

# Credit Issues and Regulatory Strategies in Platform Economy

Zhixin Wei \*

School of Economics and Management, Tianjin University of Technology and Education, Tianjin, 300222, China

\* Corresponding author: Wei Zhixin (Email: 1261085048@qq.com)

**Abstract:** Platform economy is an important part of digital economy. With rapid development in recent years, platform economy has a series problem which has definitely hindered the normal operation of platform economy because of lax supervision of regulators. It's necessary to focus on building regulatory strategies: platform enterprise credit file, platform enterprise credit evaluation system, platform enterprise access mechanism and platform enterprise exit mechanism to realize the healthy and sustainable development of platform economy.

**Keywords:** Platform economy, Credit supervision, Platform enterprise credit file, Platform enterprise credit evaluation system.

## 1. Introduction

The report of the Twentieth Party Congress points out that “the development of the digital economy should be accelerated, the deep integration of the digital economy and the real economy should be promoted, and digital industrial clusters with international competitiveness should be created”. Platform economy with the development of the digital economy came into being, changed the traditional trade model and collaboration and division of labor, for the rapid development of China's economy has added a new impetus. According to the “2022 China's Industrial E-commerce Market Data Report” released by the E-commerce Research Center of Nethersole, which was compiled based on its “Electricity Digital Treasure” e-commerce database, China's industrial e-commerce market will reach a high of 31.4 trillion yuan in 2022, up 7.867% year-on-year compared with 29.11 trillion yuan in 2021 [1], with an average growth rate of 8.708% in the past five years, the momentum of platform economy development is irreversible. Through low-cost and high-efficiency way, the platform economy gathers cross-region and cross-domain resources and services and other elements, effectively integrates online and offline resources, on the one hand, it can enhance the business efficiency of enterprises, on the other hand, it can facilitate the choice of products and services by consumers, improve the speed of resource allocation, comprehensively improve the development of China's economy and the welfare level of the whole society, and create a digital dividend. However, at the same time, the platform economy has also exposed many problems of breach of trust, such as: platform enterprises leaking or trafficking in users' private information, platform enterprises using big data to “kill maturity”, and leading enterprises maliciously competing with competitors to monopolize. This is not only unfavorable to the merchants and consumers using the platform, but also affects the development of the platform enterprises themselves. The current regulatory system is still in an unsystematic and unstandardized state, and it is crucial to determine a systematic and reasonable regulatory system for the healthy development of the platform economy.

## 2. Literature Review

The platform economy was formally formed in the conference of “Bilateral Market Economics” held by the Center for Policy Studies and the Institute of Industrial Economics in France in 2004. In recent years, various problems caused by the platform economy have aroused widespread concern among scholars. Kenney. M&Z ysman. J (2016) believe that the platform economy creates many employment opportunities, but it also creates the situation of “winner-take-all” [2]. Su Lina (2022) studied the price violations of platform enterprises and found that the price violations of Chinese platform enterprises are mainly realized through predatory pricing, price discrimination and price collusion [3]. Cheng Enfu, Wang Aihua (2022) conducted an in-depth analysis of the monopoly behaviors generated in the platform economy, and found that the root cause of the platform economy monopoly is the private possession of the initial resources of big data and the private ownership of platform enterprises [4].

In terms of the regulation of the platform economy, Kenney. M & Zysman. J (2016) pointed out that the key to the platform economy lies in the formulation of a reasonable regulatory policy, so that the different subjects of interest can be profitable and achieve a win-win situation [2]. Lili Zhang (2020) proposed that the future research of platform economy focuses on the accumulation and analysis of data, the credit service of the platform operating body and the regulatory system [5]. Jia Ruofan, Tou Jianqing (2021) proposed governance measures in terms of competition among platform enterprises, credit regulation, tax governance, and platform enterprise practitioners [6]. Zhang Linyi, Sun Shaoyong (2022) proposed solution strategies from the aspects of harmonious coexistence of platform people, inclusive development of platform subjects, sharing of platform economic results, and appropriate sharing of platform data [7]. Ran Congjing, Liu Yan (2022) built a framework of benign interaction between the legal system centered on state power and the platform rules centered on platform power [8].

Although the platform economy has become a hotspot of research, and academics have conducted a lot of research around the credit problems existing in the platform economy

as well as countermeasures, the relevant research still has shortcomings. First, most scholars start from the credit problems existing in the platform economy and put forward corresponding countermeasures from multiple perspectives, but they lack standardization and systematicity. Secondly, most scholars do not distinguish the severity of their credit failures when studying the credit problems existing in the platform economy, and there are few studies on the regulatory measures and countermeasures for platform enterprises with serious credit failures. Therefore, this paper proposes a standardized and systematic regulatory path for platform enterprises through the complete procedure starting from their entry into the platform economy market, their operation after entering the platform economy market, and their exit from the platform economy market.

