

Risks in Internet Finance Mode

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Abstract: Under the current times of social network, many industries are slowly upgrading and replacing some traditional technologies. Especially the financial industry. Today, the Internet finance model has become the world's most attractive vocabulary. The emergence of these new technologies has effectively promoted the economic and social development. However, in the process of Internet financial development, due to the influence of many factors, it is easy to induce industry strategy risks. The resulting risk issues will be analyzed in this article, and corresponding risk management and preventive measures will be proposed. Based on this, it will contribute to the development of Internet finance. firstly, this paper introduced the theory and background of Internet finance ; Secondly, it analyzes the model of Internet finance, and discusses them from the three levels of the causes of risk, the types of major risks, and the hazards of risk. Finally, in light of the risks in the Internet finance model, the risk management measures were discussed.

Introduction

Internet finance is a new financial service model integrating Internet technology and traditional financial functions. Its core elements include network information exchange, financial resource allocation and network platform payment. Compared with the traditional financial operation mode, Internet finance is characterized by high efficiency, low cost, good innovation and wide coverage. However, in the development process of Internet finance, the main problem is the high difficulty in risk control, which induces a series of risk problems. Then this paper will analyze the risk problems caused and put forward some effective measures to ensure the sustainable development of Internet finance in the future through these management measures.

With the rapid development of China's economy, the traditional financial model has been unable to better meet the needs of The Times, and because of the continuous accumulation of private wealth, private capital has finally put forward a relatively large demand for investment channels, while the Internet financial model can better meet the above requirements. Nowadays, common Internet financial tools in China include third-party payment, crowd funding, P2P online lending and so on, third-party payment can effectively avoid the bank's monitoring of capital flow through its account opened in the bank, it can induce the risk of group money laundering^[1].

Overview of Internet Finance

Connotation of Internet Finance

Internet enterprises and traditional financial institutions through the combination of information and communication technology and Internet technology to achieve financial business, is a new financial business model^[2]. With the development of economy and society, the deep integration of finance and Internet technology is the general trend of future development, and will have a certain impact on financial services, organizations, products and services. At the same time, this class is not a simple combination, but the realization of future network technology, network security, mobility. It is gradually known and accepted by the public, breaking through the traditional financial industry.

Characteristics of Internet Finance

low cost of investment. In terms of the establishment of outlets and marketing costs, both the provider and the demander of funds can finish the work automatically through the Internet platform, so there is no need to invest too much capital in the Internet finance model^[3].

wide coverage. Under the mode of Internet finance, consumers can search for financial resources anytime and anywhere, and can enjoy financial services without the influence of time and place, and consumers have a broader base.

high operational efficiency. The financial business is realized through network technology, its business process is standardized operation, consumers can directly enjoy the service, do not need to queue, waste time. This leads to increased efficiency and a better consumer experience.

Internet Finance Model

Third-Party Payment

The third payment usually refers to the online payment service provided to users by the recipient and payer through the Internet financial platform. Compared with spending on SET and SSL agreement can be found that the third party payment has many advantages in the operation, the operation is simple, convenience, and easy to popularize, in which the SET protocol is developed on the basis of the credit card payment system, users can use the network to handle encrypted credit card number and password and sent to the bank for payment. The program needs to be authenticated by the CA to the identities of the parties, which effectively improves its security, but the program is complex, expensive to implement, and slow to run. The problem with SSL protocol is that it adopts a single authentication method and does not pay attention to the authentication of merchants, so that in the whole process of payment, there is a relatively large risk of customer information leakage. However, the third-party payment platform can provide transaction channels to facilitate customers and merchants, so that both parties can complete transactions without direct contact, effectively improving the security of their payment^[4]. At the same time, the third-party payment platform can integrate multiple bank CARDS and realize payment from multiple Banks, which greatly improves office efficiency.

The P2P Network Loans

P2P network and loan is referred to as everyone, in its original from England, usually refers to the borrower by the third party network platform to get their loans or funds, required for the whole process of lending to handle the procedure is simple, should not be restricted by the traditional financial institutions, and in the process of the P2P network credit equivalent to mediation, to provide customers with a convenient platform. However, the entry threshold of P2P online loans is relatively low, which leads to an increasing number of users in recent years. In fact, P2P online

loans mainly include unsecured secured mode, unsecured secured mode and third-party guaranteed mode^[5].

