

The Mechanism, Problems and Suggestions of Internet Consumer Finance to Boost Residents' Consumption under the New Pattern of Double Cycle

Lei Wang, Luyuan Yang, Yaling Hu, Jianguo Li

Anhui University of Finance and Economics School of International Economics and Trade,
Bengbu, China

Abstract

In the new development stage, how to effectively play the role of Internet consumer finance in promoting residents' consumption upgrading has become the key to building a new pattern of double-ring development. Through total volume, quality upgrading, structure optimization, internal linkage and other effects, Internet consumer finance promotes the upgrading of Chinese residents' consumption, dredges the domestic circulation channels, and promotes the "double cycle" benign interaction at home and abroad through internal and external linkage. At present, in the process of promoting China's consumption upgrade, Internet consumer finance still has problems such as insufficient coverage, lack of differentiation of products and services, insufficient protection of consumer rights and interests, limited risk control ability, and increasing economic uncertainty. In the future, under the premise of controllable risks, we should deepen the market sinking, focus on the trend of "new consumption", practice the principle of "industry supervision + institutional self-discipline + consumer self-protection", deepen the application of financial technology, innovate economic policies, and improve the efficiency of Internet consumer finance. Promote the efficiency of residents' consumption upgrading to promote the construction of a new pattern of "double cycle" development.

Keywords

Double Cycle New Development Pattern; Internet Consumer Finance; Household Consumption.

1. Introduction

At present, China is facing multiple pressures such as the slowdown of domestic economic growth, the transformation of economic growth momentum, the decline in foreign trade demand, and the impact of pneumonia. In order to cope with the complex domestic and international situation and achieve sustained and high-quality economic development, the central government has made an important strategic decision to "accelerate the formation of a new development pattern with domestic circulation as the main body and domestic and international circulation promoting each other" [1]. Expanding domestic demand is an important strategic basis for promoting internal circulation. The traditional extensive investment model has been difficult to maintain the power of China's economic growth, and improving household consumption has become the key. As an important embodiment of expanding consumption, residents' consumption upgrading and industrial upgrading jointly affect the stability of the double cycle at home and abroad. However, in recent years, the consumption rate of Chinese residents has declined, and the speed of consumption upgrading has slowed down. The existence of tight liquidity is one of the important reasons. Internet consumer finance can, to a certain extent, alleviate the constraints on the intertemporal

allocation of residents' funds, thus playing a role in smoothing consumption and promoting consumption upgrading. However, some scholars believe that at present, Internet consumer finance has a limited role in promoting the consumption upgrading of Chinese residents, and its channels have not been fully opened [2].

In the new development stage, how to effectively play the role of Internet consumer finance in supporting consumption upgrading in China, so as to promote the formation of a new doubling development pattern and improve the accuracy of Internet consumer finance policies needs further research. Therefore, on the basis of analyzing the theoretical mechanism of Internet consumer finance supporting residents' consumption upgrading and promoting the development of "double cycle", this paper focuses on the current situation of Internet consumer finance, the existing problems of Chinese residents' consumption upgrading and the situation of Internet consumer finance supporting residents' consumption upgrading. On this basis, it puts forward the supporting path and countermeasures to promote the upgrading of Chinese residents' consumption. It is expected to provide reference for promoting the upgrading of Chinese residents' consumption and building a new pattern of mass innovation and development.

2. Theoretical Analysis of Internet Consumer Finance to Boost Residents' Consumption and Promote the Double Cycle

This paper holds that consumption upgrading includes the improvement of per capita total consumption level, as well as the optimization and upgrading of consumption quality and structure. In general, Internet consumer finance can promote the improvement of residents' consumption level and the optimization and upgrading of consumption quality and structure through the total increase effect, quality improvement effect and structure optimization effect, so as to further affect all links of social reproduction through the internal linkage effect, and smooth the internal cycle of economy through the internal and external linkage effect. The formation of internal and external circulation of coordinated development.

2.1. Aggregate Lifting Effect

The total increase effect is mainly reflected in two aspects: First, Internet consumer finance can enable residents to increase current consumption through the smoothing mechanism. Permanent income and life cycle theory holds that residents make optimal consumption decisions by distributing their lifetime income across time. Consumer credit can effectively ease the liquidity constraints of residents, provide them with some protection, reduce precautionary savings, and smooth consumption. Secondly, Internet consumer finance can increase residents' consumption through incentive mechanisms. According to the relative income hypothesis, residents' consumption has a "ratchet effect"; Those with consumer credit burdens will tend to work harder to increase their income [3].