### **3. Enumeration of Breach of Trust in the Platform Economy**

#### **3.1. Violation of User Privacy**

Platform enterprises are prone to infringement of personal credit information in the process of operation, with their monopoly or technical advantages, excessive tracking and collection of user footprints, and some of them stealing credit information resources of peer enterprises and trafficking in users' personal credit information for profiteering. In the 6th batch of notifications on APP infringement of users' rights and interests in 2022, the Ministry of Industry and Information Technology (MIIT) announced that 38 APPs had problems infringing on users' rights and interests, including illegal pushing of pop-up information, forcing users to use targeted push functions, frequent self-startups and associated startups, deceiving and misleading users to provide personal information, forcing frequent and excessive requests for permissions, illegal and excessive use of personal information, and illegal and misleading use of personal information. The privacy of users' personal credit information could not be guaranteed due to frequent and excessive requests for permissions, illegal collection of personal information, and collection of personal information in excess of the scope.

#### **3.2. Big Data Kills Familiarity**

Big data kill familiarization, which was named one of the top ten buzzwords in the category of social life in 2018, refers to the abuse of information technology such as big data by platforms, infringing on the legitimate rights and interests of consumers, so that the price of the same goods or services for old customers is higher than the price of new customers, and price discrimination is practiced against old users. The so-called kill "familiar", refers to familiar customers, repeat customers. In addition to killing "familiar", consumers use their premium member account and ordinary member account to buy the same goods in the same e-commerce platform, and found that the premium member account not only did not enjoy the discount, but also need to pay a higher price than the ordinary account. Big data kills the user who should theoretically enjoy higher discounts instead needs to pay a bigger price. On February 7th, 2021, the Anti-Monopoly Committee of the State Council issued the Anti-Monopoly Guidelines on Platform Economy, which made special provisions on the issue of "big data ripening".

#### **3.3. "Two-For-One" Monopolistic Behavior**

The term "choose one" refers to the alleged monopolization

of platform enterprises that require merchants using the platform not to open stores on competitors' platforms. Typical cases include Alibaba Group and Meituan's "choose one" monopolization case. Alibaba's "choose one" monopoly means that merchants who want to open a store can only choose between the e-commerce platforms of the Alibaba system or competitors' platforms, mainly referring to the fact that merchants who have opened a store on Tmall are not permitted to open an operational store on Jingdong Mall. As Alibaba market public relations committee chairman Wang Shuai a microblogging response that "two choose one" is a normal market behavior, causing the attention of netizens, the formation of social effects. Meituan's "two choices" is a way for the Meituan platform to raise rates to force merchants who have signed up with it to give up signing up with rival platforms; merchants who have signed up for more than one platform and have not been dropped in accordance with Meituan's standards need to sign up again and raise rates from 18% to 25%; and set unreasonable trading conditions such as narrowing the scope of delivery, raising the starting price of delivery, and increasing the delivery fee in order to impede the establishment of a normal trading relationship between the merchant and the consumer. The government eventually investigated and prosecuted Meituan in accordance with the law. In the end, the government legally investigated Meituan and Alibaba Group and fined them 3.442 billion yuan and 18.228 billion yuan respectively.

### **4. Credit Regulation Strategies for the Platform Economy**

The core of the modern market economy is credit, and enterprise credit is crucial in any market environment at any time, and only enterprises with good credit will have long-term development. Enterprise credit plays an important role in stabilizing and optimizing enterprise human resources and in attracting shareholders, investors and customer base. Through the research on the credit supervision mechanism of platform economy, this paper establishes the access mechanism of platform enterprises from the beginning of platform enterprises entering the market, establishes the credit information file of platform enterprises to track the credit information of platform enterprises in real time after entering the market of platform economy, and establishes the credit evaluation mechanism of platform enterprises, which utilizes the credit information file of platform enterprises to evaluate, supervise and constrain the platform enterprises, and finally establishes the platform enterprises' Finally, an exit mechanism for platform enterprises is established to guarantee the normal operation of platform enterprises in the platform economic market.

