

# Study on Thinking and Countermeasures of Jiangxi Internet Financial Development

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**Abstract**—The emergence of the Internet financial changed the pattern of China's financial industry, opened up a huge credit market. In 2012, the Internet financial entered Jiangxi and took root in the red earth, but in the fast development Internet finance, some problems have occurred, such as few platforms, small transaction; weak competitiveness, minor fame; regulatory gaps, frequent problematic platforms; high guest cost, little domestic investment. In order to solve these problems and speed up the development of the Jiangxi Internet finance, it is necessary to borrow the Internet financial experience from developed provinces and cities in our country, and take some countermeasures: setting up institutions, introducing policies, expanding Internet financial scale; industry agglomeration, brand building, strengthen Internet financial competition; deepening cooperation, transformation and upgrading, innovating Internet financial pattern; credit construction, network monitoring, reduce the Internet financial costs; legal supervision, industry self-regulation, managing Internet financial development.

**Index Terms**—Internet Finance, problems, experience, countermeasures.

## I. INTRODUCTION

Internet Finance is the new format which depends on fast combination of Internet big data and financial sector [1]. Prime minister Li Keqiang has made in his 2015 government work report, "promote the healthy development of e-commerce, Internet financial". On July 18, the central bank with 10 ministries and commissions introduced *the Guiding Opinions on Promoting the Healthy Development of the Internet Finance*, encourage financial innovation, and promote the healthy development of the Internet financial. In response to the national call, in September 2015, Jiangxi province issued the *Implementing Scheme for Accelerating the Action of 'Internet +'*, the provincial government has put the 'Internet + inclusive finance' into the implementation scheme, guide and promote the healthy growth of the Internet financial from the financing support, talent introduction and training, credit system construction. In Jiangxi, the Internet financial has become the new power of economic and social development, but as a result of late start and poor foundation, Jiangxi's Internet finance has into serious trouble. How to make Jiangxi Internet finance out of dilemma as soon as possible, speed up the development of the Internet finance, we need to learn valuable experience from Internet financial developed provinces and cities, more practical and feasible

measures should be put forward.

## II. INTERNET FINANCIAL DEVELOPMENT PRESENT SITUATION AND THE PROBLEMS IN JIANGXI PROVINCE

There has been six kinds of patterns appeared in the process of the Internet financial development in China: the traditional financial business network, the third party payment, P2P lending, financial data, the raise and the third party financial service platform. [2] At present, the main Internet financial business in Jiangxi province is P2P lending which at the basic development of the stage. Represented by P2P lending, this paper analyses the present situation and problems of the Internet financial in Jiangxi.

### A. Few Platforms, Small Transaction

The overall level of Jiangxi P2P Lending is in a relatively backward position around the country. From the platform number, as of November 2015, the national cumulative number of P2P lending platform is 3769, the operation of online platform of November is 2612. Jiangxi P2P lending credit company start in 2012, the cumulative quantity of P2P lending platform is 45, the operating platform of November is 38, and more companies are planning setting up. From the net loan transaction scale, Jiangxi net loan turnover is 530 million yuan in November, ranked 16th in the country. Relative to national development situation, the number of P2P platform and turnover of Jiangxi is very little, accounted for only 1.91% and 0.4% of the nationwide amount respectively (in Fig. 1 and Table I). As for developed provinces and cities of Internet financial in our country, such as Guangdong, Shandong, Zhejiang, Beijing, platforms quantity of the four provinces and cities have surpass half the amount of the P2P platform around the country; Beijing, Guangdong, Shanghai, Zhejiang four provinces' turnover in November has exceeded the 80% of national P2P transaction volume. By contrast, the deal size of Jiangxi P2P lending is far from the developed provinces, the platform has a long way to keep up with developed provinces.

