

# Looking at the Future Development of Internet Finance from the Third-party Payment Industry

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## Abstract

The emergence and development of Internet finance has injected fresh blood into the financial industry, people also have great expectations for its future development, and the third-party payment is the mainstay of Internet finance development. The development prospects of Internet finance and the third-party payment are also the focus of people's attention; this paper describes the current status and trends of the third-party payment, and analyzes the problems and future development trends in the development of Internet finance and the impact on the entire financial industry under the background of the rapid development of the third-party payment. The economic growth has promoted the development of China's market economy, and the reform of the domestic financial industry has also made great progress. This paper analyzes the development of the third-party payment platforms and Internet finance, and contributes to promoting the stable and healthy development of China's financial industry.

## Keywords

Internet finance, the third-party payment, development.

## 1. Introduction

In recent years, with the rapid development and popularization of network technology, the role of the Internet in the development of the financial industry has become more prominent, the integration of network technology and financial industry has produced Internet finance this emerging form, and it is essentially different from traditional financial activities in form, it emerges as the times requires under the background of the prosperity and development of e-commerce and the rise of the Internet era, its integration with the financial industry has brought an upgrade to the financial industry, but it is also accompanied by challenges. The third-party payment is a new product of Internet finance; it is a payment mode on the basis of the Internet. More and more people have registered online virtual accounts, use the third-party payment products, nowadays, people feel that life is gradually networked; the networking of the financial industry will also comply with the development of the times, the third-party payment products appear frequently in the public life, and it also proves that its rapid development can be tracked.

## 2. Overview of the Third-party Payment

Concept of the third party payment

The third-party payment is a trading platform that is popular in both reality and the Internet, it is mainly linked to the two camps in the market, on the one hand, the vast number of consumers and merchandisers, and on the other hand, the major commercial banks at home and abroad. As the third-party guarantor, the trading platform also needs to have certain financial strength, and it also needs to have a certain reputation in the society as a further guarantee.

The third-party payment is a platform for capital transaction, which plays guarantee and communication role in buyers and sellers, when the buyer purchases the goods, the buyer does not directly give the money to the seller, but temporarily kept by a third party who does not participate in the transaction process, the general maintaining period is no more than ten days, after the buyer receives the goods and confirms that the goods are no damage, the money is transferred to the seller through a third party. This method achieves the security of online shopping, the buyer does not worry about the seller's fake, and the seller does not worry about that buyer does not submit the payment after receives the goods. The third party plays a role in coordinating, securing and providing relevant legal electronic documents. The third party only assumes the deposit responsibility for the payment of the goods, and does not assume the risk arising from the non-third party responsibility. At present, there are many kinds of the third-party trading platforms in China, such as Alipay, Tenpay, and Online Banking and so on, among them; the Alibaba's Alipay is best developed.

Transaction process of the third-party payment, taking Alipay as an example

Alipay Network Technology Co., Ltd. was established in December 2004, in the past 10 years, since the establishment of Alipay, it has won a very good reputation in the industry, and has many advocates among consumers. In the data released in early 2010, it shows that there are 300 million Alibaba users in the country, its main transaction process is as follows: the first step, the buyer submits the order to the seller, and the money is transferred to the Alipay through the online banking me; the second step, the seller delivers the goods and sends the goods to the buyer through the logistics company, money has been managed by Alipay during this period, this period is generally 10 days; the third step, the buyer receives the goods, after examine goods, then confirm the receipt through Alipay; the fourth step, after Alipay receive the buyer's confirmation of receiving goods, the money will be transferred to the seller's account; if the goods have not been confirmed for 10 days, the buyer may choose to extend confirmation of receiving goods, or Alipay will automatically transfer the money to the seller's account.

Advantages of third-party payment

The main advantage of third-party payment is that the third party is independent to the buyer and the seller, and there is no interest conflict for the transaction between the buyer and the seller, so it can be fair and just in operation. Secondly, the third-party payment can provide a certain guarantee for the buyer and the seller, the two parties will inevitably have a distrust when they are not face to face, therefore, the third-party trading platform can provide credit guarantee for the buyer and the seller, ensure that the buyer and the seller do not any legal dispute in the transaction. Third, the online third-party trading platform can reduce the shopping and sales costs of buyers and sellers through the network third-party trading platform, and can provide the most convenient service for both parties. Fourth, the third-party payment products are still in the process of continuous innovation, at present Alipay has also launched a third-party payment service, when the buyer's balance is insufficient, it can be paid after the third party agrees to ensure the smooth progress of the transaction, and it is convenient for buyers and sellers

Defects of the third party payment platforms

First, if there is a security problem in the third-party trading platform, it will not only lead to the disclosure of information between the buyers and the sellers, but also the loss of the payment for goods managed by the third party. Secondly, this model is more suitable for B2C or C2C network transactions, but not suitable for B2B. The amount of the transaction is too large, so few B2B models use third-party payment platforms. Third, China's current third-party trading platforms are bundled with online shopping platforms, and their independence is poor, different shopping platforms need different third-party payment platforms, which is more troublesome for users, they need to register multiple accounts.

Development Stage and Current Status of the Third-party Payment Platforms

The third-party payment platforms appear in 2000, Huanxun E-Commerce Co., Ltd. established in Shanghai and Shouxin Co., Ltd. established in Beijing is the earliest third-party payment companies in China. The third-party payment platforms are roughly the same as the structure of the website service, under normal circumstances, more economic benefits are obtained by collecting service fees, and then allow the merchants and banks to be organically integrated. After 2005, many enterprises in China were interested in the third-party payment platforms, and made many attempts. The Alipay platform was established, in 2007, the total trade volume of Taobao has exceeded RMB 17 billion. Therefore, the third-party payment platform related to Taobao has also attracted the attention of the society.

