An Analysis Of The Path Of Inclusive Financial Development—Based On The Perspective Of Internet Finance

Yuran Chen[1,a],Deping Xiong[2,b],Fan Bai[3,c]

[1,2,3]Yunnan University of Finance and Economics, KunMing, YunNan, China

[a]Chenyuran@yeah.net, [b]xiongdeping@nbu.edu.cn, [c]adamsb@sina.com

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Abstract. The development of inclusive finance is one of the main directions of China's financial system reform.However,its development has always been limited by China's original financial industry pattern.Its broad coverage,low cost,sustainable goals and real life practice results are still big gaps.The characteristics of openness, equality, collaboration and sharing of internet finance provide a realistic basis for the integration and development of the two,also provide a new opportunity for the development of inclusive finance in China.In the era of internet finance,the development path of inclusive finance deserves careful consideration.

1. Introduction

Inclusive finance first appeared in the United Nations 2005 micro-credit year,and was widely used and developed by countries around the world.Its basic meaning is to provide financial services to all levels of society and groups in an effective, comprehensive and affordable manner.Since the introduction of this concept in China's micro-finance alliance,China has attached great importance to the development of inclusive finance.However,its development has always been limited by the traditional financial industry pattern in China.The vigorous development of the financial technology industry has brought new opportunities for the construction of China's inclusive financial system.

With the development of digital technology,the internet is reaching out to all areas of the financial industry.Millions of computer and mobile phone users have been subtly promoting the popularization of financial products and financial knowledge in the process of using electronic products.The development of high-tech,cloud computing and other high-tech also provides new ideas and channels for inclusive finance to move toward the last mile.In January 2016,the State Council promulgated the ‘Promoting Inclusive Financial Development Plan (2016-2020)’ (follow referred to as ‘plan’).This is the first time that China has upgraded inclusive finance to a national strategy.It is clearly stated in the plan that it should be fully utilized.The inclusive financial function of the internet platform focuses on solving remote areas and vulnerable groups that are difficult to cover by financial services.The essence of finance is to play a role as a bridge between the parties involved in financial activities.By providing a platform to connect the supply side of the funds with the demand side,thereby increasing the liquidity of funds and improving the efficiency of capital use.At the National Financial Work Conference held in 2017,general secretary Xi Jinping first proposed the strategy of ‘Building An Inclusive Financial System’.Since then, the development agenda of inclusive finance has been mentioned at a new height and a new level.

2. The development status of China's inclusive finance

2.1 Rural infrastructure conditions are still weak

The weak infrastructure conditions in rural areas and the lack of financial resources have limited the supply of financial resources to rural areas and increased the difficulty of implementing inclusive finance.As far as the financial institutions involved in rural areas,most financial institutions are reluctant to involve rural financial markets because of the poor rural economic base and the consideration of profitability.Agricultural Development Bank Of China is currently the policy financial institution that mainly serves the rural economy in China.Its main loans are used for rural

infrastructure construction and the improve of rural living conditions.In addition,the strong rural credit cooperatives are also the main force of rural finance.However,with the development of commercialization,the rural credit cooperatives continue to reform and move toward the direction of commercial banks.After some of them become stronger, they choose to enter the higher-income and lower-risk urban areas.

As far as infrastructure construction is concerned,China's current investment has certain policy characteristics and investment in rural areas often lags behind cities.Although the internet penetration rate in China has been increasing in recent years,but the high cost of rural infrastructure constructions,low returns on investments and long returns on investments,communication facilities in rural areas are still far behind.The key to the development of inclusive finance in the context of the internet is the network.China's investment in improving the penetration rate of rural internet and strengthening the information construction also have a long way to go.

2.2 The scale of rural credit continues to expand

In recent years,as the country strongly advocates the development of inclusive finance,joint-stock commercial banks and state-owned financial institutions have gradually combined their own economic development characteristics.With‘poverty alleviation’,‘three rural’ and ‘guaranteed housing projects’ as the main battlefields.Actively guide financial institutions to‘support rural residents’,‘support small and micro enterprises’,‘support the real economy’,‘support poverty alleviation projects’ as the core contents of inclusive financial development and gradually abandon ‘grasping the big and letting go,being poor and loving the rich’.The business philosophy has adjusted the focus of work.Some commercial banks have set up the‘inclusive finance department’ for industry characteristics,local branches have set up small and micro enterprise credit centers and even some places have established professional banks such as technology banks and flower banks.