### B. Weak Competitiveness, Minor Fame

Regional competitiveness overall development index of the P2P lending based on the of the sample data in the database, describe regional network ecological environment, net loan scale, loan net loan sentiment, net safety, capital loan approval of more than 20 dimension indexes comprehensive empowerment, show the national (except Hong Kong, Macao and Taiwan) 31 provinces/autonomous regions/municipalities directly under the central government's web development loan comprehensive competitiveness, Jiangxi comprehensive score ranked 13th china. It shows that the capital recognition

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of Jiangxi province is not high, the scores is low, lags far behind the developed provinces such as Beijing, Shanghai, Guangdong, even behind the surrounding provinces such as Hubei, Anhui, Fujian’s. The priority of Jiangxi P2P network platform is a private grassroots platform, and the competition of loan business is weak. From the balance to be collected which represent P2P platform operation ability and risk control ability , there are 166 platforms whose balance to be collected more than 100 million in November , and there are only three in Jiangxi; From the turnover which represent the periodic achievements of the platform, in November, Bogin’s turnover reached \$2.73, 50 ranked in the nation, across 54.15% of net credit transactions in Jiangxi, volumes of most platform is still in 10 million, and the volumes of Guangdong’s red ridge platform can reach 257 million yuan only a day, almost equal to Bogin monthly turnover; there are only six of Jiangxi platform on the list of the 309 exponential platform in largest P2P third-party web ‘the home of net credit’.

the Proportion of Each Province's Operating Platforms (November)



Fig. 1. The proportion of each province’s operating platforms (November).

TABLE I: THE TURNOVER AND PROPORTION OF SOME PROVINCES AND CITIES

Province	National Total	Beijing	Guangdong	Shanghai	Zhejiang	Jiangxi
Turnover (billion)	1331.24	454.19	419.27	143.9	140.56	5.3
Proportion	100%	34.12%	31.49%	10.81%	10.56%	2.05%

Moreover, Jiangxi local net credit platform image which packed bad, propaganda is insufficient, many locals even don’t know there have network platform in Jiangxi. First well-known platforms are competitive, constantly invasion, grab market share. Local network loan enterprise spark has yet to start a prairie fire, out-of-town Internet financial giants have become the early movers, take a lot of market.

C. Regulatory Gaps, Frequent Problematic Platforms

According to the statistics from the "the home of net credit", by the end of November 2015, Jiangxi have 45 P2P lending platform cumulatively, 13 companies have the problems: lost, withdrawal difficult, run, fraud, closed, there is no lack of some better known local platform among Jiangxi. From the point of time, starting in 2013, problematic platforms appear in Jiangxi every year, and have increasing trend. There appeared 2 problematic platforms in 2013, 4 in 2014, even 7

in 2015. From a regional perspective, Nanchang has the largest problematic platforms, has six from 13 problematic platforms, nearly 50% of the total number of the problematic platforms. The rest of the problematic platforms located in Ganzhou, Jiujiang and other regions. The problematic platforms are becoming more and more, financing environment is becoming worse. At the same time, in terms of regulation, Internet financial legislation is almost blank in Jiangxi. The virtual and complex features from Internet financial industry make it difficult to set the regulations. Moreover, the Internet financial industry update speed is fast, the market is changeable, the laws and regulations may be hysteretic. Even though the central bank with 10 ministries and commissions introduced the Guiding opinions on promoting the healthy development of the Internet finance, it only make an overall planning for Internet financial industry, does not have legal effectiveness. There not only lack of specific regulations, but also lack of guidance. Jiangxi is in urgent need of the corresponding local laws and scientific guidance to regulate Internet financial industry.

D. High Guest Cost, Little Domestic Investment

It can be seen from Fig. 2, up to November 2015, the average annual rate of net lending is 12.25%, from low to high sorting, Jiangxi in 17th place all the country, the annual averages is 16.41%, higher 4% than national net loan interest rate, is higher than the developed cities such as Beijing and Shanghai for almost six points. For investors, high annual revenue is helpful to attract investors into the platform, but it brings high investment risk at the same time, it is harmful to the security safety of principal and interest of investors. For borrowers, borrowers who active in the network platform are washed out by traditional financial institutions, the low credit customers need to pay a higher borrowing costs, excessive borrowing rates will deter borrowers, in the end, it is unable to meet the needs of our province small micro enterprise financing.

In addition, Jiangxi is an inland city, and the people of Jiangxi haven’t strong market economy consciousness. They are conservative in investment. There is a large gap with the developed areas in private capital activity. A lot of Jiangxi people afraid even reject the emerging investment. It caused the net loan financing channels less and less, the high quality borrowing resources smaller and smaller.