2.2. Effect of Quality Upgrading and Structure Optimization

Internet consumer finance can also play a role in improving the quality of consumer objects. When faced with liquidity constraints, some residents may choose low-end products due to income constraints, but with the disappearance of liquidity constraints, residents can make full use of their borrowing income to buy high-quality products they like. At the same time, Internet consumer finance optimizes consumers' consumption structure through consumers' active choice and policy guidance. First of all, residents take the initiative to use some Internet consumer financial products and services due to the need for advance consumption or inter-period adjustment. Internet consumer finance has increased the funds available to residents in the current period, enabling them to consume durable consumer goods that they could not afford before through installment payment and other means, and also consume more high-level

products and services that meet non-survival needs, driving consumption in related fields, thus improving the consumption structure. Second, residents' choice of Internet consumer financial products is oriented towards the supply side of Internet consumer financial products and services. In order to achieve sustainable economic development, the financial sector can guide the optimization of residents' consumption structure by increasing consumer credit support for high-tech and green products in accordance with national economic development policies [4].

2.3. Internal and External Linkage Effect

Consumption, as an important link in the national economic cycle, can pass the effect of total improvement, quality upgrading and structural optimization of Internet consumer finance to the production and circulation fields through the internal linkage effect, and promote the "internal circulation" of the economy. First of all, the increase of total consumption can directly affect the production sector and drive the improvement of production and production efficiency; The upgrading of consumption quality will force enterprises to improve the quality of products and services, encourage enterprises to constantly introduce new technologies, improve the technical level, increase investment in research and development, produce more products in line with consumer preferences, provide better services, and promote the upgrading and innovation of product quality. The upgrading of consumption structure will stimulate the change of industrial structure and promote the emergence of new industries. Secondly, the improvement of production, efficiency and innovation in the field of production, and the optimization of industrial structure can effectively drive investment, improve the competitiveness and operating profits of Chinese enterprises, promote the increase of employment and household income, make circulation more efficient, and thus improve the efficiency of domestic economic cycle. Thirdly, the improvement of production, the increase of residents' income level and the smooth circulation can effectively react to residents' consumption, promote the increase of total consumption and further upgrade of consumption quality and structure [5].

The internal and external linkage effect of Internet consumer finance to promote the "double cycle" is mainly reflected in three aspects. First, Internet consumer finance can promote the export of Chinese products, services and technologies and promote outbound investment. Internet consumer finance can promote consumption upgrading and industrial upgrading, thereby improving the innovation capacity of Chinese enterprises and the technical content of products, and is conducive to improving the quantity and quality of export products and services. Second, Internet consumer finance can promote the import of Chinese products, services and technologies, as well as the utilization of foreign capital. The smooth circulation of the domestic market will promote the development of China's economy, the technology and capital of enterprises and the consumer demand of residents will be more vigorous, thus promoting the use of foreign capital, technology and services, as well as the increase of imported products. Third, with the development of internal circulation, China's laws and regulations will be improved in practice, the business environment of enterprises will be more optimized, and international capital, technology and other production factors will flow more into China's domestic market. At the same time, the smooth flow of international circulation will further feed back the domestic market, improve the income level of Chinese residents, and promote the further upgrading of industries. Therefore, Internet consumer finance can promote the positive interaction of domestic and international cycles through the internal and external linkage effect.

3. The Consumption Problem of Chinese Residents in Internet Consumption Finance under the New Pattern of Double Cycle

3.1. The Ability to Reach is Insufficient, and the Efforts to Promote the Upgrading of Residents' Consumption are Limited

The coverage of Internet consumer finance is insufficient, which is manifested in two aspects: service groups and consumption scenarios. First of all, there are still some remote areas and low-income groups of Internet consumer finance needs can not be met. In 2019, nearly 40 percent of adults in China had no access to Internet consumer financial services, compared to only 10 percent in developed countries. These groups that are not covered by Internet consumer finance generally have low income level and high consumption tendency. Lifting the financing constraints of this group will play an important role in promoting the overall upgrading of China's consumption. Secondly, in terms of consumption scenarios, although the tentacles of Internet consumer finance have increased significantly in recent years, and the coverage is getting wider and wider, there are still problems such as insufficient tentacles of some scenes, single scenes, and insufficient identification of scene risks, which limit the accessibility and security of Internet consumer finance to residents. The lack of coverage of Internet consumer finance restricts the overall upgrading of residents' consumption and is not conducive to a smooth economic cycle [6].

3.2. The Limited Differentiation of Products and Services Restricts the Diversified Development of Residents' Consumption

In recent years, due to the development and drive of digital technology, the traditional consumption model of residents has gradually changed to a more personalized and diversified new consumption model. The main consumers of new consumption mainly include urban white-collar workers and middle-income groups, and their consumption mode, consumption field and consumption relationship are obviously different from traditional consumption. With the increasingly personalized and diversified consumption behaviors of consumers, their demand for Internet consumer financial products and services also shows obvious differentiation characteristics. At present, China's Internet consumer finance industry is gradually developing into different types of Internet consumer financial service institutions and their products and services. A large number of homogenized Internet consumer financial products and services are bound to affect the penetration rate of Internet consumer finance and restrict the consumption upgrading of residents.