Current status of the third-party payment platforms

After 2006, China's third-party payment platform has gradually emerged and developed rapidly. Relevant data shows that in China, Internet trade volume has been increasing, after 2002; China's online trade volume has exceeded 1 billion Yuan, after 2013, the internet trade volume has exceeded one trillion Yuan. From this we can see that trade volume of payment has been increasing, and the third-party payment platform has played an important role and has gradually occupied a dominant position. In the development progress in the next few years, along with the rapid development of the information age, e-commerce will become an inevitable trend of the times, and the scale will gradually expand, which will promote the rapid development of China's economy and provide opportunities for more enterprises to develop.

### 3. Development of Internet Finance

Since the birth of internet finance, it is growing very fast. Third-party payment, which is constantly popularized and developed, is the foundation of Internet finance and has paved the way for the development of Internet finance. The development of Internet finance has reduced the cost of financial services and made the information of financial transactions transparent. Domestic experts and scholars will always have disputes over the advantages and disadvantages of Internet finance. However, we need to see that the development of Internet finance is overwhelming; we must accept it objectively with a positive attitude; the state must also encourage its development, and make Internet finance to be an important way to promote national economic development.

### 4. Basic models of Internet Finance

Electronic payment means

The electronic payment means mainly refers to online banking services, including a series of financial services such as transfer, consumption, and inquiry, which effectively transfer the banking business to the Internet, and it is convenient for more users, however, while bringing convenience to consumers, online banking also has certain drawbacks, for example, inter-bank business and compatibility of different cards are not very high; once the transaction is wrong, the cost of correcting errors is high. In allusion to these problems, the bank has also made a series of adjustments, and its advantages are still considerable.

Internet Loan Company

Traditional banks blindly focus on the financing cooperation of large enterprises, often overlooking the real market controllers, resulting in an increasing number of microfinance company, the difference of microfinance company with the traditional financial industry is that the microfinance company has achieved an effective combination with the Internet, which not only improves the market efficiency, but also promotes the development of the whole financial industry.

Microfinance companies are quite different from traditional bank. Traditional bank loans must be validated for loan business; however, with the advent of the Internet era, online loans have

brought convenience to many small companies, the microfinance companies realized real-time control of customer data information through the Internet, and understand the customer's business status and credibility in detail. When applying for a loan in microfinance companies, the microfinance company will review the basic data information of the applicant, so as to formulate the best pricing strategy that meets the applicant's risks and benefits. They give more preferential policies to enterprises with good credit and timely repayment, and realize the cultivation of long-term customers. The problem of financing difficulties and high financing costs for small and micro enterprises has been solved.

Online credit intermediary platform and crowd-funding

P to P microfinance is a microfinance model among individuals, which first appeared abroad. At present, there are about 300 P to P platforms in China, and they are still in a growing stage. In 2013, the trade volume exceeded 100 billion, we have to admit that the economic profit margin of Internet finance is very impressive, and its development prospects will surely be bright. The crowd-funding model refers to the fundraising on the Internet through a pre-sale model. By using the Internet platform, companies and individuals with creative products will display their products through the Internet and gain public attention and financial support.

## 5. Development Countermeasures of Internet Finance

As an emerging industry, Internet finance has undoubtedly brought huge benefits to the whole financial industry, and promoted the development and prosperity of China's Internet economy; its annual rising trade volume make people think about where its limits. Internet finance has the advantage of convenience and speed in comparison with tradition financial service, but relatively speaking, it also has greater risk; the instability of the network also makes its security performance inferior to the traditional financial industry, so the future development of online finance must pay more attention security. Innovation is also the foundation of Internet finance development, innovation does not only refer to the renewal of product functions, but also includes services, market operations, etc., so that the Internet Finance can stably developed, can be called an indispensable part of the financial industry, and become an integral part of the financial industry.

Strengthen the supervision of online finance. First of all, we must improve China's relevant laws and regulations on Internet finance, the law is the basis and premise for the operation of the online financial market, the improvement of legislation can enable regulators to better grasp the boundaries, increase the supervision of online finance, and then strengthen the coordination and cooperation between internal supervision and external supervision, not only improves the internal supervision mode of enterprise, but also the relevant external supervision departments and the public should strengthen the supervision awareness, improve the legal awareness, and finally improve the information disclosure system, and strictly require financial institutions to follow the principles of truthfulness, timeliness and clarity, and provides investors with a fair market environment.

Further improve the convenience of online payment. The advantage of the rise of Internet finance is its convenience. As long as there are networks and computers, payment can be realized. In recent years, the promotion of smart mobile web-surfing has enabled many companies to turn their attention to the mobile phone market and develop mobile client software; customers can use payment products directly on their mobile phones, this idea has been implemented and is developing rapidly, this is further reflected in the future of third-party payment companies competing in mobile payments, and users are more look forward to use mobile payments in the future.

Promote the integration of Internet finance and traditional finance. The third-party payment companies began to carry out offline activities with the advantages of many online registered

members. Many third-party payment companies invested a large amount of money to online and offline payments, and the integration of offline payment and online payment will become closer and closer.

## 6. Conclusion

Internet finance is a combination of traditional financial industry and network, and electronic payment is an indispensable part of it, wide spread of electronic payment determines third-party payment is the fastest and most suitable for development in China, whether now and in the future or not. The huge potential of third-party payment has also brought many complicated problems, the competition in the payment market will be more intense, and the future development model of Internet finance and third-party payment will require continuous innovation and adjustment. In the future, the security of online finance is still the focus, and it is worth thinking about solutions. This paper analyzes and studies the development of the third-party payment platforms and Internet finance, respectively, and hope that the introduction of this paper can provide some reference for relevant personnel, and then promote the further development of third-party payment platforms and Internet finance in China.

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