

Analysis of Financial Risk Management and Preventive Countermeasures under the Background of Internet Finance

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Abstract: Compared with the traditional financial development model, Internet finance is a financial model that comes into being by taking advantage of the rapid development of computer network technology and the increasingly developed technology of people's mobile terminals. Compared with the traditional financial model, this model is convenient for consumers and employees in the financial industry. As far as the current supervision of Internet finance in China is concerned, the path analysis of Internet financial security is very incomplete, and the relevant systems and emergency measures are lagging behind. Although Internet finance is closely related to the Internet, in the final analysis, it still belongs to the financial industry, and its risks such as credit default and maturity mismatch also exist objectively. In view of the current problems of Internet financial risks, this paper improves the preventive measures of Internet finance by establishing a sound legal and regulatory system, strengthening the infrastructure of Internet financial security and improving the business system of Internet finance. In order to ensure the effective implementation of various regulatory measures, and then guide the Internet finance industry into a healthy development track.

1. Introduction

In recent years, internet finance has developed rapidly, but the risk issues in its development have also attracted widespread attention from society. The normalization and legalization of financing for small and medium-sized enterprises in China has always been a challenge. Many internet-based financial service models have emerged, expanding the boundaries of financial services and also having a significant impact on the traditional financial industry. The Internet will promote the financial industry to enter a new era. Internet finance has the dual attributes of the Internet and finance. As an important cross-border innovation, the risks of Internet finance are an unavoidable topic[1]. Compared to traditional financial development models, internet finance is a financial model that mainly utilizes the rapid development of computer network technology and the increasingly advanced technology of people's mobile terminals[2]. This model is more convenient for consumers and practitioners in the financial industry compared to traditional financial models. At the same time, it can also improve the competitiveness of the financial market, provide convenience for people's financial investment and savings, better promote the development of the financial industry, and to some extent, promote the development of the real economy[3-4]. Nowadays, the emergence of various financial risks and the security of financial information have brought great risks to people's personal property security. Whether it is the mobile Internet business that traditional financial institutions try to expand, or the third-party payment, online credit P2P and other models brought about by grassroots Financial innovation, the Internet financial risks contained in them have also begun to show a trend of rapid expansion, disrupting the market order, How to better prevent financial risks must be considered. From the current regulatory situation of internet finance in China, the path analysis of internet finance security is very incomplete, and the relevant systems and emergency measures are relatively lagging[5]. Although internet finance is closely related to the internet, it still belongs to the financial industry in the final analysis, and the risks of credit default, term mismatch, and other financial industry risks also objectively exist. The

comprehensive monitoring and prevention of risks caused by internet finance has become a key issue, which not only affects the healthy development of internet finance, but also affects every aspect of residents' lives[6].

2. The Connotation and Characteristics of Internet Finance

People no longer need to go to the bank in person to understand and buy financial products, but only need to do it on the internet. In recent years, the emerging Alipay and Ant Flower Garden are all examples of the application of financial products. It can be said that in the future, the development prospect of Internet finance is also optimistic. Internet finance is mainly based on cloud computing and social networking and other Internet tools to achieve financing and payment services, and it is a new finance[7]. The transparency of internet finance is relatively strong, which has expanded the scope of the financial field and enriched the financial business, and it also has its own distinctive characteristics. The characteristics of internet finance are mainly reflected in high efficiency, low cost, wide coverage and high risk. The main feature of Internet finance is openness, which is the difference between it and the traditional financial industry. It is a modern financial management model. Internet finance connects all customers together and uses the advantages of the era of big data to open a wide Internet platform for customers. It is free, equal and open for payment transactions, and the demand side and the supply side of funds can obtain the financial information they need through the platform, so as to achieve a true, transparent, fair and just transaction process[8].

In the financial industry, people's daily life has also undergone earth-shaking changes because of the arrival of the information age. Whether in work or in entertainment, the Internet has become a necessity for modern people. Moreover, under the trend of the times that everything is efficient and convenient, Internet finance came into being[9]. As shown in Figure 1, this paper analyzes the characteristics of Internet finance, which can be characterized by innovation, low cost and high efficiency.