#### **4.1. Establishment of an Access Mechanism for Platform Enterprises**

The market access system has the meaning of "threshold". It is a general term for the relevant legal norms of the State that regulate the entry of market subjects and trading objects into the market, and it is the State's basic and initial intervention in the market, with the aim of guaranteeing that market subjects have the basic ability to engage in market activities, so as to safeguard the transaction security and interests of traders and stakeholders. At present, the threshold of the platform economy market is too low, and the relevant laws and policies are not yet perfect, resulting in platform

enterprises applying to enter the platform economy market more easily, making the platform enterprises in the platform economy market mixed, uneven and problematic. Systematic relevant laws and policies must be established to restrict the entry of platform enterprises. The construction of a credit-based access mechanism for the platform economy can start from the following three aspects:

First, examine the current credit status of enterprises and associated enterprises. Affiliated enterprises include the parent company of an enterprise, controlling shareholders, and enterprises controlled or participated by other shareholders. Through financial institutions, public information platforms to examine whether the enterprise has market penalties, tax evasion and other credit violations in the past. For breach of trust less serious and timely corrective measures taken by the regulatory authorities to review the qualified to be allowed to enter the market, if the review is not qualified to be approved to enter the market, to be rectified and qualified to enter; for the serious breach of trust, will not be allowed to enter the market.

Second, examine the personal credit status of the legal representative of the enterprise. Through the credit center of the People's Bank of China, access to the Internet personal credit information service platform on the identity of the corporate representative of the identity traits, performance ability, credit history, credit transaction information, contacts, public records and behavioral preferences and other information for a comprehensive understanding of the investigation of whether it has been a breach of trust behavior.

Third, examine the personal credit status of the main management personnel of the enterprise. The key management personnel of the enterprise includes the marketing director, financial director and human resources director of the enterprise. For the examination of the personal credit information status of the key management personnel of the enterprise, focusing on the examination of their employment experience, whether they have ever violated the law and breach of trust in the past work, as well as whether there is a breach of trust behavior in the company.

## **4.2. Establishment of Credit Information Files of Platform Enterprises**

Credit platform enterprises play an inestimable role in the healthy and sustainable development of the platform economy. Through the establishment of sound enterprise credit information files, the identification of governmental agencies and departments dedicated to recording platform enterprise credit information files, and the improvement of enterprise file information databases, it ensures that the important contents and matters of platform enterprise development are comprehensively recorded. The main contents of the credit files of platform enterprises shall be recorded as follows: basic information of credit subjects and legal representatives, industrial and commercial registration, contract fulfillment and arbitration or litigation arising therefrom, collection and payment of accounts, financial situation, bank credit, product quality, creditworthiness of intermediary institutions, relevant materials formed by intermediary service institutions in conducting credit assessment, violation of laws and disciplinary actions, as well as other materials reflecting the credit situation of the credit subjects. Materials reflecting the credit situation of the subject. Based on the behavioral records of the platform enterprises by big data, important behaviors are recorded in the credit files of the platform enterprises,

especially the major breach of trust, such as Alibaba's "two choices" incident, and at the same time, credit data shared by third-party platforms, such as financial institutions, can be incorporated into the credit files of the platform enterprises and the files can be tracked in real time and dynamically updated, so that the latest credit information of the platform enterprises can be timely updated to include the latest information of the platform enterprises. At the same time, the credit data shared by third-party platforms such as financial institutions can be incorporated into the credit files of platform enterprises, and the files can be tracked in real time and updated dynamically, so that the latest credit records of platform enterprises can be added to the credit files of platform enterprises in a timely manner. The construction of platform enterprise credit files requires the concerted efforts of all sectors of society and the government in order to achieve universal supervision and supervision by the whole society, form a three-dimensional supervision mechanism with multi-sectoral linkage and input from the whole society, and promote the construction of a supervision system for the collection of platform enterprise credit file information, punishment of bad credit, and public announcement of credit. The government, as the main body of supervision, should lead by example, improve the supervision mechanism, and strictly prevent supervision loopholes from the whole process, all aspects, and all steps to ensure that the management of platform enterprise credit file of each department is standardized, orderly, and efficient. At the same time, platform enterprise credit files should be kept dynamically and moderately public. On the one hand, the public disclosure of platform enterprise credit files is conducive to the mutual supervision of the government and platform enterprises, and at the same time is conducive to the public's supervision of the government and platform enterprises, so as to timely supplement and improve or correct the credit records of platform enterprises, especially those involving serious breach of trust, and to timely disclose them to the public after the platform enterprises have completed the penalties and corrections, so as to ensure the normal operation of the platform enterprises. On the other hand, it can satisfy the right to information of merchants and consumers, so that they can make judgments and choices in their favor and avoid being "killed by big data" due to information asymmetry. The public content of the credit file of the platform enterprise, especially the public disclosure of the breach of trust information, should be carefully selected, distinguishing between general breach of trust and serious breach of trust; general breach of trust cannot be disclosed, and only a warning can be issued to the enterprise, while serious breach of trust must be disclosed to penalize the platform enterprise and at the same time satisfy the public's right to know.