3.3. Insufficient Protection of Consumer Rights and Interests Affects Residents' Willingness to Use Internet Consumer Finance

Before 2019, China's P2P online lending platforms developed in an environment of imperfect supervision, some platforms induced customers to lend at high interest, customers overdue through illegal means to collect, and some platforms even leaked customer privacy, causing great harm to borrowers physically and mentally, affecting the borrowing experience of consumers. With the management and rectification of the Internet consumer finance industry in China, the operation of the industry has been gradually standardized, the orderly withdrawal and transformation of P2P online lending platforms have been achieved, the rights and interests of consumers have been protected to a certain extent, and the acceptance of Internet consumer finance has gradually increased. Among consumers who have used Internet consumer financial services, the proportion who are "satisfied" and "very satisfied" with them reached 87% in 2019, a significant increase from 56% in 2016. However, satisfaction needs to be improved, and the willingness to use is not strong, which still restricts the further upgrade of China's consumption.

3.4. The Limited Risk Control Ability Restricts the Quality of Internet Consumer Finance to Support Residents' Consumption Upgrading

In the process of implementing consumer credit, Internet consumer financial institutions need to effectively prevent and control various risk factors. Among them, the borrower's credit risk is the most important risk it faces. Due to the sinking characteristics of the service population of Internet consumer finance, consumers with a bachelor's degree or below, under the age of 30, and middle and low-income consumers are its main customer groups, and their credit risk is relatively prominent. However, because the development of China's financial industry is restricted by the imperfect credit system, some Internet consumer financial institutions have limited credit risk control ability, and can not effectively deal with the widespread high risk in the market. In order to prevent systemic financial risks, the regulatory authorities have increased the supervision of the Internet consumer finance industry and promoted the development of compliance in the industry. However, compared with the external promotion of the regulatory department, Internet consumer financial institutions improve their independent risk control ability through internal breakthroughs, which is more conducive to the healthy development of the industry. Therefore, the insufficient construction of the credit system and the limited risk control ability have limited the high-quality development of Internet consumer finance in China to a certain extent.

3.5. Under the Epidemic, Economic Uncertainty has Increased, and the Development of Internet Consumer Finance has been Limited

Since 2020, the new coronavirus epidemic has mainly restricted the development of Internet consumer finance from two aspects. First of all, the epidemic has affected the consumer market, thus reducing the demand for Internet consumer finance. Due to the need to prevent and control the outbreak, the flow of resources is restricted and the number of residents going out is reduced. The consumer market, especially the leisure and entertainment market, bears the brunt, and residents' consumption is restricted to a certain extent. Secondly, the epidemic has affected residents' income and income expectations, restricting the development of Internet consumer finance. On the one hand, due to the decrease in income, the credit rating of some residents has been lowered, resulting in a decrease in the available consumer credit line. On the other hand, with reduced expectations of future income, people are more inclined to save more and borrow less. The above factors have delayed the development of Internet consumer finance, making it difficult to give full play to its role in promoting consumption upgrading.

4. The Suggestions of Internet Consumer Finance to Promote the Consumption of Chinese Residents under the New Development Pattern of Double Cycle

In the process of supporting China's residents' consumption upgrading and promoting the development of "mass innovation and innovation", there are still many blocked points in Internet consumer finance that need to be dredged. In the future, efforts should be made to solve the obstacles restricting residents' Internet consumer financial services, and create favorable conditions for improving the efficiency of residents' Internet consumer finance use, promoting the effective upgrading of consumption, and unblocking the "double cycle" at home and abroad.

4.1. Deepen the Sinking Market and Enhance the Ability to Reach Internet Consumer Finance

Expanding the Internet consumer financial service groups and deepening the application of scenarios play an important role in improving its accessibility and promoting the upgrading of

residents' consumption. First of all, Internet consumer finance should deeply cultivate the sinking market and strengthen support for low - and middle-income people. Through the application of technology, Internet consumer financial institutions can target customers more deeply and accurately, quickly and accurately identify credit risks, and take into account the improvement of service efficiency, expansion of service fields, and reduction of costs and service fees, thus improving the accessibility of Internet consumer finance. Secondly, Internet consumer finance should deepen the application of scenarios to meet the credit needs of more consumer groups. For the current consumption scenario involving less consumer credit should be in-depth analysis, design reasonable credit products, provide more residents with high-quality, efficient Internet consumer financial services, truly achieve the combination of "universal" and "benefit", for the overall upgrade of consumption and "double cycle" development to provide an important driving force.