In rural areas,the status of a rural credit cooperative is changing quietly.New rural financial institutions such as rural mutual funds are occupying the market.At the end of 2018,the balance of agricultural loans of national banking financial institutions was 33 trillion RMB.The growth of the general purpose agriculture related loans was 5.63 trillion RMB,an increase of 10.52%.In the same period,the number of poor households supporting the establishment of the card was 6,410,100, and the balance of the poverty alleviation and open project loan was 442.913 billion RMB.

2.3 Inclusive financial environment is continuously optimized

First,the financial regulatory authorities give full plays to the guiding function of monetary policy.Financial institutions use monetary policy tools to help agribusiness institutions to reform,implement low deposit reserve ratios for agribusiness-related financial institutions,support investment and financing of small and medium-sized enterprises involved in agriculture and promote the popularization and use of non-cash payment instruments.In order to solve the problem of rural investment and financing and to revitalize rural assets, local governments at all levels have actively explored and practiced land contractual management rights.Successively issued land contractual management rights mortgage loans,rural housing mortgage loans and support from weak financial groups.

The second is to steadily promote the construction of a modern financial credit system.Credit risk mainly refers to the economic loss caused by the failure of the transaction to perform.Compared with traditional finance,the credit risk caused by inclusive finance is more harmful.The main reason for this is that service target is mainly the long tail group.It is mainly based on remote areas,urban and rural poor people.Such subjects lack credit records and collateral.Once credit risk occurs,it will be difficult to control and the impact will be more serious.Therefore,at present,China is striving to build a government leadership,the department leads and the working mechanism of all parties to continuously enrich the credit circle.The ecological circle is based on the existing credit system of the People's Bank of China,integrating online and offline.Resource complementary and data sharing fundamentally eliminate the occurrence of systemic financial risks.

3. The internal relationship between internet finance and inclusive finance

3.1 Internet finance makes financial services cover thousands of households

First of all,from the perspective of coverage.By the end of 2018,the number of internet users in China reached 809 million population,with a total of 56.53 million were new online users,the internet penetration rate was 59.65%,the rural online users reached 222 million population,accounting for 26.7% of the total online users and the internet penetration rate in rural areas was 38.4%.The traditional financial institutions are mainly distributed in areas where the population is relatively concentrated and the business is relatively prosperous.Because of the consideration of land cost and operating cost,the method of improving the coverage through the laying mechanism does not work.The development of internet finance effectively avoids these drawbacks.Even without service outlets,ATM machines and professional services,customers can obtain the required financial services through smart terminals such as mobile phones and computers.On this platform,social groups enjoy equal access to open financial resources.The broad foundation of the development of internet finance provides a broad space for the development of inclusive finance in China.

Second,from the coverage group.The product innovation of internet finance fundamentally reduces the funding threshold of traditional finance,creating opportunities for traditional small,medium-sized enterprises and low-income people to enjoy financial services on an equal right.Whether it is Ant Financial,JD Finance or P2P Network Loans,their biggest feature is the low entry threshold for customers.Modern internet finance integrates modern logistics,savings capital flow and information data flow.It enables more segments of society to participate in financial markets.The change in customer structure has forced commercial banks to modernize reforms,accelerate financial product innovation and popularize financial services to the remote areas,the lack of information contact,the high cost of promotion and the vulnerable groups with high credit risk have accelerated the availability of financial services.

3.2 Internet finance reduces transaction costs

Due to internal and external conditions,traditional financial institutions have continually withdrawn bank outlets in rural areas.The problem of financial institutions has not been resolved and even some areas have experienced a financial vacuum.Even in the coverage area of the network,due to the strict institutional management system,the promotion of related financial products requires layer-by-layer authorization.After the conversion between multiple complex nodes,the final financial products can reach the customers that a series of service process promotion costs are high.On the contrary,internet finance is not limited by time and space.Through client equipment,it realizes peer-to-peer financial transactions between customers and financial institutions and increases information exchange between customers and banks.It satisfies the financial needs of customers and forms a new customer service model, which greatly improves the adhesiveness and efficiency of inclusive finance.

3.3 Internet finance achieves the sustainability of financial institutions development

Traditional micro-finance institutions as the carriers of inclusive financial development have institutional and welfare conflicts.The institutional group emphasizes the profitability of financial institutions.It believes that profitability is the foundation.Only when institutions achieve profitability can they benefit the low-income population more broadly.The welfare faction believes that the realization of inclusive financial goals needs to be provided to low-income people.Different financial services will improve their quality of life,otherwise there will be no difference from traditional financial institutions.The institutional groups emphasis on social purpose of the welfare facts believed that will lead to a decline in the profitability of financial institutions and the unsustainable development of institutions.Welfare groups emphasis on profitability by the system believed that will lead to the loss of inclusiveness of financial institutions.

