

Research on Characteristics and Risk Prevention and Control of Internet Financial Investment

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ABSTRACT

With the rapid development of the Internet economy, Internet financial investment as an emerging industry has developed rapidly. In the process of financial investment, investment risk is the biggest problem faced by all investors. Internet financial investors must identify, prevent and control possible risks at any time to minimize economic losses and possible adverse effects. Therefore, research on the characteristics and risk prevention and control of Internet financial investment is of great significance.

Keywords: *Internet finance, investment, financial risk*

1. INTRODUCTION

Internet finance is the product of the development of the Internet economy to a certain stage. The emergence of Internet finance has had a huge impact on the development of China's financial industry. At present, Internet finance has become a financial model widely welcomed and loved by the general public in modern society. With the rapid development of Internet finance, people have become accustomed to investing and managing wealth on various Internet financial platforms. This method is not only convenient and fast, but also has strong flexibility and high profitability [1]. In the process of internet financial investment, investors must bear certain risks. This is also the biggest difference between Internet financial investment and bank savings. Therefore, effective prevention of risks in the Internet investment process will not only help reduce investment risks, but also benefit the development of Internet finance [2].

2. STATUS OF INTERNET FINANCE

With the rapid development of Internet technology and the popularization of the application of mobile terminal equipment, the Internet financial industry that realizes third-party receipt and payment, investment and financing with the help of network platforms is developing rapidly [3]. Therefore, a large number of online credit products have been produced in society. Take Alipay's launch of Yu'e bao in June 2013 as an example. Its yield is similar to that of bank time deposits, but the flexibility of deposits and withdrawals far

exceeds that of banks. So young people turned their bank deposits to Yu'e Bao [4]. At the same time, QR code payment, a simple and easy way of consumption, quickly penetrates into people's lives. Water, electricity and gas bills, mobile phone recharges, medical registration, and even street stalls have begun to scan QR codes. People nowadays can carry out all financial transactions with only a mobile phone [5].

According to the analysis results of the survey questionnaire on the 360 platform at the end of 2016: 64.29% of respondents' bank deposits accounted for less than 20% of their total assets. 53.3% of people would choose Alipay or WeChat when making capital payments. 22.9% of people would choose to swipe a bank card. The proportion of choosing Alipay or WeChat when transferring money is as high as 72.3% [6]. With the rapid development of the Internet financial investment industry, traditional banks are beginning to be at a disadvantage. Major banks have launched mobile banking services. Investors do not need to go to the business outlets in person. They only need to use mobile banking services to apply for banking financial products [7].

3. FEATURES OF INTERNET FINANCIAL INVESTMENT

3.1 Flexible Transactions

In the process of Internet financial investment, both the supply and demand of funds can complete the screening and optimization of investment information

and investment transactions through the online platform. On the one hand, financial institutions can save capital investment and operating costs incurred by opening physical business outlets. On the other hand, investors can use computers, mobile phones and other media to conduct capital operations anytime and anywhere. There is no need for traditional intermediaries in the process of Internet financial investment, and the transaction between the supply and demand of funds saves time and effort.

3.2 High Efficiency

Internet financial investment is mainly controlled by computer data processing system. The operation process is relatively simple. Compared with traditional financial investment projects, investors do not need to queue up at physical business outlets. Therefore, its business processing speed is faster and more specialized. For example, Ali's online business loan relies on the credit database accumulated by e-commerce. They slogans "let credit equal wealth". Focus on loan financing services for small and micro enterprises, individual consumers and rural users. The efficiency is greatly improved, and the funds can be released to the account as long as 3 minutes. The bank loan also takes 10 working days at the fastest [8].

3.3 Wide Coverage

In the Internet financial investment environment, Internet transactions can be realized through online shopping, recharge, water, electricity and gas fees. To a certain extent, it makes people's lives more convenient. At the same time, investors can find investment information more suitable for their needs on the Internet. Its user experience is more humane. Internet financial investment has fully covered the service blind spots of traditional financial institutions, and the allocation of resources has been further optimized.

