

Credit Crisis of e-commerce and Countermeasures

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Abstract—The rise of e-commerce has improved optimal allocation of resources and accelerated economic trade globalization. Due to the specialty of e-commerce, credit crisis in e-commerce activities is different from other traditional commercial activities for its rules and manifestations. Now credit crisis has become a serious bottleneck for the development of e-commerce, which influences the healthy, ordered, fast and stable development of social economic activities directly or indirectly. As the basic principle of all commercial activities, credit system bears important mission in e-commerce activities. It has realistic significance to explore problems of credit crisis in e-commerce activities.

Keywords-e-commerce, credit, economic development, measures

I. INTRODUCTION

With the rapid development of computer technology, regional restrictions to transactions have turned to be international restrictions. Under the impact of global goods, more and more enterprises are choosing internet as their platform. Therefore, they are creating a new trade space—e-commerce. It comes out of the rapid growth of electronic technology as well as self needs of transactions. As an important business, e-commerce plays an important role in developing domestic economy. Its emergence and development have accelerated the world economic trade development, changing economic increasing means as well as global trading pattern to great extent. Since e-commerce uses computer scientific means, it can provide advanced circulation pattern for enterprises with simple process and less time, which can save relative fees and break through restrictions of resources so as to raise economic benefits and efficiency. By relying on its advantages, e-commerce has created new trade environment in a short time as a new start of world trade, which will bring convenience to people's life. Information indicates that e-commerce was about born in 1960, and in the following decades, the most important index to measure whether market economy is prosperous or not is the development of e-commerce. Under the fierce competition in domestic and international market, many small and medium-sized enterprises are facing troubles like expansion or even survival; while e-commerce breaks through restrictions of time and space by electronizing, digitizing traditional commercial process, which can make transactions easier and more convenient with less cost but more profit. Thus more enterprises have found means to survive and succeed in competition. In the developed areas like Jiangsu, Zhenjiang, Guangdong, etc.

E-commerce has become a necessary business tool in many enterprises. Many commercial platforms of large scale like Alibaba, HC network, and Made-in-China have all brought orders and profits to enterprises in our country, in return, these platforms have entered to a stage of profits earlier. By e-commerce, many enterprises have gone through financial crisis successfully and smoothly, and it has provided hope for enterprises who faces serious challenges. Therefore, enterprises in our country should make full use of e-commerce to explore international market actively for more chances and bigger space.

However, with the rapid development of economy, credit of e-commerce has been neglected by society and enterprises under the extreme overheating market competition. People are now tramping game rules of market economy. On the internet, many enterprises and individuals have been cheated by common illegal operations, such as false transaction, counterfeit, contract cheating, infringing legal right and interest of consumers and so on. Operation and development of e-commerce credit have received serious effect and challenges. The most serious defect of e-business is credit for online transactions since consumers are cheated constantly while enjoying the convenience and freedom of online shopping, which extremely restricts the fast and sound development of e-commerce in our country. With the emergence of e-commerce internationally, we'll lose more market shares and competitive advantages if we don't change this traditional transaction as soon as possible. Therefore, it has realistic significance to establish e-commerce credit and management system and solve credit crisis fundamentally by all means so as to create a loose credit environment and sound development of e-commerce. Under this background, the main enterprises of e-commerce should pay more attention to establishing their own credit system so as to build an equal and reliable relationship with consumers, which can break through the bottleneck in developing electronic commerce and create more benefits with even broader market space.

II. STATUS QUO OF CREDIT SYSTEM FOR E-BUSINESS HOME AND ABROAD

A. *The status quo of overseas credit system for electronic business*

Taking European countries as examples, electronic commerce business is under fully and vigorous development. In France and Germany, turnover produced by e-commerce has accounted for one fourths of the total

business turnover, while one thirds in America. Around 1995, some well-known American electricity companies had already gained profits, such as Online and Yahoo, etc. According to the statistic data by United States Census Bureau in 2006, retail sales of American B2B e-commerce had reached to 91.2 billions, 31.1% of that in 2005, which accounted for 3.1% of the total social retail sales; while increase of retail sales is only 6.3% at the same time. In this period, sales volume of Canadian e-commerce also increased a lot with a total sales volume of 33.85 billions in 2005, within which most are sales by B2B e-business among large enterprises, accounted for 69%. Seeing from the industry perspective, external and internal trades and wholesales have larger proportions, accounting for two fifths of e-business sales volume with transportation and storage as the second (20%). In 2004, About 4.1 millions of families participated in e-business activities in different places rather than at home only. To sum up, these families placed 16.6 millions of orders last years but 21.1 millions of orders this year, increasing by 4.5 millions. The rapid development of electricity business in European countries is due to their strong and sound credit system.