## **4.3. Establishment of a Credit Evaluation Mechanism for Platform Enterprises**

Credit evaluation mechanism is a powerful means to promote the reform of "release management and service" and enhance the scientific and effective supervision, which can realize the change from "managing products" to "managing subjects" and effectively enhance the awareness of compliance and self-supervision of market owners. It can realize the change from "controlling products" to "controlling subjects", and effectively improve the sense of compliance and self-regulation of market entities. The platform enterprise credit evaluation mechanism is an important guarantee to

promote the orderly development of the platform economic market, and the establishment of the platform enterprise credit evaluation mechanism is of great significance to the self-management of the platform economic industry and the economic order of the market. To promote the construction of platform enterprise credit evaluation mechanism needs to be carried out from the following four aspects.

Establishment of credit rating evaluation mechanism. The credit evaluation mechanism is based on cross-industry and cross-sectoral public credit information, and it is necessary to give full play to the resources of the enterprise credit information file, explore the credit rating evaluation indexes as well as the importance of the indexes, and carry out credit grading and classification for the credit subject of the platform enterprises.

Establishment of credit supervision mechanism. The government, as the main body of credit supervision, should give full play to its functions of guidance and supervision, adopt the supervision measures of grading and categorization, supervise flexibly and allocate government resources effectively. Adopt different regulatory measures for platform enterprises with different levels of credit ratings. For platform enterprises with higher credit ratings, it can lower the supervision intensity and frequency and reduce the constraints on the platform enterprises, while for those with lower credit ratings, it can carry out strict supervision, increase the supervision intensity and frequency, and urge the platform enterprises to return to the normal level as soon as possible.

Establish a credit reward and punishment mechanism. Under the condition that government departments implement differentiated supervision for platform enterprises, they shall at the same time implement a credit reward and punishment mechanism for platform enterprises. For platform enterprises with higher credit ratings, they may be provided with green channels, simplified procedures, and tolerated acceptance, etc. in public services. For platform enterprises with high credit ratings, they can be given green channels in public services, simplified clerical work, and tolerated acceptance, etc. For platform enterprises with bad credit, they will be given differentiated credit constraints according to their credit ratings. For platform enterprises with serious credit default, they will be listed as key supervision objects and made public, increase the inspection contents in accordance with laws and regulations, increase the strength and frequency of random inspection, restrict the handling of their registration matters, especially in financing, etc., and implement the joint disciplinary measures for credit default, so as to warn the other platform enterprise subjects of the actual tightening of the red line of quality and credit safety.

Establishment of credit repair mechanism. The credit repair mechanism is used for platform enterprises that have serious credit faults but actively cooperate with the adjustment. Enterprises with credit faults due to illegal behavior, have taken up the corresponding administrative punishment and relevant legal responsibilities of the enterprise according to the law, and actively accept the re-education of enterprise integrity, after the end of the adjustment of the enterprise, the rights and credits of the platform enterprise can be restored. The credit restoration mechanism is not to eliminate the record of the platform enterprise's credit failure, but a kind of encouragement and supervision for the platform enterprise. At the same time, the enterprise's breach of trust and the restoration record will be recorded in the enterprise's credit

file.

#### **4.4. Establishment of an Exit Mechanism for Platform Enterprises**

The mechanism for withdrawal of market entities, together with the mechanism for admission of market entities, constitutes a complete system for the registration and management of market entities. It refers to the system whereby market entities, in accordance with legal procedures and statutory conditions, lose their business and subject qualifications after being approved by the registration authority and thus withdraw from the market. By legislating the exit conditions of platform enterprises, after platform enterprises enter the market, they are strictly checked, and those platform enterprises that operate in violation of the law, fish in troubled waters and repeatedly disobey the law are forced to withdraw from the platform economic market. The establishment of the exit mechanism for platform enterprises is mainly aimed at the following two behaviors: first, enterprises that are unwilling to actively cooperate with the repair of breach of trust; second, enterprises that are unwilling to actively cooperate with the exit from the market. The market supervision department will force them to withdraw through legal means, and put the enterprises and their main persons in charge on the credit blacklist. For some of the "bad guys", maliciously escaping debts, maliciously liquidate the write-off, the revocation of the cancellation of the refusal to apply for cancellation of the registration, through legal means to force its withdrawal from the market, and fully utilize information technology means of credit constraints on enterprises and their principals. The enterprise's breach of trust will be made public nationwide, and will be counted into the enterprise credit file and personal credit file respectively, and will be put on the credit blacklist, restricting them from handling other businesses or engaging in related activities, and at the same time, an early warning system should be introduced, and a comprehensive warning should be provided to the society in a timely manner for the enterprises that have maliciously escaped debts and are on the verge of "death" to maximize the protection of the people's rights and interests. Protecting people's rights and interests to the greatest extent possible. Through the establishment of access and exit mechanisms for platform enterprises and strict supervision, platform enterprises with formal development will gradually stand out, so that the platform economic market will develop in a healthy and sustainable manner.

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