

## **Analysis of Internet Financial Model**

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**Keywords:** Financial Model, Internet, Interest and Rate

**Abstract.** Information technology, such as mobile payments, social networks, search engines and cloud computing, and large data, represented by the Internet, have had a fundamental impact on people's financial needs. Internet financial model will undoubtedly become the most popular keywords. Internet financial model on the one hand as a pioneer in Pratt & Whitney financial policy by the national policy support, on the other hand, its regulatory vacuum under the predatory expansion and continue to expose the problem, the risk continues to show.

### **Introduction**

Internet technology, especially mobile payments, social networks, search engines and cloud computing, and large data, have revolutionized an unprecedented business model and ideas in the market, including new financial needs, Human financial model will have a significant impact. Over the past 10 years, the disruptive impact of the Internet has occurred in books, music, merchandise retail and other fields. With the payment of Alipay, Ali small loan, the birth of Internet insurance, and then to the balance of treasure and the introduction of "virtual credit card", the Internet financial model has gradually become the focus of attention. The advantages of the Internet financial model are obvious. Payment is convenient, the market information asymmetry is low; the funds are borrowed directly from both sides, the financial intermediary does not work; the resource allocation is high efficiency and the transaction cost is low. More importantly, the Internet financial model can enable more different levels of groups to get financial services, the real realization of Pratt & Whitney financial services.

### **Internet Financial Model in Essence**

Class that the Internet financial model is the financial business of the Internet, and the other that the Internet financial model is a non-traditional new financial model. This paper argues that the scope of the Internet financial model is more than any of the above described. From the financial point of view, the financial sector is to achieve the supply and demand transactions arising from the flow of funds, and this circulation need to produce a certain cost. From the general financial point of view, the financial, including currency issuance, settlement, exchange and all other financial and related behavior, according to the funds in the transferor and the transferee's circulation can be divided into stock and bond market as the representative of the direct financing and Indirect financing represented by bank borrowing. And when the transfer between the transferor and the transferee to mediate the need to coordinate the flow of funds related matters, the intermediary can use the information between the two asymmetric to operate the financial business, and income, such as bank deposits and loans poor. Therefore, the Internet financial model is engaged in financial business, and with the traditional financial is different from the Internet financial model is to intervene to achieve full and effective market. Through the use of Internet technology to prevent information asymmetry, get rid of financial intermediaries in the flow of funds in the guiding role in order to achieve direct cash flow, the cost of circulation reduced to zero. Therefore, the Internet financial model is more accurate definition is: "payment is convenient, the market information asymmetry is very low, and the funds supply and demand sides can directly deal with the maturity of the funds and risk sharing and other aspects of the cost is very low; banks, brokers and other intermediaries are not The issuance, trading and payment of loans, stocks, bonds, etc. can be made

directly on the Internet.

### **Internet Financial Model to Generate Background**

In the real discussion of the Internet financial model, the analysis of the essence of the financial is to achieve the flow of funds in different subjects, and this circulation will produce costs, reflected in the financial intermediary profits or taxes, which is due to information between different subjects. The asymmetry. The progress of Internet technology, to achieve the free flow of information to reduce the degree of information asymmetry, especially through cloud computing, large data, search engines, mobile payment channels, people can no longer need to obtain financial intermediation through financial intermediaries. Information and directly in the Internet to complete the transaction, this time weakened the functions of financial intermediaries, transaction costs significantly reduced, improving the efficiency of financial markets. In addition, the accumulation of traffic data of Internet companies record personal and business consumption habits, income and expenditure, interpersonal relationships and other information, which for the Internet business to build consumer credit evaluation system provides sufficient information.

As the interests of traditional financial institutions to maximize the mode of operation, its customers mainly for large and medium-sized enterprises or financial strength of the individual, in the big single business to achieve greater returns. And small, micro-customers because of the large number of small funds, resulting in a greater cost of business and low income, so financial institutions to avoid such groups, the resources tend to large customers, resulting in small, micro-customer financial services is extremely lacking. In the case of small loans, traditional financial institutions mainly face high and medium-sized loans, and private loans to private enterprises and individuals are less involved, and the bank loan procedures are complex, the approval time is long, can not meet the much-needed cash flow demand, And this demand is the majority of small, micro-customer problems. Alibaba's research data show that about 89% of enterprises need to finance, of which 53.7% of small businesses tend to unsecured loans, financing needs in 20 million or less accounted for 28.71%, 50 million or less accounted for 55.4%, while 500 million Above only about 6%.

With the increase in the number of Internet users and people anytime, anywhere online habits to develop, the domestic has been determined by Baidu as the representative of the search engine, Alibaba as the representative of e-commerce and Tencent, Sina as the representative of the huge accumulation of social networking , These Internet companies are exploring through the accumulation of data traffic to achieve a variety of ways to achieve. According to the data show that in 2013, Baidu search cumulative number of up to 269 million people, Tencent WeChat active users reached 272 million, Sina microblogging users size of 280.8 million, of which the number of active users reached 61.4 million. 1 and Taobao and Lynx issued a daily number of packages more than 12 million single, the number of transactions per minute as high as more than 8300 per 2 and these huge traffic will undoubtedly become the unique advantages of Internet companies. Traditional Internet companies tend to compete for Internet advertising through platform traffic, and their own services to users are often free of charge, or through additional services to charge a fee, the advertising revenue is the main income of Internet companies. Although the size of Internet advertising is increasing rapidly, Internet advertising is only the most basic development of accumulated traffic data, and there is a huge value behind these data. The emergence of the Internet financial model to provide a deep flow of traffic data development channels, and further expand the way the Internet business flow.