In European countries, the reason why e-business payment can be guaranteed is that they practice credit consumption system with a set of perfect credit guarantee system, which lays basis for establishing credit system of individuals and enterprises. Specifically, European countries have carried out credit guarantee business for more than 80 years. In European countries, people's residence place is not restricted by registered residence like China, instead they can immigrate freely. Every citizen has an unique and unrepeatabe credit code for convenient life and consumption. They can consume with this credit card and they are allowed by bank to overdraw a large amount within certain limits. However, they must pay back the money in due period. If an enterprise or individual does not return money with malicious overdraft, then he'll be rejected by banks all over their country regardless of buying house, car or establishing a company without any loan to him because this is very terrible and shameful behavior in European countries. Therefore, people in western countries take credit record as their second life. No one wants to loose his reputation for tiny interest. They just need to type in credit password for wanted goods when shopping online by paying electronic money. Goods will be delivered the minute relative website receives the money.

B. Status quo of e-business credit system in our country

E-commerce in our country has received rigorous development with the development of information technology and Internet. More and more individuals and enterprises have participated in this business with more and more domestic B2B, B2C enterprises year by year. Increase condition of electricity enterprises in recent years is directly shown in the following figure 1.

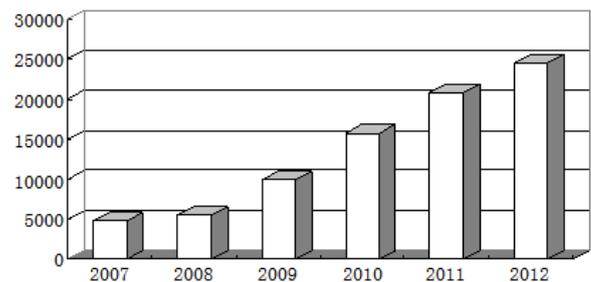


Figure 1. scales of B2B and B2C electricity enterprises from 2007 to 2012 in China

Although transactions by e-business activities have increased year by year, we have slower development compared to developed countries with a big gap. So what restricts the development of electronic business? According to Survey on Status quo of E-business Credit in China, one fourths investigated consumers worried about credit when doing online transactions, manifesting in false information, difference of real goods from promotion, disclosure of private information, safety, manufacturer's credit as well as unsatisfied after-service quality. As the core of e-business is online transaction, so credit is the priority of e-business development. We should accelerate the construction of credit system for a fast and sustainable development of e-business. Credit crisis has always been the prior problem disturbing consumers on online transactions, manifesting in the following aspects.

1) *Commercial secrets and customer's privacy can't be protected*

Many businesses and consumers record their information on the internet without being protected since the internet is open; besides, some websites have no security measures as they promised before, such as e-mail address, name, contact as well as family address. Therefore personal information is prone to be damaged with the unsafe internet. Some operators don't take necessary or effective measures for information safety and some even disclose or sell information to third-party for money. Thus commercial secrets and privacy can be infringed without any legal remedies.

2) *Internet fraud*

Some websites attract consumers to purchase and pay by releasing unreal company and product information. Consumers won't receive any commodity after the payment or they will have no information about their money after remitting to designated account. Or the company has no legal operating permit nor official registration in commercial and administrative department. They cheat consumers by personal emails or personal information with illegal means, which results in credit crisis and seriously affects the sound development of e-business.

3) *Commodities of low quality*

Pictures shown on the internet don't match with the real goods, or consumers receive false product after buying famous brand. What's worse, some websites mislead consumers by packing product of low quality in good outlook. When encountering such fairs, consumers will cost a lot to complain the cheat but without any pleasing result, while websites think consumers assume the

responsibility voluntarily, which hurts consumers a lot in terms of interest and confidence in online shopping.

III. COUNTERMEASURES TO CREDIT CRISIS IN E-BUSINESS

Credibility is the basis of safe e-business transaction. Credit crisis of website not only affects the development of website itself, but also challenge the whole electronic industry. A set of perfect and sound credit mechanism needs to be established in order to guarantee the credit safety of e-business. This requires perfect credit system of e-business enterprise itself and high credit awareness of consumers as well as further perfect laws and regulations.