Big Data Finance

Massive stored data is the foundation for the formation and development of big data finance. By virtue of current information processing technologies such as cloud computing and Internet, and integrating with the characteristics of traditional financial services, the big data financial platform analyzes valuable information technology and carries out innovation in the financial field. At the same time, the big data can also be detailed records of consumers trading records and other information, etc., so that the user's consumption habits have a comprehensive understanding and grasp, and an effective prediction on clients' money behavior, to ensure that financial services platform and financial institutions in the aspect of risk control, and financing to grasp more accurate.

Internet Finance Portal

Generally, it refers to the information and financial products of financial services presented through the Internet, and the search, aggregation and comparison of financial products provide a good platform for the future development of financial product sales, that is, the third-party service platform. In fact, in the process of its development, it mainly includes three categories: third-party information platform, online financial supermarket and vertical search platform. Among them, the third-party information platform can provide users with industry information and various kinds of data of the financial industry, the most representative of which is Hexun. Online financial supermarkets usually collect all kinds of financial products on portal websites. Consumers can directly select the products they want to buy, thus effectively improving the service asymmetry between buyers and sellers. Then rong360 website is because vertical search platform can provide professional search for the development of a certain industry, in order to achieve the purpose of information integration^[6].

Risks under the Internet financial model

Main Types of Risks

Strategic Risks of the Industry

Initial Internet financial mainly to adhering to the Internet "democracy, equality, open, sharing" spirit, not only can ensure the full disclosure of information, but also can safeguard the information sharing and equality of both parties, and based on the existing dynamic now to supplement and perfect the management mechanism, thus increasing the Internet controllability of financial risk. As a matter of fact, Internet finance is a platform used to connect financiers and investors, which can provide financial services for investment and financing. In this process, institutions usually do not participate in investment and financing, so as to achieve the purpose of isolating the platform and external risks. Nowadays, with the development of Internet finance, many platform businesses begin to deviate from the development vision of Internet finance in terms of their own strategic positioning, resulting in potential risks and threats to institutions. Take P2P network loan as an example to analyze, P2P network loan in China has a very fast development speed, and with the characteristics of low threshold, convenience, high income and so on, it has been favored by more and more users, and a lot of technology and capital have also been rapidly developed^[7]. But due to

the P2P network credit aspects of wealth management industry is not perfect enough and mature, and lower industry admittance threshold, needs to improve laws and regulations, lack of unified technical requirements and standards, some P2P network platform is simple copy and copy of some of the content, the lack of strategic planning, strategic risk leads to the obvious industry.

Platform Technical Risks

Normally, ordinary Internet platform downtime problems sometimes, but in the event of a problem when it can be in the background of its vulnerability to repair and improvement, because of the Internet financial electronic and paperless trading platform, and all its internal decisions should informatization, lost any information data cannot appear problem, it is forbidden to appear downtime problems, and puts forward very high requirements on its stability, even larger accidents such as fire, earthquake, disaster can also be immediately switched to a long-distance backup server, so as to ensure the normal and efficient operation of the system, avoid to cause big economic loss.

Platform Operation Risks

Compared with traditional financial pattern found to third-party payment, the raise, P2P network of Internet financial loan, has special convenient and fast operation performance, and has the characteristic such as all-roundization operation and lower transaction costs, information transmission speed is faster, greatly reduces the asymmetry, effectively promoted the development of the industry^[8]. By more and more people and money involved, so as to derive a series of Internet financial products, and most of the business can be effective connection with the help of the Internet platform, as a single person or a company's subtle operation mistakes will result in "butterfly effect" in the system, and thus derived platform operation risk.

Credit System Risks

Generally speaking, the formation of credit system risk is generally caused by the failure of borrowers in Internet finance to make repayment strictly in accordance with the contract, resulting in risks. Many Internet banking business is to operate through the network, there is no paper agreement no identification papers or collateral to do guarantee, such truth cannot be obtained from the Internet finance to mention affordable, so from now on credit evaluation information asymmetry phenomenon, also increased the rate of Internet financial credit risk is much higher than the traditional financial sector. Although Internet finance can make the information of capital supply and demand more symmetrical, it can also increase the risk asymmetry of debtor's credit system.

