

Literature Review of Internet Consumer Finance

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Abstract

Investment, consumption and export are the " three carriages " driving GDP growth, and consumption accounts for a large part of them. With the development of the Internet economy, the proportion of Internet consumption in it is also increasing. Internet consumer finance is a new form of integration of traditional consumer finance and Internet technology. It stimulates new consumer demand through innovative supply, thus contributing to supply-side reform. Based on the relevant literature of Internet consumer finance, this paper analyzes the current situation and existing problems of Internet consumer finance in China, and puts forward suggestions for the development of Internet consumer finance. Finally, the future research of Internet consumer finance is prospected.

Keywords

Internet; Consumer Finance.

1. Introduction

In a broad sense, consumer finance can be understood as all financial services related to consumer activities. In a narrow sense, consumer finance is to meet the needs of residents for the final goods or services.

The rapid development of the domestic Internet has brought new vitality to consumer finance, affecting the consumption psychology and consumption patterns of domestic residents. Internet consumer finance refers to financial institutions that provide individuals or families with financial activities related to consumption such as payment, savings, investment, financing, credit and risk management through the Internet. At present, many financial institutions have obtained the licenses of consumer finance, and the participants have gradually become rich. However, it is good that the licenses have been no longer issued since 2017, which largely limits the expansion of illegal and chaotic behaviors. In addition, some e-commerce enterprises and traditional commercial banks have also begun to engage in related business of Internet finance, and everyone wants to share in this huge market. Consumer spending continues to grow, the Internet continues to develop, the Internet consumer finance industry in the future will have more room for development.

Since the pilot development in 2009, China ' s consumer finance has formed a multi-layer complementary service system with commercial banks, consumer finance companies, e-commerce platforms and staging platforms as the main body. The living conditions of these four participants are not the same, and the Internet finance can meet the ordinary consumers ' ordinary high frequency and small amount of inclusive financial needs with its technology and scene payment ability, which is the most important point of consumer finance innovation. According to central bank credit center data, China ' s population with credit records grew from 141 million in 2008 to 530 million at the end of 2018, accounting for 54 per cent of the credit reporting population and 38 per cent of the total population. The scale of consumer loans has also maintained a rapid growth trend, covering a wide range of uses. With the deep-seated changes in consumption structure, the non-durable goods consumption scenario and the credit demand potential of sinking market are huge.

In recent years, China's consumer finance broke out a lot of irregularities, including illegal fundraising, boss default run, a variety of consumer-related credit flows to the real estate market, the stock market and a lot of improper investment. At present, China has issued many rectification regulations, which can inhibit the trend of rapid growth of consumer financial market to a certain extent, and the growth rate will decline in the short term. According to the research report jointly released by Ant Financial Services Research Center and the Research Center of Southwest University of Finance and Economics, the penetration rate of household credit in China was 13.7 % in 2019, which was less than a quarter of that in the United States. At the same time, there was structural imbalance. From 2013 to 2018, housing consumption loans accounted for 55.6 % of the total household credit. The credit penetration rate of non-housing consumption demand was lower and the base was smaller.

The trend of consumption upgrading promoting domestic economic growth is on the rise. At this time, the development of Internet consumer finance should be further studied, because it is of far-reaching significance for the domestic consumption structure. Internet consumer finance can promote residents' consumption expenditure to some extent, especially to expand residents' enjoyment expenditure, which can optimize domestic consumption structure and promote economic growth.

2. Literature Review

2.1. Current Situation of Internet Consumer Finance in China

China's Internet consumer finance began to develop in 2014, and started late. According to the 'China Internet consumer financial market research report', it is pointed out that Internet consumer finance is a service provided by consumers with commodity consumption services or borrowing needs with the help of Internet information technology. Shao Tengwei (2017) believes that Internet consumer finance refers to a new type of finance that provides financial services to consumers through the Internet, that is, consumer finance based on the Internet. Huang Xiaoqiang (2015) believes that the Internet consumer finance is the Internet financial institutions through Internet technology to provide consumers with housing loans, automobile loans other than financial commodity consumption services or credit loans, and provide staging services. Due to the stronger purchasing power of the younger generation of consumers and the popularity of the Internet, Internet consumer finance will develop better.

