-19 epidemic has had a profound impact on China's economic and social activities, and a large number of small and medium-sized enterprises are facing bankruptcy crises. The balance sheets of businesses and households have been damaged, the debt burden has continued to increase, and the debt ratio has continued to rise. The anti risk ability of some market players, especially small and micro enterprises and individual businesses, has been significantly weakened, the investment risk preference of enterprises has declined, household consumption has become more cautious, and all kinds of potential risks are still spreading.

Second, there is spatial heterogeneity in the development of Internet finance, and the level of Inclusive Finance is obviously different. For example, in Beijing, Shanghai and other places, when Internet financial risks occur frequently, they directly issue a document to stop the registration of enterprises in the Internet financial industry [5]; On the contrary, Jiangxi, Shaanxi and other places have issued articles to encourage Internet financial enterprises to actively handle industrial and commercial registration, and to subsidize listed Internet financial enterprises. The policy differences between the two places are a true portrayal of the

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unbalanced development of Internet Finance in China. From the current regional distribution of the Internet financial industry, the agglomeration effect of the eastern coastal areas is more obvious, mainly concentrated in first tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen. Compared with the central and western regions, the coastal areas are slightly better developed, and the level of Inclusive Finance is higher, but the growth rate is not as high as that of the central and western regions.

Third, the risk exposure left over by the history of Internet finance is large, and the industry infrastructure needs to be further consolidated. Due to the strong stakeholder, cross and infectivity of Internet financial risks, some institutions are still outside the scope of the financial statistics system, especially in the source of funds and the use of funds, which brings greater difficulties to the implementation of supervision and regulation; Dealing with risks left over from the past may lead to implicit chain reactions among institutions, regions and markets. In the process of compliance transformation of some practitioners, there are non-standard business practices such as term mismatch, capital pool and large targets, coupled with imperfect infrastructure in the direct industry, which leads to further increased risk exposure and higher difficulty coefficient of transformation. Some internet financial enterprises can not withdraw smoothly, which may lead to a series of financial risks and social problems.

Fourthly, there are lags and weak effects in Internet financial supervision, and the effectiveness level of some current legal norms is not high. Current regulations and policies generally pay attention to individual issues in Internet financial activities, such as the authorization of third-party payment or customer reserve issues, which means that the leading and preventive role of regulations and systems in Internet financial activities has not been fully played [6]. The current basic laws such as criminal law, securities law, bill law, anti money laundering law and commercial bank law are closely related to Internet financial activities, but the specific legal provisions show scattered and sporadic characteristics, and the pertinence and operability are not strong. For example, the rules and regulations, guiding opinions or management measures of various departments are mainly used to regulate Internet financial activities. In the process of implementation, it is found that they are more biased towards programmatic documents and do not reflect a strong level of legal effectiveness.

6. Long-term Thinking on Strengthening the Development Achievements of Internet Finance

6.1. To Improve Expectations and Boost Confidence, the Key Lies in Playing a Good Policy "Combination Boxing"

How to play a good policy "combination boxing", further improve market expectations, boost market confidence, and give enterprises and entrepreneurs peace of mind is a problem that Internet financial regulators should think deeply. On the one hand, it is suggested to implement more flexible and moderate monetary policy to ensure sufficient market liquidity. For example, measures such as targeted RRR reduction, reallocation or rediscount can be taken to increase liquidity support for small and medium-sized banks and encourage policy banks to open up green service channels for private and micro enterprises seriously affected by the epidemic.

On the other hand, superior financial institutions should take the initiative to guide local financial institutions to provide diversified assistance to enterprises seriously affected by the epidemic and difficult to repay when due, such as increasing financial support, appropriately reducing credit interest rates, or increasing credit loans and medium and long-term loans to help relevant enterprises reduce the impact of the epidemic. The effective recovery of the economy after the epidemic requires the joint efforts of every market participant, especially commercial for-profit banks, who should pay special attention to their working methods and avoid blindly withdrawing, cutting off or suppressing loans. Financial institutions should pay

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more attention to supporting the recovery and development of the real economy, increase credit, take practical measures to release potential, benefit enterprises, reduce financing costs and help enterprises tide over difficulties under the principle of legalization and marketization.

6.2. Coordinate the Region, Optimize the Layout, and Focus on Playing a Coordinated "Chess Game"

Under the spatial heterogeneity, if the central and western regions want to further play the role of industrial agglomeration in promoting economic growth, they should focus on playing a coordinated "chess game". We must accelerate the transformation and upgrading of manufacturing industry and the development of producer services to high-end direction, give full play to the driving force of innovation, and promote the coordinated development of manufacturing industry and producer services industry. The state should establish a long-term and effective assistance mechanism for the western region, continue to increase policy preferences and financial investment, and achieve sustainable and coordinated development in the western region.