3.4 High Risk

The main risks of investment are the difficulty of guaranteeing capital returns and the difficulty of controlling capital flow [9]. At this stage, China's credit system is not perfect. Lack of supporting laws and regulations related to Internet financial investment. Malicious loan fraud, illegal fund-raising, and running out of funds have occurred from time to time. If the Internet financial system is attacked, on the one hand, the normal operation of the system will be affected. On the other hand, it will endanger the personal information security and financial security of investors.

4. TYPES OF INTERNET FINANCIAL INVESTMENT RISKS

4.1 Investor's Poor Risk Assessment Ability

Traditional wealth management products involve the participation of financial consultants, who can reasonably plan and allocate investors' funds according to the needs of investors, so as to put forward reasonable suggestions and opinions to reduce the risk of investors. On the other hand, Internet financial investment does not have the participation of financial consultants. Without the guidance of professionals, investors can interpret financial products by reading product descriptions and consulting customer service. They can only analyze products based on their own risk identification and assessment capabilities, which can easily lead to blind investment.

4.2 Large Fluctuations in Yield

Internet financial wealth management products have the characteristics of short investment periods and strong capital liquidity. But its stability is poor. Banks' stable financial products have long investment periods, weak capital liquidity, and yields are not as high as Internet financial investment products. Investors prefer products with higher yields. Generally, young investors prefer the high-yield and high-risk financial management methods of Internet finance. Wherever the yield is high, put the money where. However, high returns come with high risks. Once the rate of return drops, it will cause investors to lose money. In the slightest, the income cannot be realized, and the principal is difficult to recover.

4.3 Fraud Risk

Online loans attract many customers who are in a hurry for money due to their unsecured, low rate and fast lending characteristics. However, the online lending industry is mixed and difficult to distinguish between true and false. It is difficult for investors to identify the real information of the merchants behind the Internet financial wealth management products. Especially people with low security awareness can easily fall into the gold trap of scammers and suffer the risk of fraud. For example, boss Wu, who runs a clothing business, has problems with capital turnover. So he found an online micro-finance company on the Internet. The customer service staff claimed that there was no need for any mortgage and the loan could be released the next day. With the help of customer service staff, Mr. Wu quickly submitted a loan application. After 10 minutes, Boss Wu received the fax of the loan contract and paid a 2,000 yuan deposit in advance according to the guidance of the customer service staff. However, at the agreed loan time the next day, Boss Wu did not get the loan.

The liar has long since disappeared. Generally, formal and reliable online credit platforms rely on physical enterprises. Only when the lender repays the loan will the interest or handling fee be charged, and the online loan platform that charges before the loan is definitely a trap.

5. CAUSES OF INTERNET FINANCIAL INVESTMENT RISKS

5.1 Lack of Internet Financial Knowledge

The disinter-mediation of Internet communication technology has greatly reduced the threshold for Internet financial investment. Everyone can manage money. Credit is just a loan, which greatly enhances people's participation in Internet financial investment. In particular, the exaggerated publicity of high-yield financial products makes people mistakenly believe that they are profitable. The generalization of the awareness of participation in Internet finance and the obscurity of the awareness of risks have made Internet financial investment risks concealed. To popularize Internet financial literacy education, it is necessary to coordinate with multiple departments. To do a good job in this work, we must first formulate relevant overall plans, with joint participation by multiple departments. According to the different blind spots of financial knowledge needs of people of different age groups and people with different knowledge levels in the society, the Internet financial knowledge popularization education activities are carried out in a targeted manner. In short, the popularization of Internet financial investment knowledge has a long way to go.

5.2 Risks Caused by Internal Supervision of Financial Enterprises

Policy factors in the financial market have a significant impact on Internet financial investment. The current market conditions restrict the development of the Internet financial investment industry. In order to avoid risks, strict review and access control are often adopted in market supervision, which makes some financial companies that fail to pass the approval to switch to underground transactions. This kind of unsupervised enterprise makes it impossible for market supervision departments to identify and manage risks. At the same time, the various investment tools developed by Internet financial companies are far beyond the scope of market supervision information. Internet financial investment platforms based on cloud computing and big data technology applications generally replace traditional artificial internal risk management with computer data analysis technology. In fact, the standardization, security and controllability of China's Internet financial investment are far from being

realized. So far, no Internet financial risk control model can surpass traditional risk management measures.