Recently, Liu Yuan and Li Jiesong (2018) pointed out that China's domestic economy is growing and the consumption capacity of residents is constantly improving. The popularity of the Internet makes consumption more convenient and to some extent stimulates the development of Internet consumer finance. Fan Jida (2019) believes that great changes have taken place in residents' consumption concept and consumption content, and people are no longer just satisfied with clothing, food and shelter. They gradually increase the proportion of consumption in education, culture, entertainment and other fields, and pay more attention to high-quality consumption and high-quality service consumption. The consumption structure of China's residents should show a trend of transition from food and clothing to pleasure. Sun Feng (2019) believes that this change has attracted social attention. Compared with traditional consumption, Wu and Ma (2018) believed that current residents pay more attention to the quality of life and service consumption in consumption, in order to meet the spiritual higher pursuit and the pursuit of their own development. With the improvement of residents' income, population quality and urbanization level. Sun Hao and Hu Angang (2013) believe that China's economic growth benefits from consumption, and it is crucial to promote economic growth by stimulating consumption. Liu Shijin (2018) believes that it is not enough to expand the scale of consumption alone. When expanding the scale of consumption, we should also implement the corresponding consumption structure optimization strategy, pay attention to the quality of

consumption, and change the previous thinking. It is no longer limited to 'have or not', but to 'good or not', so as to promote the transformation of domestic economy to high-quality development.

Huang Jun and Li Jikai (2018) believe that optimizing consumption structure and accelerating consumption upgrading are conducive to stabilizing consumer confidence and supporting consumption growth, on the other hand, they can also promote domestic economic transformation and improve economic growth. Since the traditional concept of China advocates thrift and diligence, and the Chinese have been used to saving their lives in the way of security since ancient times, which limits the consumption power of the traditional older generation. For today's young groups, their consumption habits are also gradually changing under the influence of the Western advanced consumption habits. However, due to the limited consumption ability of the young generation and the relatively strong consumption demand, these two contradictions make them gradually accept the Western advanced consumption habits and gradually become the main consumers of Internet consumption.

According to the National Bureau of Statistics, China's sales of Internet goods grew by an average of 35 per cent annually between 2013 and 2017, and by the end of 2017, China's total sales of Internet platforms reached 7.2 trillion yuan. In recent years, due to the rapid development of the Internet, which also led to the exposure of some Internet consumer finance scandals, the state has also introduced relevant policies to strengthen the supervision of Internet finance, is expected to slow the pace of development of Internet consumer finance in the next years. According to the statistics of Arie Consulting, the scale of China's Internet consumer finance lending has increased rapidly since 2012. In 2017, it has exceeded 4.38 trillion yuan, and the growth rate is as high as 904.0%. In 2018, the growth rate decreased to 122.9%, and it is expected to decrease to 48% in 2021. According to data from Suning Financial Research Institute, China's monthly P2P lending volume fell from 208.2 billion yuan at the beginning of the year to 106 billion yuan at the end of 2018, and the amount to be returned decreased from 10000 billion yuan to 800 billion yuan at the beginning of the year. It is estimated that the market size of China's Internet consumer finance will exceed 9.5 trillion yuan in 2022. According to data from the National Finance and Development Laboratory, the penetration of Internet consumer finance in China was 30 per cent in 2017. In recent years, China's interconnected consumer finance has developed rapidly, and consumer finance has also grown at the same rate, and more and more consumer groups have been affected.