At the same time, we should make full use of the informatization of transportation and smooth the circulation channels between factor resources. We will further strengthen the charisma and leading role of megacities and cities in the central and western regions and build a new pattern of opening up.

6.3. To Grasp the Situation and Stabilize and Achieve Long-Term Development, the Essence is to Consolidate the "New Infrastructure" of Credit

Information asymmetry is the biggest problem of financial risk management. With the continuous expansion of Internet scenarios and the in-depth application of big data technology, breaking "data barriers" and "information silos" and establishing "a new national comprehensive credit service platform" have gradually become the general demands and ardent expectations of all sectors of society.

The research shows that credit information sharing can effectively help relevant institutions improve risk awareness and risk control capabilities, promote the development of industry standardization, effectively reduce operational risks, and identify risk early warning. On the premise of abiding by laws and regulations and ensuring information security, we can consider further strengthening the exchange and integration of credit information, such as including tax, social insurance premiums, pension fund payment and other sharing areas, and integrating banks, insurance companies, guarantees, credit services and other institutions into credit service platforms. Access facilities must be in strict accordance with the relevant authorities, and the use of the information obtained for activities other than providing financial assistance to enterprises is strictly prohibited. At the same time, we should further strengthen the dynamic monitoring of the credit situation of Internet financial enterprises and strengthen the ability of risk early warning and disposal. For fraudulent violations identified at the legal level, joint punishment will be carried out in accordance with the law and regulations.

6.4. The Right Medicine and Precise Implementation of Policies are Fundamentally to Be a Good "Escort" of the Rule of Law

On the whole, the regulatory model currently implemented in China is still in the "institutional supervision" divided by the regulatory authorities according to their authority. Under this model, specific regulatory agencies are often difficult to "get water like a fish" for financial innovation, and most prefer to put innovative financial products and services into the "routine" of the inherent regulatory system, or according to the traditional solutions, but at the same time, it will also restrain financial innovation to a great extent. Only by combining with the development trend of the domestic Internet financial industry, precise implementation of policies and timely use of functional supervision are conducive to building a sound regulatory

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system of Internet financial laws and regulations from the national level, which is to prevent institutional arbitrage among some market participants.

Secondly, it is necessary to clarify the relevant regulatory authorities regulating Internet financing. For example, a two-level regulatory agency can be set up to work together, in which the planning, design, supervision and coordination of Internet financial supervision are managed by the central regulatory authorities, including but not limited to cross regional, cross departmental and cross departmental coordination. Local regulatory authorities are mainly responsible for implementing various supervision and management measures to supervise and inspect Internet financial institutions and enterprises on a regular basis. The regulatory authorities at the two levels organize joint meetings from time to time to study and discuss new companies and products in Internet financial innovation, and then formulate appropriate regulatory measures in a timely manner to ensure the advancement, moderation and standardization of regulatory measures. [7].

In order to promote the healthy development of Internet financing norms, it is also necessary to set appropriate access thresholds and exit mechanisms. Internet financial market companies must undergo rigorous scrutiny and evaluation to enter the market. Under the strict access mechanism, the Internet financial market can be guided to develop continuously and healthily. At the same time, it is also necessary to provide an exit mechanism for Internet financial institutions, including clarifying exit conditions and providing exit assistance, in order to promote the sustainable development of the Internet financial industry and realize the survival and development of Internet financial companies [8].

When standardizing Internet financial supervision, it is also necessary to strengthen the supervision and protection of the rights and interests of financial consumers. For example, local regulators can establish an Internet integrated service platform for consumer complaints and improve the complaint handling mechanism. At the same time, it is also necessary to strengthen Internet financial risk education for consumers and improve their awareness of safety and rights protection in order to reduce the occurrence of various risks on the Internet.

7. Conclusion

The rapid development of modern information technology is like injecting a strong catalyst into the financial industry. Whether Internet finance is a monster or a treasure of the times has not yet been decided. However, there is no dispute in front of us that if Internet finance wants to ensure the long-term and healthy development of itself and even the whole domestic financial industry, on the one hand, it needs to recognize and solve many existing problems as soon as possible, reduce the probability of risk events as far as possible, and promote the sustainable and healthy development of Internet finance; On the other hand, we need to clarify and predict the future development trend of Internet finance as soon as possible in order to promote the more directional development of Internet Finance!

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