4.2. Guided by the Trend of "New Consumption", We Will Innovate Internet Consumer Financial Products and Services

With the personalized and diversified development of consumer behavior, how to match the preferences of different types of consumers and provide them with better financial services has become a difficult problem for many Internet consumer financial institutions. First, Internet consumer financial institutions need to pay attention to the changing characteristics of the credit demand side. It is necessary to deeply analyze the new consumption development trend of different groups such as urban white-collar workers and small town youth, deeply grasp the market changes of new consumption, combine the application scenarios of new consumption, and constantly expand the scope of services, innovate and improve Internet consumption services. We will continue to expand the scope of services, innovate and improve Internet consumer financial products and services, make them develop in the direction of high quality and refinement, and provide more effective financial support for consumption upgrading. Secondly, in view of the market demand for green and low-carbon consumption, Internet consumer financial institutions should take the initiative to combine the corresponding consumption scenarios, formulate certain preferential policies, and effectively play their role in guiding consumption upgrading.

4.3. Practice the Principle of "Industry Supervision + Institutional Self-discipline + Consumer Self-protection" to Protect the Consumer Rights and Interests of Residents

The service quality of Internet consumer finance should be improved from three aspects: strengthening industry supervision, active self-discipline of institutions, and enhancing consumers' awareness of self-protection, and its operating mechanism should be standardized, so as to enhance residents' satisfaction with Internet consumer finance. First of all, we should improve the regulatory policies of the Internet consumer finance industry, improve the regulatory efficiency, and ensure the healthy operation of the Internet consumer finance industry. Secondly, Internet consumer financial institutions should strengthen self-regulatory management and standardize operation. With the awakening of consumer awareness, people pay more and more attention to the security of information and the experience of obtaining financial services. Internet consumer financial institutions should put an end to informal marketing, illegal debt collection, disclosure of customer privacy and other behaviors, take the initiative to improve service efficiency and quality, improve business development methods, optimize post-loan risk control mechanisms, strengthen customer protection measures, standardize and reasonable operations, and eliminate residents' concerns about consumer credit. Third, it is necessary to strengthen the publicity and education of Internet consumer financial security, enhance consumers' financial literacy and self-protection awareness, and improve residents' risk identification and self-protection ability of Internet consumer finance.

4.4. Deepen the Use of Financial Technology, and Improve the Risk Control Ability of Internet Consumer Financial Institutions

The service quality of Internet consumer finance should be improved from three aspects: strengthening industry supervision, active self-discipline of institutions, and enhancing consumers' awareness of self-protection, and its operating mechanism should be standardized, so as to enhance residents' satisfaction with Internet consumer finance. First of all, we should improve the regulatory policy of the Internet consumer finance industry, improve the regulatory efficiency, and ensure the healthy operation of the Internet consumer finance industry. Secondly, Internet consumer financial institutions should strengthen self-regulatory management and standardize operation. With the awakening of consumer awareness, people pay more and more attention to the security of information and the experience of obtaining financial services. Internet consumer financial institutions should put an end to informal marketing, illegal debt collection, disclosure of customer privacy and other behaviors, take the initiative to improve service efficiency and quality, improve business development methods, optimize post-loan risk control mechanisms, strengthen customer protection measures, standardize and reasonable operations, and eliminate residents' concerns about consumer credit. Third, it is necessary to strengthen the publicity and education of Internet consumer financial security, enhance consumers' financial literacy and self-protection awareness, and improve residents' risk identification and self-protection ability of Internet consumer finance.

4.5. Innovative Economic Policies to Stabilize People's Income Expectations in the Post-epidemic Era

With the normalization of epidemic prevention and control, macroeconomic policies should be adjusted in a timely manner to promote the development of online merchants through innovation and the development of emerging industries, ensure their Internet consumer finance needs, stabilize residents' income and expectations, and achieve continuous upgrading of consumption. First, policies should be introduced to boost pent-up consumer demand during the epidemic, give full play to the innovative role of big data, virtual reality, artificial intelligence and other technologies, improve the operation model of traditional industries, and release pent-up consumer demand. The second is to use industrial policies, tax policies, monetary policies and other economic policies, while ensuring the safety and repayment of household debt, effectively increase residents' income, stabilize income expectations, expand consumption power, enhance residents' willingness to consume loans, and promote consumption upgrading. It should be noted that while strengthening the support of China's Internet consumer finance for the upgrading of residents' consumption and promoting the formation of a new dual-cycle development pattern, the rise of China's residents' leverage ratio cannot be ignored, and it is necessary to focus on preventing systemic financial risks brought about by the disorderly expansion of consumer credit. Within the scope of rationality, legitimacy and affordability of residents, Internet consumer finance plays an important role in promoting the upgrading of residents' consumption and opening up the "double cycle" of domestic and foreign economies.

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