III. THE EXPERIENCE FROM DEVELOPED REGIONS FOR INTERNET FINANCIAL DEVELOPMENT

A. Policy First, Make Contribution to Internet Finance

In Beijing, the Shijingshan district government as early as released the *Solution to Supporting the Development of Shijingshan Internet Financial Industry* on August 30, 2013, the solution encourage Internet financial enterprises to set up and develop in the Shijingshan district. In Guangdong, Shenzhen government is also the first who put forward the guiding opinion on the Internet financial development in number one file of 2014, the file definitely require introducing special policies, overall planning Internet financial development. In Shanghai, in early August 2014, Shanghai

government released the *Proposals to Promote the Healthy Development of the Internet Financial Industry of Shanghai*. This is the first local version of the Internet financial regulatory guidance. In December 2014, Shanghai Huangpu district party committee, the district government released *Proposals to Further Promoting the Internet Financial Development of Huangpu*. In August 2015, Shanghai Banking Board released the *Guiding Proposals for Improving the Level of Professional Management and Risk Management to Further Support Science and Technology Innovation about Shanghai Banking Industry*, encourage qualified banking financial institutions explore the specialized road in Shanghai, specially make venture capital credit pattern for entrepreneurial enterprises.

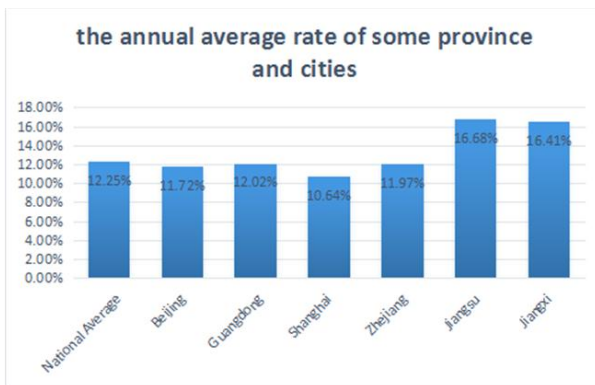


Fig. 2. The annual average rate of some provinces and cities.

### B. Resource Endowment, Constructing Internet Financial Base

Beijing's Internet financial base construction is the prior of the country. On August 30, 2013, the Beijing Shijingshan district government established the nation's first Internet financial industry base. The district government arranges a lot of special funds to attract Internet financial enterprises and talents to the base. Haidian district is not far behind, on December 13, 2013, Zhongguancun founded the first Internet financial industrial park, issued many preferential policies to support the development of the industrial park. As the financial center city, the Shanghai financial services office, city committee and Pudong, Huangpu, Changning, Jiading district, the district government launched five Internet financial industry base. Following Beijing, Shanghai, formed the Internet financial industry agglomeration, on November 12, 2015, Guangdong founded China's first 'Internet +' financial demonstration area with the idea 'Internet +' public entrepreneurship, public crowdsourcing, public support, public financing, build a new system of comprehensive financial services for Guangdong.

### C. Self-Regulation, Setting up Internet Financial Association

The developed provinces and cities have been established industry association in order to promote the healthy development of financial industry. In early July 2015, Beijing Internet financial professional committee formally established. The council launched by chamber of commerce in the capital financial services, more than 20 Internet financial companies have become its members until now. On August 6, 2015, the first industry self-discipline

organization--Internet financial industry association which approved by the Shanghai administration of social organizations was formally established in Shanghai. Shanghai municipal government office of financial services is association director unit. The people's bank of China Shanghai branch is business guidance unit. On April 27, 2015, Guangzhou Internet banking association announced the formation, this is the second city association of Internet financial in Guangdong, and the first one is Shenzhen. On March 31, 2015, Guhan also launched the Internet financial industry association officially. Now, there are 36 institutions become the first batch of members.

### D. Collaborative Innovation, Deepen the Internet Financial Cooperation

Internet finance is a new industry which mixed with Internet and financial industry; it depends on the development of Internet technology progress and inseparable from the traditional financial support. Cross-industry, cross-regional cooperation is the inevitable choice to realize win-win. In February, 2014, Beijing bank and Xiaomi expanding cooperation in mobile payment, customization, fast credit, channel developing. That makes a great harvest in capital market for the two companies. On April 28, 2015, China Citic Bank signed an agreement with Shunfeng group, they integrate finance and logistics from offline and online to achieve O2O closed loop, community financial cross-border cooperation. In November 2015, Internet financial services platform Hengchang Company announced a partnership with the Libao insurance company, the two sides will deepen cooperation in the credit risk assessment and management cooperation, credit data integration services. According to statistics, there are more than 40 Internet financial platforms to cooperate with the insurance company until now. Internet financial platform not only cooperate with insurance company, bank managed funds also become a trend in the industry. On November 18, 2015, Daokoudai became another P2P network platform who reached fund escrow cooperation with banks, signed agreement with Shanghai Bank.