### **Analysis on the Current Situation of Domestic Internet Financial Model**

Internet financial model in the domestic development or cause no small controversy. With the Internet financial products continue to push out the new, the traditional banks not only quickly launched their own innovative products to deal with the impact, but also have limited limits on single-day transfer, counterattack the Internet financial model. Many industry insiders also

questioned and resist the Internet financial model, and even some scholars believe that the emergence of Internet financial products will not only promote the progress of the traditional banking industry, but will break the traditional banking industry over the years to maintain a stable price and risk management Concept, in order to prevent the loss of customers to increase marketing investment, improve the bank's operating costs. On the contrary, there are a lot of voice support attitude, that the emergence of the Internet financial model is conducive to domestic financial reform, accelerate the improvement of the domestic financial system, and makes the people can really benefit from good financial services and fair financial returns. With the growing voice of discussion, the 2014 government work report formally proposed "to promote the healthy development of the Internet financial model", the other two meetings held in March, the central bank governor Zhou Xiaochuan and vice president Yi Gang have given the Internet financial model certainly Attitude, not only to encourage the development of the Internet financial model, and stressed that the future of the balance of capital and other financial business regulatory policy will continue to improve. This is undoubtedly in support of the policy of the Internet financial model in the domestic development.

China's Internet financial model development in accordance with the degree of integration of the Internet and finance can be divided into three stages, respectively, before 2005, 2005 to 2012 and 2013 so far. Before 2005, China's financial industry is basically in the line mode, with the help of Internet companies, the traditional financial institutions to launch online banking and other online basic business, part of the financial business onto the Internet, this stage is a typical stage of the financial Internet, There is no real sense of the Internet financial model. In 2005-2012, the combination of Internet technology and financial services has risen from a purely financial business to the use of Internet technology to innovate financial services. Logo event is the rise of third parties to pay and began to normalize the operation, including Alipay, TenPay, fast money, La Kala and other major products. The first half of 2013, China's third-party payment of business transactions of about 6.91 trillion, stable growth. 2013 is known as the "first year of Internet finance", the Internet financial products continue to introduce new, to balance the treasure and other network financial products, P2P network lending and financing model as the representative of the product quickly occupy a certain market size, the traditional financial industry by a certain The impact and have innovative financial services, "small and beautiful" financial products by the market respected, Pratt & Whitney financial as a new concept began to enter people's vision.

### **Domestic Internet Financial Model Development of the Main Performance**

2013, due to remote mobile Internet and two-dimensional code payment technology breakthrough, the third-party mobile payment market size as high as 1219.74 billion yuan to 707.0% of the huge growth rate of rapid growth over the same period, which transfer payments, credit card repayment and other personal business The main trading business, while the mobile online shopping to pay the support has been reduced. Although the transfer payments, repayment business volume beyond the mobile online shopping payment, but the trend of mobile online shopping is still not to be underestimated. To "double 11" shopping section, for example, all day 35 billion yuan of transactions, paid by the mobile phone client to pay the amount of 11.3 billion yuan, the number of orders for the 45.18 million, accounting for 24.03% of all transactions. And with the major providers to promote mobile applications, mobile online shopping payment ratio will be further enhanced.

The balance of Po and Tianhong Fund really became the 2013 Internet financial model of the popular keywords. With Alipay and Tianhong Fund to launch the balance of the treasure this simple network of financial products, just on the line more than eight months, the number of users more than 49 million, the scale exceeded 250 billion yuan, Tianhong Fund from a small company Fund industry's first company. Another "2013 China Electronic Bank Survey Report" shows that: 87% of netizens know the balance of treasure, and the balance from the listing to January 31, 2014, the cumulative provision of 2.96 billion yuan of income, the balance of users in Taobao Consumption accumulated more than 340 billion yuan. We can see the balance of the treasure not only collected

social idle funds, to the general public universal financial products, but also to a certain extent, expanded domestic demand. With the introduction of the balance of the baby, other Internet companies are also brewing a similar network of financial products. Which will also join the WeChat Huaxia Fund, E Fund, Huidi Fu Fund and GF Fund launched the balance of financial products. The future in the field of online financial products will also produce fierce competition.

2013 is the development of P2P network loan platform year, the number of P2P platform continues to increase, the size of the transaction close to 100 billion. However, due to the market in a zero regulatory state, mature business model has not been formed, the overall market competition, the industry is constantly shuffling. In 2013, P2P network loan risk events frequently, a total of 75 appeared in the collapse, fraud, Paolu and other events. However, the P2P industry has also been the attention of the government and regulatory authorities, regulatory norms should be issued one after another. By the end of 2013, China's P2P network loan platform reached 89.71 billion yuan, an increase of 292.4%, and is expected in the next three years will maintain a growth rate of about 200%, P2P network loan platform reached 523.

## **Conclusion**

In summary, the Internet financial model can be defined as a different from the traditional direct financing and indirect financing of the third financing, but in the business is still the essence of the financial category, but in the platform, channels and so on through the Internet technology Innovation, the main purpose is to achieve the financial disintermediation, with easy payment, low degree of information asymmetry and risk dispersion and other characteristics. The ideal relationship between the Internet financial industry and the traditional financial industry is a complementary and mutually reinforcing relationship, embodied in the Internet to solve the traditional financial can not achieve the Pratt & Whitney financial services. Traditional banking has a rigorous risk management, professional financial services, product development capabilities and the advantages of credit brand, which is the lack of Internet financial model, and the Internet financial model has a low cost of information processing, the user scale, high viscosity , Which is not the traditional financial industry. Although the Internet financial model poses a challenge to traditional finance, it also promotes the transformation of traditional finance. The two can take the strategy of cooperation, take the director, and common progress.

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