A. Establish perfect credit system and strengthen credit guarantee mechanism

Internet economy is credit economy while market economy is contractual economy. Credit is the basis of all economic activities, and it almost the soul of e-business in Internet age. The important reason for immoral acts in e-business is lacking standard credit mechanism. Chinese credit system is extremely imperfect due to the long-term planned economy system with a shortage of enterprise's credit evaluation and individual's credit condition. The United States is generally regarded as a country of high credibility, which benefits from its sound and perfect social credit system. We can establish perfect credit system including credit rating assessment, credit conditions collection and supply as well as credit supervision for enterprises and individuals by combining our domestic conditions and foreign mature experience with high-new technological means so that actors' credit level is closely connected to their own interests. Thus the dishonesty will be restricted and supervised. Finally a sound mechanism can be established by which the honesty will be awarded while the dishonesty will be punished.

B. Develop technology for internet safety

The more developed of e-business, the more important of internet safety technology. It is urgent to solve problems related to safety and reliability since internet has gradually become the best carrier of electronic transaction. Some relative departments organize experts to solve safety technology in e-business including password technology, firewall technology, technology certificate, digital signature and so on to strengthen the safety of client. Meanwhile, protect customers' privacy by strengthening data protection to avoid cheating and internet crime. By various coordinated application of safety control technology, we can solve commercial credit problems as well as authenticity of transaction parties so as to safeguard the effectiveness and legitimacy of online contract.

Information safety is the guarantee for the normal operation of e-business. With the deep development of various commercial transaction modes, internet information safety has become a bottleneck restricting the development of network economy. By establishing credit management standards for information safety, we can standardize information management, release, exchange, inquiry strictly for its management rights, approval process, transmission ways, password management as well as security rules. Thus safety, effectiveness as well as

reliability of information safety of enterprises and individuals can be guaranteed.

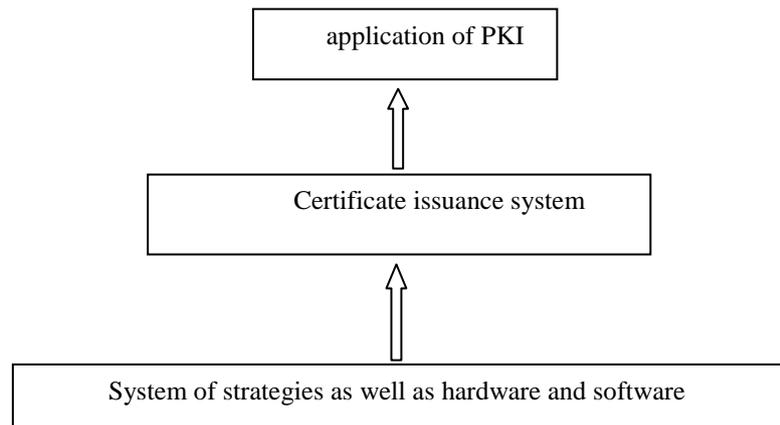


Figure 2. Consist of PKI system

At present, new technology and means are constantly issued by many merchants to strengthen online credit standard, such as Trust Pass and Trust index by Alibaba, mutual assessment system between buyers and sellers by ebay, as well as Myeeig and third-party enterprise qualification by HC network. Although new technology can restrict illegal behaviors to great extents, new threats may emerge one by one. Therefore e-business technicians should constantly explore new technologies and means to guarantee internet safety.

C. Perfect legal system for e-business and strengthen law enforcement

Although e-business belongs to modern electronic communication means, its development also relies on perfect legal environment. Its legal problems should be finally solved by legislation. Laws and morality are keys in all supervision of commercial environment.

IV. CONCLUSION

At present, small and medium-sized enterprises are main economic powers in economic development with quite important role and function in constructing and developing economy. With the increasingly fierce market competition, more and more enterprises have expanded in e-business market with remarkable achievements. As for enterprises, it is of vital importance for them to learn how to overcome credit crisis and establish credit mechanism adaptable to current e-business development under the imperfect environment of social credit system.

During the study, the author has recognized the complexity and deepness of credit system in e-business, thinking there are many projects needing to be studied for e-business credit. In the paper, some analysis and viewpoints are limited needing further research. Precious suggestions and comments are wanted from teachers and students if there's anything inappropriate.

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