On October 26, 2015, Shanghai, Jiangsu, Zhejiang, Anhui, jointly organized the forum 'Yangtze Delta Region Internet financial high-level dialogue'. The success of the forum opened the gates for the Internet financial cross-regional cooperation of the Yangtze river delta, laid the foundations for the further cooperation, better meet the demands of the innovative corporate financing in Yangtze river delta. It is also benefit for realize the complementary advantages, enhance the overall competitiveness of the Internet financial of Yangtze river delta.

## IV. THE THINKING AND COUNTERMEASURES FOR SPEEDING UP JIANGXI INTERNET FINANCIAL DEVELOPMENT

### A. Setting up Institutions, Introducing Policies, Growing Internet Financial Scale

First of all, set up provincial Internet financial management center led by the provincial leaders personally. As a professional management of Internet finance institutions, the institution should analyze the important areas of Internet

financial industry of Jiangxi province, track the new situation and new problems of Jiangxi Internet financial industry, coordinate and solve Jiangxi Internet financial major problem, establish perfect Jiangxi Internet financial risk prevention and control mechanism. Second, formulate corresponding policies and measures in a timely manner, introducing a scientific and effective guidance. On one hand, the government should actively introduce provincial institutions which has the Internet financial transactions elements such as the third-party payment mechanism, financial electric business, give the policy, tax and capital support to the enterprise which come to Jiangxi; encourage conditional enterprise to develop financial business in province and apply for the business license; arrange money for rewarding Internet financial firms which plays an important role to economic society and has a significant contribution to the financial field in Jiangxi. On the other hand, the commercial bureau should simplify the registration approval process, shortening the time of audit, improve auditing efficiency. Identifying high and new technology enterprise, the technology of advanced enterprises, the enterprise can have tax breaks according to the corresponding fiscal and taxation policy.

#### *B. Industry Agglomeration, Brand Building, Strengthen Internet Financial Competition*

The government should accelerate the construction of Internet financial industrial park and the base in Jiangxi, strengthen the support of institutions agglomeration, and encourage Internet financial enterprise agglomeration reasonably. Building the entire province's Internet financial center in Nanchang to form the Internet financial industry gathered posture. Expanding the space of Internet financial development, supporting conditional cities and countries construct distinctive Internet financial industry park combined with their own industry positioning. The stronger Internet industry base should be selected as the key developing objects and get the policy priorities. Attracting the institutions which have the Internet financial transactions elements come to the base by taxation preference policy and money reward system. Finance Department should arrange the base construction special funds to optimize base (park) infrastructure security, business support and traffic environment, constantly improve the level of public services.

Jiangxi should give more support to the building of Local P2P platform brand, build local industry brands. The government should focused on the leading company which has a large influence in Jiangxi, understand their requirements and characteristics, provide professional services, 'one enterprise with one policy'. Jiangxi Internet financial industry alliance should be support to set up, thus realize the resources sharing, and promote the positive competition. Creating Internet financial media circles strengthen propaganda promotion for local P2P platform by journal of Jiangxi province, Jiangxi satellite TV and Internet and other media. Hold Internet financial summit and other activities and guide the investment correctly in order to set up the solid and reliable brand image of Jiangxi Internet finance.

