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Some Countermeasures Worthy of Discussion in the Regulation of Campus Loan

—Based on the Theory of Economy and Finance

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***Abstract*—There are some measures to be discussed in the regulation of campus loans. If there is no distinction between right and wrong, it will hinder the healthy development of Internet finance on campus. If students' consumption needs are met indiscriminately, their irrational consumption needs will be encouraged. If we think "it's better to dredge than block" campus loan, then it is difficult to correctly adopt the three methods of "blocking, dredging, guiding" at the same time. If the financial aid is intensified, the interaction between government finance and banking should be emphasized. It should distinguish right from wrong and use economy and finance and other relevant theories in a comprehensive manner, from which the lessons taken in their comprehensive application at home and abroad can be regarded as empirical basis. By mastering such a method, it is helpful to choose the correct countermeasures in the complicated and confusing situation.**

Keywords—campus loan, student loan, economy and finance, Internet finance, the interaction between government finance and banking

I. INTRODUCTION

Many countries have commercial loans for college students, which are used to supplement policy-based student loans. Campus loans as commercial loans for college students in China began in 2014, and after a rapid growth in 2015, many negative events broke out immediately. Since April 2016, relevant government departments have issued a series of legal documents to deal with the chaos of campus loan. Many scholars and other relevant parties have put forward corresponding countermeasures [1-3], but some of them need to be discussed urgently. Only by choosing effective countermeasures correctly can we promote the benign development of campus loan as soon as possible and ensure the sustainable development of Internet finance on campus.

II. INDISCRIMINATELY SATISFYING THE CONSUMPTION DEMAND OF COLLEGE STUDENTS WILL ENCOURAGE THEIR IRRATIONAL CONSUMPTION DEMAND

Some countermeasures on campus loan misinterpret the meaning of inclusive finance and "credit right is human rights" in accordance with one-sided statements in some documents such as "to meet the consumption needs of college students", holding that "college students cannot be deprived of the right to obtain credit loans". However, according to relevant research, when the campus loan chaos broke out, "college students use campus loans to purchase electronic products, brand clothes, shoes and hats, and beauty cosmetics, which account for a large proportion, ranking the top three." In addition, consumption on social, dinner, entertainment and travel also accounted for a certain proportion. Therefore, if we indiscriminately emphasize to meet the demand of college students' subjective consumption, then that campus loan aims to provide poor college students with students' tuition, accommodation and the objective demand for living will be ignored, so does for rational demand for various qualification examination fee, training fee and venture capital loan.

Rational consumption in microeconomics emphasizes that consumers consume within the limits of their consumption ability. College students are in an unstable period in psychological development. The university stage is a key period in the development of life. If we allow or even encourage some irrational consumption behavior and consciousness, it will have a serious impact and pose challenge on our country socialism core values and may thereby affect their lives, other students and the society as a whole. The common irrational consumption behaviors of college students in China mainly include comparison consumption, blind consumption, conformity consumption and over-consumption, which is often said to be influenced by the western consumerism. Yet even in the United States, which is deeply influenced by western consumerism and is spending beyond its means, their "campus loans" are largely used for education. According to Borrowing and Repayment Trends of Student Loan in 2016 released by the Federal Reserve Bank of New York, from the perspective of loan providers, 83% of loans provided by federal government agencies are mainly used for tuition fees, while 17% of loans provided by other institutions are mainly used to support students' tuition fees, living expenses and other expenses. Although it has relationship with high tuition in American universities, it is related to its market positioning of "campus loan" as well as to the threshold of non-student loan and professional evaluation on lending and borrowing, credit environment and mechanism about reimbursement. So vast majority of American college students are unable or unwilling to apply for loans for irrational consumption, which is worthy of our reference.

