

Research on the Mode and Development of Internet Finance

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Abstract: With the advancement of modern science and technology, the Internet mode has been widely adopted across various sectors of society. The new Internet financial form, integrating the Internet mode and the financial industry, has realized the expansion of the financial industry in the form of lending in the new era; has made financial forms more convenient and life-oriented by taking advantage of the advantages of Internet technology, all of these has made a great contribution to expanding the financial industry. By examining the development and mode of Internet finance in depth, this paper analyzes the main mode and the development disadvantages of Internet finance, and proposes methods to encourage Internet finance development to promote sustainable development in a new era of Internet finance.

Keywords: Internet finance, Mode, Development, Disadvantage, Suggestion.

1. Introduction

Internet finance belongs to the emerging mode of the financial market. Based on the development of information technology, it is gradually transforming the lifestyles and financial activities of the general public. As a new expansion project of the economic market, Internet finance contains major business opportunities. How to organically integrate the financial industry with the Internet mode has become the main ideology of the industry. Internet finance has important advantages over traditional financial modes, making it essential to analyze how to effectively promote the scientific development of the Internet finance mode to spur economic market growth.

2. Analyzing Main Modes of Internet Finance

(1) Analyzing the third-party payment mode of Internet finance

The primary impetus behind the rapid growth of Internet finance is the third-party payment platform, which serves as a foundation of trust for both parties to engage in financial activities. Without a credit base for both parties to financial transactions, trading activities cannot be carried out. The emergence of a third-party payment platform provides trust services for both parties, thus maximizing the protection of the rights and interests of both parties involved in the transaction. Moreover, third-party payment platforms meet the financial needs of the public, and there are also e-commerce websites that provide services directly to businesses. These websites take on financial risks and have partnerships with major banks, which are usually used in the form of Alipay and Tenpay.

(2) The financial investment mode of Internet finance

An important service of financial services is to offer customers financial management and investment services, and Internet finance has incorporated this major financial behavior into its business pattern. Therefore, investors or investment enterprises can carry out self-directed financial investment activities with the help of financial management and consulting services provided by Internet financial

institutions or enterprises; and customers can access financial services such as online stock speculation, transfer of financial funds and settlement of interest on earnings without leaving home. Internet finance provides more convenient financial management services to the general public.

(3) The financing and borrowing mode of Internet finance

Various forms of financing and lending modes are available in Internet finance, the objective of which is to raise and lend funds for enterprises or individuals who are in need of capital via Internet financial platforms. These platforms will impose corresponding service fees, while the holders of the funds will receive a corresponding return, and the users of the funds will pay corresponding fees as commission. Most of the existing financing and lending modes in the Internet financial market are generally accepted and can provide both parties with reasonable and transparent Internet financial services. However, there are also some chaotic forms of Internet finance that impede its development, such as campus loans and other financial services, which often impose heavier repayment burdens on the fund users, contravening the principles of fair trade in the market economy, thus making long-term development difficult to achieve.

3. Disadvantages Analysis of Restricting the Development of Internet Finance Mode

(1) Lack of diversified design of Internet financial products

At present, China's Internet finance industry is characterized by its strong development advantages, which are primarily based on the convenience of its service characteristics, rather than the enlargement of its customer base based on the quality of financial products. There are still obvious deficiencies in the design of Internet financial products in China that limit their future sustainable development. A financial product under the Internet finance mode, whether it is a payment platform, a financial platform, or a financing platform, is not more innovative in its design. It is a traditional financial mode that is upgraded and transformed by using Internet technology in order to upgrade the formation of the product service mode based on the traditional financial mode. The absence of autonomy in

product design hinders the realization of Internet finance expansion to high-end financial service modes, thus restricting its widespread presence in financial markets with strong financial expertise. To achieve a broader social impact of Internet finance, and thus the development and enhancement of its core competitiveness, the Internet finance mode needs to provide the public with more choices of financial products and financial behavior space, through independent innovation of financial products, specialized service modes, and the ability to continuously enrich the variety of financial products.

(2) Lack of credit-sharing platform as the basis for the development of Internet finance

There are numerous Internet finance companies in China operating related businesses at present, however, the sharing mechanism of individual credit, which is essential and the foundation of Internet finance development, has yet to be implemented. Alibaba, having the largest number of Internet finance users in China, utilizes its own accumulated data resources to assess the creditworthiness of individual users and perform credit ratings, thereby creating consumer-oriented financial modes such as Ant Credit Pay and Ant Check Later, but only within the framework of Alipay's system for personal credit utilization. For other Internet financial service platforms, there is a dearth of reliable, authentic and applicable credit information to serve as the foundation for their financial transactions. The credit system designated by the People's Bank of China is only accessible to individual users, and Internet financial platforms do not have the right to solicit and use it as a reference for data, thus causing difficulty for many financial businesses to be conducted in an orderly manner. Moreover, the lack of a credit information-sharing platform will undoubtedly impede the future development of the Internet finance industry. For the public, Alipay provides increasingly diverse services to everyday life, making users dependent on it. However, there is no company or platform that can form a competitive relationship with it in the Internet finance market, resulting in a monopoly of Alipay. The lack of an effective competition mechanism is also not conducive to the scientific development of the Internet finance industry.