#### *C. Deepen Cooperation, Transformation and Upgrading, Innovating Internet Financial Pattern*

First, strengthen the cooperation between traditional

financial institutions and Internet financial institutions. Traditional financial institutions should conduct deep cooperation with Internet financial institutions in capital supervision, channel marketing risk-control outsourcing and so on, to provide supporting facilities services for Internet financial firms. The Internet financial industry alliance should be built to promote the integration application of Internet technology and financial business. Second, expand the cooperation between Internet financial institutions and universities, scientific research institutions. Internet financial research institutions' establishment should be supported in university. The research project which has a significant impact to Jiangxi should get policy and financial support. Scientific research institutions and talents who have outstanding contributions to Internet financial innovation should be rewarded. The government should arrange special funds to support colleges and social institutions research on Internet financial academic, business and industry, increase the application of Internet technology such as cloud computing, big data in financial industry, improve the Internet financial technology innovation [3]. The third, expanding the cooperation between Internet financial enterprises and electric business industry. Enriching Jiangxi Internet financial pattern, creating new economic growth point, make more investment opportunities for financial investors, provide more innovative financial services for consumers. Fourth, strengthen the cooperation between Internet financial enterprises with neighboring provinces. Grasp the opportunity of 13th Five Year Plan and 'One Belt and One Road' to increase the communication and cooperation with river delta urban cities in Internet finance. Encourage Internet financial achieve cross-regional cooperation, to provide a better investment and financing environment for innovative enterprises.

Traditional financial institutions must transform to Internet financial transformation and upgrade proactively [4]. The banking, securities, insurance and other traditional financial institutions should carry out the Internet financial business and commit to the innovation of the traditional financial business model. In addition, the institutions should develop high-security, profitable innovative products, realize service innovation through the Internet technology, promote financial service breadth, depth and level. The government should reward the product innovation which be popular with consumers and get high satisfaction, encourage financial institutions to set up traditional electric business institutions by tax benefits to realize the effective integration of online and offline sale. Traditional financial institutions can also set up their own Internet financial research center to exploit the suitable transformed upgraded innovate path.

#### *D. Credit Construction, Network Monitoring, Reduce the Internet Financial Costs*

Perfecting the credit system, strengthen the network monitoring is the Important premise to reduce financial cost and develop credit rating industry. First of all, provincial Internet financial credit reporting company must be established. Set up a professional statistician who belongs to the credit company for recording and collecting credit information of enterprise or individual. The people's bank of

China should establish Jiangxi credit archives ally with commercial Banks and network platforms to realize credit transparency. At the same time, the judicial organs should strengthen the protection of personal information; prevent the use of credit information for illegal activities. Second, the government need select talents from the authoritative commercial bank, folk credit rating agencies, accounting firm Jiangxi, then form a the most professional credit rating team. The team should feedback rating situation to the credit company regularly. Finally, the Ministry committee and CBRC should set up Internet monitoring system, achieve system innovation of the industry network and realize information resource accumulation, setting up a third-party site which focuses on network platform loan turnover, borrowing rates, reimbursement deadline specifically for Jiangxi Internet finance, and release statistics to the public on a regular basis. CBRC of Jiangxi should combined with statistics data and make good use of network monitoring system to provide more efficient network security for traders, improve the efficiency of trade both sides of the investment and financing, reduce the Internet financial transaction costs.

#### E. Legal Supervision, Industry Self-Regulation, Managing Internet Financial Development

To order to speed up the enactment of the regional Internet financial laws and regulations, fill the blank of the legal supervision, improve and standardize the Internet financial system and market order in the provincial government authority, the government should have stronger action to protect patents, software, brand and other intellectual property rights of Internet financial firms. Regulators should fully perform its duty and combined with the industrial features to create a good environment for the rule of law for Jiangxi Internet finance. Clearing management ‘bottom lin’ and policy ‘red line’. Illegal and criminal behavior such as money laundering, illegal financing, and loan fraud, illegal transactions happened in Internet financial filed should be deserved severe punishment, to build system of information disclosure. Internet financial companies must release the information such as transaction data and earnings in time. CBRC should control over real-time dynamic information of the industry, control the industry risk.

Industry self-discipline organization is an important supplement of the legal regulation. Jiangxi Internet financial industry association should be set up as soon as possible. The association should play its full role, introduce specific management solution, make the industry self-discipline, and release the access standards of Internet financial industry. [5] Internet financial firms need minimum registered capital, Internet financial professionals need professional qualification [6]. Besides, the association must research industry law of development, strengthen the interaction with the finance agency docking, assist the government to make plans for the Internet financial development. To definie the specific indicators such as internal control and risk index to provide regulatory directive standards for the industry, and to

design the dispute settlement mechanism and the claim mechanism to intensify protection to investors, the practitioners should participate in career morality education to improve their professional quality, clearing the industry ‘minefield’, the behavior of into the ‘minefield’ should get severe punishment, strengthening the discipline of the Internet financial enterprises.

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