Herbert Simon, winner of the 1978 Nobel Prize in economics and a socioeconomic management guru, aiming at rational consumption in microeconomics, further puts forward that people's rationality is limited and they will be limited by time, money, attention and other resources. And it is difficult for them to "consume within the limits of consumption ability in the principle of pursuing maximized effectiveness". This is "bounded rationality" in the behavioral economics. [4] Therefore, irrational consumption behavior exists in campus loans in a real sense, and corresponding preventive measures must be taken. It is by no means "depriving college students of the right to obtain credit loans" to take preventive measures against irrational consumption behaviors in campus loans. Muhammad Yunus, an economist and winner of the 2006 Nobel peace prize, did say that "the right to credit is a human right". But he stressed that everyone should have access to credit, especially the poor, who do not have easy access to financial services. Campus loans must be conducive to college students who have the right to obtain financial services, thus being conducive to the establishment of inclusive financial system. Even in the United States, the Community Reinvestment Act mandatorily stipulates the credit direction of financial institutions and does not completely leave them "to the market operation", which make up for the imbalance between fairness and efficiency in financial system that cannot be solved by free competition and enhance the credit access rights of vulnerable groups.

III. If We Think "Its Better to Dredge Than Block" Campus Loan, Then It Is Difficult to Adopt the Three Methods 0f "Blocking, Dredging, Guiding" at the Same Time

Some experts and scholars think that "it's better to dredge than block" campus loan. "The government should not be involved in the mandatory administrative means". In May 2017, however, China Banking and Insurance Regulatory Commission, Ministry of Education and Ministry of Human Resources and Social Security issued a notice, emphasizing that "it shall suspend Internet lending institutions to carry out network loan business among college students ", thus avoiding the chaos campus loan under the background of financial credit. If you call this "blocking", then such "blocking" is very necessary. It would be better to adopt the methods of "dredging" and "guiding" while "blocking" it. In fact, in a series of documents concerning campus loan issued by relevant departments of the Chinese government, it "encourages institutions with qualification to actively enter the campus to provide legal and lawful credit services for college students, which is "dredging". The requirement is that "institutions of high learning should carry out abundant publicity and educational activities to guide students to consume scientifically and rationally", which is the "guiding" on credit demanders. It is also very important to "guide" credit providers. In the United States, one of the reasons why its "campus loans" does not go wrong on the providers is the strict supervision on private financial services institutions, especially Internet financial services institutions throughout the whole process. The regulatory authorities keep collecting relevant information through various channels in a variety of ways in order to discover the signs of market chaos as early as possible, formulate and issue new rules regulating the loan service market in a timely manner, thus giving correct guidance. In addition, it provides theoretical basis for "blocking". As early as in the 1950s, the famous American financial economist Richard Musgrave made a classic summary of the state financial function in the market economy, including the three functions of resource allocation, income distribution and economic stability. He believed that the field where public finance plays a role is exactly the field where the market fails [5]. Therefore, if the market of student loan fails, the government is required to intervene at any time objectively. In our country, the finance function in the system of socialist market economy generally includes 6 respects, that is, fund-raising, supply, adjustment, supervision, management and macro-regulation, which indicates that "blocking, dredging, guiding" should be adopted at the same time to complement with each other. So, in the regulation of the market of campus loan, it is effective by using these three methods of "blocking, dredging, guiding". None is superior to others.