(3) The risk defense capability of Internet finance mode is weak

With the development of financial behaviors, financial risks will arise. Although the Internet financial platform will analyze the risk of financial activities based on the customer's credit information, there are still financial risks for customers engaging in activities such as investment and finance. Nevertheless, the financial risks that exist in the Internet finance mode are being minimized as the Internet finance mode gains momentum in its development. Currently, there is a lack of a comprehensive regulatory system and laws and regulations in China to properly regulate the financial activities and behaviors of the Internet finance mode, resulting in an inability to protect the interests of participants in financial behaviors, thereby increasing risk and uncertainty associated with the Internet finance mode and hindering its scientific and healthy development.

4. Putting forward Suggestions to Promote the Development of Internet Finance Mode

(1) Establish a sound legal system to protect Internet

financial behaviors

Although Internet finance is a new phenomenon of the times, in the context of the increasing prevalence and sophistication of Internet technology, it is certain that the Internet finance mode will be an integral part of the financial industry in the future economy and society. The pertinent authorities should be cognizant of the significance and longevity of Internet finance and establish a sound legal system to regulate the business development patterns of Internet finance. The establishment of a rule of law system to regulate financial business expansion provides a basic mechanism for the public to protect their rights and interests, as well as for Internet finance companies to safeguard their business rights and interests. This allows both parties to conduct their affairs within the confines and safeguards of the law and ensures the fairness and transparency of Internet financial transactions. The improvement of the legal system of Internet finance has become an urgent issue to be solved. There are many chaos, bad and illegal phenomena in Internet finance that need to be curbed by the legal system to ensure a benign operating and development environment and order and achieve a higher level of Internet finance development.

(2) Strengthening supervision over the Internet finance mode

The establishment of a legal system takes time, whereas Internet financial behaviors are ongoing reality. Relevant market regulators, financial departments, and law enforcement departments should strengthen coordination and communication between the various departments, establish a network surveillance mechanism, enhance the oversight of Internet finance modes, and promptly curtail any inappropriate financial behaviors. Internet technology is more rapidly evolving and widely disseminated, and thus presents greater technical challenges for network monitoring. The monitoring work should fully leverage the Internet technology to a high degree, and simultaneously implement a combination of mobile and spot check management, with the goal of mitigating any existing deficiencies and flaws in network supervision, ensuring the verifiability and controllability of network condition, and guaranteeing the efficacy of its monitoring activities.

(3) Strengthening the professional design of Internet financial products

The Internet finance mode is a complement to the traditional financial mode, providing not only an extension of service forms but also an extension of financial product characteristics. Its high degree of integration of financial professions allows for the expansion and deepening of the advantages of Internet finance, enabling the expansion of the scope of Internet financial services and the deepening of financial professions. Internet financial products should be thoroughly analyzed to better understand the financial activity needs of different customer groups and tailored to the specific needs of online users, thus allowing for a more effective application of the Internet finance mode. We should modify the traditional financial mode to put users in a passive mode when they partake in financial activities. Moreover, the individualized and diversified development demands of the public are also reflected in Internet financial products, so that Internet financial products can keep pace with the times.

(4) Establishing a sound social credit application system

The construction of a social credit application system requires the cooperation of multiple departments to realize the construction of a three-dimensional social credit application

system. Firstly, the relevant legal systems should be improved, and credit information should be permitted to be shared in situations that do not involve personal privacy so that the sharing of credit information can be conducted within the boundaries of the law. Secondly, strengthen the mobility of the credit investigation system. The construction of the credit information system effectively gauges the public's personal credit, not only requiring the storage of data, but also the application of credit data information, so that the data of the credit information system can be collected from the people and used for people. Thirdly, establish a credit information-sharing platform for Internet finance. With the gradual increase of Internet users, a large amount of credit data information with reference value has been generated in the Internet system. Hence, the Internet finance industry should set up a unified credit-sharing platform to allow users' credit information to support the trustworthiness of financial activities to a greater extent, thus facilitating more Internet financial activities and behaviors to be conducted and promoting its rational development.

(5) Strengthening protection of consumers' rights and interests

In the Internet finance mode, ordinary consumers are at a disadvantage in some form. The development of the Internet finance mode should act as a benchmark and archetype, while enhancing consumer protection to garner wider societal acceptance. The Internet finance industry can enter into development agreements with major corporate platforms that prioritize consumer protection in their financial behaviors, thereby enabling the realization of a beneficial business development mode. The safeguarding of consumer rights and interests is achieved through self-regulation and mutual

encouragement mechanisms within the industry, which will ultimately promote the scientific and sustainable growth of the Internet finance mode in the future society.

5. Conclusion

As a prevalent financial trend, the Internet finance mode has not only drawn considerable attention from the financial industry, but has also gained greater traction among the public. The relevant departments should expedite the enhancement of the applicable legal system so that its business pattern can be carried out in compliance with the law and be subject to proper supervision. Furthermore, the strength of its network monitoring and inspection should be increased to foster the gradual emergence of self-imposed restraint. To promote the scientific and sustainable development of the Internet finance mode through initiatives such as strengthening the professional design of Internet financial products, establishing a sound social credit application system and enhancing the protection of consumer rights.

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