Risk Management Measures under the Internet Financial Model

Strengthen the Platform Hardware and Software Construction

First, improve the technical content of hardware and software. In general, computer network technology is the key to ensure the rapid development of Internet finance, and the level of technology will have a certain impact on the degree of risk resistance. Nowadays, there is a phenomenon of false pretences in the field of Internet finance. The low technical content of some platforms leads to numerous vulnerabilities, which easily lead to hacker and virus attacks and even system paralysis. Ali and financial platform to do better in this respect, the use of ali "cloud computing" technology, parallel computing, distributed computing, virtualization, network storage, such as hot standby redundancy is an organic whole, able to complete the analysis of the huge

amounts of data and storage, high elasticity, high availability, low cost, the advantages of the safety compliance, and taobao, Tmall, alipay, alibaba platform, both to ensure customer service quality, and can lower the platform technical risk.

Second, perfect internal control process. Under normal circumstances, a sound internal control system is like a powerful "firewall", which can timely find the problems and vulnerabilities of the platform and take effective measures to correct them, so as to ensure the normal operation of the platform. Through the establishment of a sound internal control process, the borrower's qualification can be strictly audited and continuously tracked throughout the process, effectively reducing the occurrence of Internet financial risks^[9]. On the one hand to the internal control of the work system for strict specifications and improvement. On the other hand, the working process of personnel should be standardized, and the work should be carried out in strict accordance with the system of internal control to ensure that this "firewall" plays a role.

Strengthen Platform Liquidity Management

On the side we can build the platform reserve emergency fund pool. For Internet financial platform to ensure itself in its capital adequacy, on the basis of whether to liquidity sufficient attention, and formed a set of reserve funds according to actual situation, in one thousand, these funds can be obtained from the platform of their own money, so also can be in debt, assets, and daily transactions, to determine the proportion of liquidity emergency funds, to be able to better cope with the sudden liquidity crisis. On the other side we can improve the lender of last resort system. In fact, the system of lender of last resort is now developed on the basis of commercial bank management, as a commercial bank lender of last resort, the central bank can effectively improve commercial Banks' capital shortage problem, and through to complement and perfect the system of lender of last resort, can ensure the health and sustainable development of the Internet financial.

Establish the Platform Credit Management System

We should improve the personal credit risk management system. In most cases, the Internet finance is based on "pratt & whitney" type of financial development, can provide service for individual users, also can provide the considerate service for small micro enterprise, where you need to build a system, perfect personal credit risk management system, on the one hand to make the related credit risk warning system is sound, micro and small enterprises to ensure that individual users have a right to know of possible risk; On the other hand, it is necessary to strengthen the management of these financial products, supplement the contents of contracts and improve the contracts, so as to ensure the legal privileges of individual users and small and micro enterprises.

Promote Mutual Assistance and Cooperation between Industries

One side we should promote the effective sharing of industry information. At the same time of the development of Internet finance, events such as "malicious intention to cheat on loans" and "running away" have appeared, which are all problems caused by the information lag caused by the lack of transparency. At this point, we can build an Internet financial information sharing and collection platform, release information through the platform, and timely disclose bad information, so as to effectively reduce the possibility of transaction risks, so as to create a good Internet financial atmosphere. the integration between Internet finance and other industries should be promoted. At the beginning, Internet finance did not exist independently. It had the common genes of finance and Internet, and maintained close cooperation with traditional commercial Banks and

information technology industry, providing guarantees for the smooth operation and development of Internet finance, as well as its security.

Conclusion

To sum up, Internet finance has achieved rapid development in China, which has greatly promoted the development of China's economic market and promoted the upgrading and transformation of traditional industries in various fields. However, everything has its two sides, and Internet finance is no exception. In the development process of Internet finance, a series of Internet finance risks have been induced due to the influence of various factors, which have also brought many negative impacts to the traditional industry, and even to people's thoughts and lives. Therefore, we should fully understand the duality of Internet finance, so as to face the potential risks of Internet finance and correctly grasp its development direction. On this basis, we should develop measures for risk prevention and management of Internet finance, so as to better promote the considerable development of Internet finance in the future.

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