2.2. Problems

2.2.1. Lack of a Sound Industry Regulatory System

Internet consumer finance is a new product in our country, the development speed is very fast, it is because of this reason, the regulatory authorities of the regulatory law update speed has not kept up with the development speed of Internet consumer finance, part of the regulatory system is not perfect, the market order is still sustained by the network usury, online false advertising, network financial fraud and other phenomena, the credibility of domestic consumer financial institutions has also been affected, become a stumbling block to the development of China's Internet consumer finance. It is not a simple thing to form and improve the industry supervision system. It needs a long time to grind and modify to achieve a satisfactory degree.

2.2.2. Lack of Perfect Personal Credit Reporting System

At present, China's credit system has just begun to develop for a short time. Although the Internet can improve the convenience of collecting users' credit information to a certain extent, and collect some effective information to reasonably evaluate the credit level of customers, the coverage rate is still insufficient, and the information cannot be fully obtained. The residents' information in the public security information database cannot be effectively shared, and the

integrity of credit evaluation is difficult to achieve. The establishment of personal credit reporting system has greatly combated malicious arrears and overdue behavior. After the major banks access the system, personal credit situation checks, the system for personal credit cards, loans and other businesses has a huge impact. But at present, only major banks have access to this system, which does not play a big role for most of the Internet consumer finance participating institutions. For this reason, other financial institutions other than banks cannot fully understand the real credit level of borrowers, and they cannot guarantee that borrowers can repay on time and in quantity, resulting in many bad debts. Therefore, this is an important issue facing most Internet consumer finance.

2.2.3. Lack of Effective Risk Control Measures

We have to mention the word ' risk ' in all the industries related to finance, and there are also great risks for Internet consumer finance. Internet finance is now in a period of rapid development, some Internet financial institutions in order to pursue large-scale customer base, the blind pursuit of quantitative change and ignore the importance of qualitative change, ignoring the risk control, regulatory and user credit review relaxed standards, resulting in many potential Internet consumer financial risks.

3. Suggestions on Promoting the Development of Internet Consumer Finance

3.1. Improve the Regulatory System, Improve Laws and Regulations

The scale of the Internet consumer finance industry is gradually growing. In order to develop healthily, the financial industry needs a sound legal system and a sound regulatory system. Similarly, a sound regulatory system and a sound legal system are also essential for all parties involved in the Internet consumer finance to clarify their responsibilities and protect their rights. At the same time, the supervision of the Internet financial companies, for regulators themselves, to understand their regulatory responsibilities and regulatory scope, take the initiative to establish industry standards and regulatory standards, to prevent some illegal fund-raising activities and false advertising behavior. On the other hand, it is necessary to improve the legal system, increase the penalties for illegal acts, and formulate laws and regulations related to the development status according to the development of Internet consumer finance. The illegal acts should be serious and treated seriously in order to prevent secondary occurrence and behavior of Internet consumer finance.

3.2. Improving Credit Reporting System and Strengthening Safety Management

China ' s credit system is still in the initial stage of development; many users' information is not complete or even wrong place. A perfect credit reporting system should be able to provide comprehensive and accurate information for Internet consumer financial institutions, to avoid risks in a timely manner and reduce the cost of risk control. It is very important to improve the social credit system of our country. It is an important part of the social credit system to improve the integrity consciousness of the residents. Therefore, on the information sharing, the public security, civil affairs and tax departments should establish a good information sharing platform, use big data to continuously improve the various information databases in the credit reporting system, and firmly adhere to the bottom line of credit information security prevention and control. At the same time to strengthen the control of information security, on the one hand, the computer and network risk control, on the other hand to strengthen the training of computer science and technology personnel, by improving their professional level to ensure the safety of information and data.