The low-cost operation of the internet solves its development.Data mining and data storage technologies enable financial institutions to provide different financial products according to

customer needs,improve the efficiency of financial services and provide basic information to customers based on data processing.Screening,analysis, processing of customer transaction data and ultimately become the basis for bank credit.Alibaba Finance,JD Finance and other small commerce credits based on their mature big data and cloud computing data processing platform to carry out credit rating and risk assessment for customers,greatly reducing credit costs,improving resource allocation and efficiency.The conflict between the institutional and welfare groups has been alleviated,making social development and institutional profitability possible.

4. The development path of inclusive finance in the era of internet finance

4.1 Strengthen the relationship between government, market and society

The first is to accommodate different inclusive financial models based on government,society and market rather than opposing them.The second is to make full use of the power of the government,society and the market to develop inclusive finance.The development of inclusive finance is a great undertaking but the generalized financial strength is limited compared to the economic concept.The small force (micro-finance, micro-finance institution)is used to incite the development of inclusive finance.Career needs a strong fulcrum and powerful leverage.This fulcrum is the government.The long end of this fulcrum is the market and the short end is the society.The power of inclusive finance (micro-finance,micro-finance institutions) needs to find a good point.Grasp the market side of the leverage and the social end of leverage to launch a major cause of rural inclusive finance development.The third is to distinguish the relationship between market mechanism and business model.At present,the market pays attention to too many business models and the market competition mechanism concerned is too small.The financial market competition mechanism is conducive to the development of inclusive finance.

4.2 Guide internet finance to the direction of inclusiveness through policies

First,the foundation of sound development of financial technology requires a long-term incentive mechanism,a sound legal system,a scientific and rational system.The regulators should proceed from the top-level design to ensure the sustainable and healthy development of internet finance.The booming of internet finance in China is bound to pose a huge challenge to the service model of traditional financial institutions.The regulatory authorities should adopt an attitude of encouraging tolerance,respect the spirit of financial innovation and cannot implement excessively strict supervision to stifle the vitality of financial innovation.

Secondly,based on the inclusive characteristics of internet finance,the regulatory layer should fully integrate the actual situation in China,encourage financial innovation without violating relevant laws and the interests of investors,encourage it to compete with traditional financial institutions and promote financial.The virtuous circle of the industry will improve the overall operational efficiency of the financial industry.Secondly, the regulatory layer should start from the depth and breadth of inclusive finance and provide financial services to better serve small,medium-sized enterprises and low-income people by providing relatively favorable tax policies.In short,the legal system and regulatory policies determine the future direction of financial technology.The development direction of inclusiveness is an ideal choice for China's development.

4.3 Define the boundaries of internet finance

The development of internet finance has changed the trajectory of traditional financial development and blurred the boundary of financial development.We must always hold the basic principle of‘no systematic and regional financial risks’.After experiencing a number of P2P platform running events,the China Banking Regulatory Commission has delineated four red lines for the development of the P2P industry:Firstly,the nature of the platform itself has been delineated and the intermediary nature of the platform itself has been clarified.Secondly,the platform itself cannot be guaranteed.The third is that the platform itself is not allowed to engage in the pool of funds.The fourth is that the platform itself must not illegally absorb public funds.However,for the purpose of

protecting internet innovation projects,the government has always maintained a relaxed attitude towards the development of financial technology projects,resulting in many internet platforms out of the actual track,contrary to the direction of their initial development.

China urgently needs to further define the development direction of financial technology from the legal level,stipulate the scope of business development and clarify the industry entry threshold.Based on the development strategy of inclusive finance,the relevant departments are coordinated to introduce relevant policies and identify the boundary of development such as space boundaries,service boundaries,legal boundaries and product boundaries.

5. Summary

At present,the innovation and development of internet finance is affecting the entire financial ecosystem.The combination of finance and technology is different from the internet financial model of the traditional financial industry.It is also different from the inclusive development model of the traditional financial industry.Its low cost,wide coverage and sustainable characteristics reduce the transaction costs in the development of inclusive finance.It improves the information asymmetry in the transaction process and the welfare level.It has important strategic significance for the improvement of the financial inclusion rate of the whole society.

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