

# Talking about the Development Status of Internet Finance in China

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**ABSTRACT.** *With the development of modern information technology, China's financial model has changed. The development of the Internet has promoted the improvement of products and services in the financial industry and the reduction of costs. It has supplemented the traditional financial model and satisfied the growing diversified financial needs. This article will elaborate on the development reasons, main modes and characteristics of Internet finance, and let readers know about the development of Internet finance in China.*

**KEYWORDS:** *China; Internet finance; Development*

## 1. Introduction

In 2013, Alipay launched the “Yuebao” wealth management product. Its users exceeded 100 million in one year, and its scale exceeded 570 billion yuan. Subsequently, a number of Internet companies, traditional banks and China Telecom and other telecommunications operators have launched “baby” wealth management products. At the beginning, the wave of national pursuit of new things was very high. However, after several years of exploration and practice, everyone gradually returned to the state of rationality and had a deep understanding of Internet finance.

## 2. Rational Definition of Internet Finance

In a narrow sense, financing relies on the Internet to achieve business; in a broad sense, any Internet application involving broad-sense finance, including but not limited to third-party payment, P2P online lending, crowdsourcing, online financial management, online financial product sales, financial e-commerce and so on. The essence of finance is to allocate resources effectively, while the essence of Internet finance is finance. However, Internet finance promotes the effective allocation of resources and makes the development of Finance return to its essence.

## 3. Motivation of Internet Finance Development

(1) Financial repression is the soil for development

Most of the main financial demand is still ordinary families. However, the residents' wealth level is low and often fails to reach the threshold of bank financing. However, due to the restrictions of various parties, the traditional financial institutions have not developed enough financial services for small and medium-sized customers, resulting in the long-term contradiction between demand and supply imbalance. Due to the lack of micro-investment channels, residents spend a lot of money on savings, and financial demand has been suppressed for a long time.

(2) Technological progress is the condition for development

The popularity of mobile Internet promotes interpersonal communication and information transmission. Large data provides users with information with its advantages of large volume, wide range, fast update and high accuracy, which reduces the uncertainty of financial products and services. The development of cloud computing and search engine has promoted the efficient analysis of large data and provided huge data support and credit foundation for users. The Internet promotes information transparency, reduces information asymmetry, reduces transaction costs and enhances the effectiveness of the market.

(3) Customer change is the driving force for development

With the development of the Internet, customers are gradually changing from offline consumption to online consumption. This provides an opportunity for the development of Internet finance. Technological progress has enabled customers to gain great autonomy. Customers tend to acquire information independently, decide the type of financial services and products they want to buy independently, and choose the time to receive services independently. The daily life of financial services, the sinking of covering objects and the expansion of regions have injected fresh blood into financial development.

(4) Regulatory inclusion is the development environment

Due to the short existence of Internet finance, the supporting measures and legal system need to be improved. In recent years, Internet finance related business is gradually moving towards standardization, institutionalization and legalization. Through a series of measures, the state promotes private capital to enter the financial industry and market-oriented reform of interest rates, and vigorously supports its development with quality and effective benefits.

#### **4. Major Models of Internet Finance**

(1) Third-party payment: refers to an independent institution with certain strength and credit guarantee, which adopts the mode of contracting with major banks and facilitates the transaction of both parties through the interface with the bank payment and settlement system. By introducing a networking platform, the country has solved the fragmentation of the existing payment system, facilitated the central bank to guide the convergence and development of non-bank and bank payment, and thus promoted the interoperability of cross-payment platforms.

(2) Peer-to-peer online lending: refers to the platform through which qualified online credit companies act as intermediaries and provide information publishing and trading by means of Internet technology. It is a financial model in which individuals provide micro-credit at a certain fee. The realization of Baihang Credit Reporting is conducive to doing a good job in P2P network lending - eliminating information asymmetry, thus creating value to achieve long-term survival goals.

(3) Modern crowdsourcing: It refers to the mode of issuing fund-raising projects and raising funds through the Internet. Because crowdsourcing realizes the interaction, restraint and supervision of users, platforms and investors, because crowdsourcing has multiple attributes such as social, social and other attributes, and because crowdsourcing and the natural attributes of finance are the same as promoting common prosperity, crowdsourcing is relatively cold in China, but its vitality is tenacious and stable in development.

(4) Others: e-commerce microfinance, supply chain finance, Internet funds, Bitcoin, etc.

## **5. Characteristics of Internet Finance Development**

(1) Accompanied by business platform. Internet Business Platform is a virtual business place with light assets. It connects merchants and consumers through the network, and then realizes financial transactions.

(2) Actively cross borders. Through the simple connection of the website, the industrial boundaries of the virtual economy begin to blur, and different types of economic activities begin to cooperate.

(3) Wide connection. The expanding interconnection between platforms extends the business space and realizes resource sharing.

(4) Focus on accounts. As the starting point and destination of consumption and investment, the commercial value of all personal wealth derives from accounts. Effective development and operation of the account system can occupy the commanding heights of market competition.

(5) Self-evolution. The extension effect of Internet commerce makes all kinds of financial products and extension services gather and merge on the platform, so that different specialties can coordinate and complement each other, so as to better meet customer needs.

(6) Facilitation and preferential treatment. The inclusive financial services provided by the Internet have improved the satisfaction of user experience.

(7) Winners eat all. The market resources of the Internet industry are often concentrated in the hands of several large platforms with first-mover advantages. Internet finance as a new financial industry is no exception. Large platforms with first-mover advantages can use the resources in their hands to stabilize their leading position and maintain the "28" pattern.

(8) Market transparency. Internet enterprises can quickly find target information through big data, cloud computing and other technologies, greatly reducing information asymmetry.

(9) Financial disintermediation. With the development of Internet technology, both suppliers and demanders can exchange business and connect funds directly, which weakens the dominant position of banks and increases the proportion of direct financing.

## 5. Conclusion

With the development of the times, the Internet has become the “infrastructure”, and Internet finance will eventually become popular and normalized. Therefore, it is of great significance to promote the healthy and standardized development of Internet finance. And the country is also pushing Internet finance to the right track through a series of regulatory measures.

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