5.3 Internet Financial Investment Platform Risks

Internet financial investment platform risks are mainly network information security risks. It is not uncommon for accounts to be stolen due to Trojan horse hijacking during computer data transmission. To a certain extent, it seriously threatens the security of investors' funds and personal information. The security design flaws of the network payment system itself cause hidden dangers in the entire financial investment system, which may be used by hackers, and the funds of both parties cannot be guaranteed. Many Internet organizations have neglected the management of investors' personal information. Incidents of deliberately leaking and reselling personal information are not uncommon, and personal privacy cannot be safely and effectively protected.

6. RISK PREVENTION AND CONTROL MEASURES

6.1 Purify the Internet Financial Investment Environment

The Internet financial investment industry is a mixed bag, and because its information is not transparent enough, it is difficult to gain the trust of a large number of investors. To improve the Internet financial investment market risk prevention and control system, we must first strengthen people's awareness of Internet financial knowledge and further improve people's risk prevention capabilities. At the same time, people should consciously resist all kinds of investment temptations. A calm analysis of investment projects such as "high returns" and "get rich quick" should be carried out. Second, we must purify the Internet financial investment environment. Promote a virtuous circle of development of the Internet finance industry by cracking down on illegal acts. For example, the use of third-party institutions to participate in the credit rating assessment of the Internet financial investment industry. By forming an online financial credit system that combines the central bank's credit investigation system and the Internet financial credit investigation system, it helps investors to better understand Internet financial companies and make reasonable investment analysis. Improving the risk control system of the Internet financial investment market can not only regulate the investment behavior of the Internet financial industry, reduce the occurrence of various risks, but also promote the building of the Internet financial brand and enhance the risk awareness of investors.

6.2 Strengthening the Supervision of Internet Financial Investment

Internet financial investment supervision includes market supervision and corporate internal supervision. Regardless of the party, the supervisory authority needs to exercise supervisory powers from a legal perspective to ensure that the rights of all parties involved in Internet financial investments are protected. The protection of the legitimate rights and interests of all parties is not only related to the normal operation of the Internet financial investment market, but also related to social stability and judicial justice. At present, the regulation of China's Internet financial investment industry lacks a measure of risk and return. Only by establishing a reasonable supervision system for the Internet financial investment market can it arouse people's enthusiasm for investment and provide a reference for investors to choose suitable financial investment products. At the same time, strengthening the supervision of the Internet financial investment industry can provide the government with an accurate and reliable source of information. At the same time, this also promotes the sustained and steady development of the Internet financial investment industry. Internet financial investment enterprises should strengthen the construction of their internal supervisory departments while relying on computer data analysis systems. Only in this way can network supervision be combined with human supervision, thereby effectively reducing investment risks.

6.3 Strengthening the Legal System Construction of Internet Financial Investment

Internet financial investment involves many fields, and the corresponding legal system lacks clear boundaries and standards. At present, relevant laws and regulations are in the process of continuous supplementation and improvement. The improvement of China's Internet financial investment laws and regulations and the improvement of the legal concepts of relevant groups require the participation of the government and investors. It is necessary to further strengthen regional cooperation and strengthen law enforcement through joint efforts with relevant departments. Further intensify the comprehensive rectification of campus online loan business, and eliminate Internet financial investment fraud. Only by strengthening China's Internet financial investment related laws and regulations and formulating effective risk prevention and control plans can we prevent Internet financial investment scams [10].

7. CONCLUSION

In a word, the rapid development of Internet finance provides convenience for investors. However, Internet financial investment also aggravates the occurrence of risks. Therefore, investors should enhance their risk awareness in the process of using the Internet for financial investment. Investors can avoid losses only by putting risk in the first place. As investors can not only see the return of investment, but also enhance their risk identification ability.

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