Since 2002, many domestic banks once turned to the target population for credit cards to college students, which is actually a form of campus loans. After that, the default rate and bad debt rate increase year by year due to the overdraft of college students' credit cards. In July 2009, China Banking Regulatory Commission took measures to stop the phenomenon of excessive overdraft. Such "blocking" was also necessary at that time. Indeed, formal financial institutions will also gradually recognize the current risks and disadvantages even without the "blocking" and just "leaving it to the market", thus eventually withdrawing from the credit card market of college students at that time. However, without this timely "blocking", it is not known how much damage will continue to cause. What we need to reflect now is: we do not pay enough attention to "dredging" and "guiding" and do not adopt "blocking, dredging, guiding" in a comprehensive manner while "blocking" overdraw credit card among college students. In this context, when the Internet finance and inclusive finance become a hot topic, online campus loan is gradually becoming chaos, thus making up for the gap in the college students' credit market. The hidden risks of online campus loan, the improperly-guided on the needs of students and the imperfect credit system without effective supervision mechanism and sound laws and regulations finally cause the chaos in campus loan. In regulation of today's campus loan market, on the one hand, we should avoid such a situation as only implements "blocking" while ignores "dredging" and "guiding" on excessive overdraft of college students credit cards. We should not turn a blind eye to the blank of the market of campus loan in order to avoid repeating its mistakes; On the other hand, when one tendency is noticed, the other tendency should not be ignored, and the role of "blocking" should not be denied.

IV. It Should Focus on the Interaction between Government Finance and Banking to Intensify Student Loan

In the countermeasures of campus loans, there are many suggestions about "expanding the scope of financial aid and increasing its proportion ". However, under the trend of popularization of higher education, even developed countries have realized that no government budget can fully meet citizens' demand for higher education. Thus, it is an inevitable trend to form the aid policy based on the idea of cost-sharing in higher education. Even the so-called "welfare state" is now avoiding "dependency on educational welfare".

Bruce Johnstone, a famous educational economist and President of State University of New York, systematically put forward the theory of cost-sharing in higher education in 1986. He believes that individuals or families who benefit from investing in higher education should share some of educational costs corresponding to its benefits. Instead of the government or taxpayers bearing all or most of the higher education costs in the past, parents and students should bear some of the costs [6]. Many countries around the world now offer student loans, mainly in a preferential way, to college students to help them share the cost of higher education.

In China, higher education has been changed from free to fee-paying. Meanwhile, student loan oriented to subsidize poor students has been launched, including policy-based student loan and commercial student loan. Among them, policy-based loan is led by the government and handled by China Development Bank to help poor students complete their studies. And the interest during their study is subsidized by state finance. As for commercial student loan, it is mainly in the form of campus loan. It is necessary to supplement policy-based loan with lawful and legal commercial loan.

Commercial banks may be more reluctant to lend money to college students, and the marketization of loan risk compensation is much lower. Therefore, it is more necessary to discuss how to give full play to the guiding role of government finance and the leverage effect of finance to realize the interaction between government finance and banking based on the principle of development financing. For example, it should discuss how to introduce corresponding fiscal policies and supporting measures by the state to mobilize the enthusiasm and initiative of commercial banks by means of finance discount and risk compensation. And how to stimulate a large number of bank loans with a small amount of financial input so as to "expand the scope of financial aid and increasing its proportion ". It should assist poor college students to get the loans they need and guard against risks, so as to share the cost of higher education smoothly and be able to repay after finishing their studies.

V. CONCLUSION

In the regulation of campus loan, it is necessary to clear up misunderstandings in view of some measures worthy of discussion, so as to provide guarantee for the sustained and healthy development of Internet finance on campuses around the country. However, it should not be limited by current circumstances and it is more important to summarize and master the following two methods:

First, in the above-mentioned discussion, comprehensiveness, marginality and intersection are ubiquitous in the theory of economy and finance and Internet finance and in the application of theories such as cost-sharing in higher education, public products, human capital, equality in education and society, "bounded rationality" in behavioral economy and finance functions. It requires us to emancipate the theories of related disciplines from the hands of experts in related disciplines and apply them comprehensively in combination with our own majors, so as to turn them into weapons for understanding the world. Second, it is to take the experience and lessons of economic finance and related theories in their comprehensive application at home and abroad as the empirical basis. In the regulation of campus loan, misunderstanding will be clarified through a number of countermeasures worthy of discussion. Additionally, by mastering the above methods, it is conducive for us to choose the right countermeasures in the rapidly changing field of Internet finance and distinguish right from wrong in the confusing and chaos environment.

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