3.3. Strengthening Safety Education and Advocating Rational Consumption

Problems in some investors' consumption concepts have led to financial chaos, so targeted safety education and safety knowledge popularization should be carried out for some investors and consumers. On the one hand, financial institutions or network consumption platform should remind consumers to pay attention to risk prevention and control when consumers consume, and regularly carry out Internet financial knowledge popularization activities, so that the majority of consumers can learn some Internet financial knowledge to protect their own rights and interests and cultivate consumer financial awareness. On the other hand, government departments and regulatory authorities should formulate some regulations that can correctly guide consumers, avoid blind consumption and blind investment of consumers, remind the majority of residents not to be affected by some false and exaggerated propaganda, develop rational investment habits, reject the living habits of luxury consumption, and advocate the correct consumption concept.

4. Literature Evaluation

According to the existing consumer finance research literature, the Internet consumer finance was born soon, and the academic research has just begun. In the policy environment and economic environment, attention and demand for Internet consumption finance have been shown. Internet consumption financial institutions have become increasingly standardized. Under the circumstance that the state has continuously introduced relevant rules and regulations and encouraging policies from the institutional level, relevant enterprises have poured into the Internet consumption financial market, providing a strong impetus for the development of Internet consumption finance. It will play an important role in promoting China's economic development if it can stimulate residents' consumption demand and stimulate consumption economy.

However, for the emerging financial tool of Internet consumer finance, most of the existing studies only focus on a few types such as Internet consumer credit, and the results are not consistent. This paper summarizes the research and development status of Internet consumer finance at home and abroad. Under the current situation of the development of Internet consumer finance in China, how to fully mobilize other Internet consumer finance activities, including Internet consumer credit, such as Internet Monetary Fund, Internet Financial Investment and Internet Insurance. How to play the positive role of Internet consumer finance on consumer behavior, and how to provide a robust consumer security system for residents, are the directions that need to be studied in depth.

Overall, domestic and foreign scholars on the Internet consumer finance research is late, there are many academic research on the Internet consumer finance. However, the influence mechanism and path of Internet consumer finance as a hot emerging industry on consumer behavior still need to be further studied.

5. Future Research Prospects

For the study of Internet consumer finance, the most basic work is to obtain consumer financial data, and the ultimate goal of Internet consumer finance is to serve consumers, so it is very important to obtain data.

Firstly, the improvement of Internet technology and the rapid growth of national consumer demand have brought broad prospects for the development of Internet consumer finance. China's future economy will continue to grow, the income of residents will continue to increase, and the concept of consumption will also be improved. Internet consumer finance will have broad prospects. According to the forecast, the scale of China's consumer financial market will

expand more than 1 trillion annually in the next five years. In recent years, P2P market problems have occurred frequently, but most of the Internet consumer finance subjects have inclusive significance, to some extent, can make up for the traditional commercial banks for some of the low-level consumer groups inclusive significance, to meet the lack of services. Moreover, Internet consumer financial institutions can provide online financial services, which to a large extent provides great convenience. Analyzing customers' behaviors through big data can further improve and optimize the risk control system and avoid previous problems.

Second, the Internet financial regulation is stricter every day, and there is a gradual differentiation among industries. The rectification of the industry by the regulatory authorities and the continuous improvement of regulatory laws and regulations have made P2P platforms unable to carry out other business in addition to providing information services. Borrowers and lenders directly establish relationships, so that P2P platforms are helpless even if they want to do anything, which effectively prevents the occurrence of run risks. Although there are many Internets consumer financial institutions in the industry, with the improvement of supervision, they are also survival of the fittest in the competition, the industrial concentration of the whole industry is increasing, and the service quality shows an upward trend.

Third, big data risk control will become the core competitiveness of Internet finance. The rapid development of Internet technology and the decentralization of blockchain technology provide new ideas for risk control. In the future, the credit reporting system will become more real and reliable by adding blockchain technology. Through the integration of blockchain technology and credit information system, the information exchange platform of both sides can not only ensure the safety of data, but also make the exchange of data more convenient. By comprehensively using financial technologies such as big data, cloud computing and artificial intelligence, based on customer financial information and behavior data, a scientific risk control model is constructed to effectively identify and control risks from the whole process of credit approval, loan issuance and post-loan management.

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