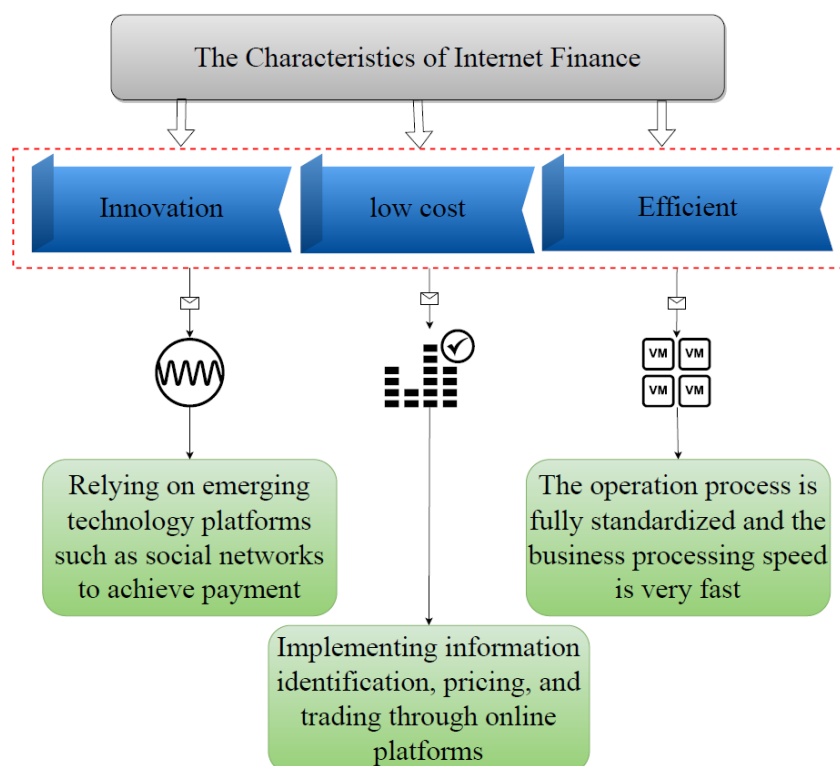


Fig.1 Characteristics of Internet Finance

Under the internet finance model, transactions are conducted through online platforms to understand the other party's information, which can save funds for opening business outlets, thus greatly reducing transaction costs and promoting the sales of financial products. By serving

financial customers and establishing standard contracts, a consumer economies of scale in which the utility of internet financial products increases with the number of users are formed[10]. Although internet finance relies on the role of the internet, it mainly has financial characteristics and functions, including payment and risk diversification. The wide coverage of internet finance is also an important feature. Under network technology, it enables the convenient implementation of internet services without being limited by geography or time. It allows for the query or purchase of related financial products online, so the coverage is relatively wide.

3. Causes of Internet Financial Risks

3.1 Government Supervision is Not in Place.

At present, due to the imperfect regulatory policies of the Internet finance industry, the national macro-control can not play its due role, so there is a great analytical concept in the Internet finance work, because many regulatory policies require financial enterprises to regulate their own business behavior, but this self-discipline is not conducive to regulating the management of financial enterprises. China lacks special regulatory measures and laws and regulations in this field, which makes criminals increasingly rampant. In addition, it also includes the problem of data. After being investigated, some financial data still has a certain form of residue on the storage medium, so that it can restore the original data, so that the original deleted data can be restored to the cloud storage, and the residue of data may inadvertently reveal the sensitive information of users. From the development characteristics of Internet finance, Internet finance is a relatively new thing, which almost subverts the characteristics of traditional finance, and some aspects of it take advantage of the blank of traditional financial supervision, which will easily lead to regulatory failure.

In addition, since it is a computer network, there may be problems in its own network technology. In the process of network transportation, the invasion of various viruses must be considered. Some lawless elements attack China's financial network system to seek ill-gotten gains, which makes China's internet finance have greater risks. Now there are many internet finance enterprises, but there are also many problems. From the data, the internet finance enterprises with problems account for more than half. From the point of view, the lack of government supervision policies has led to internet finance risks.

3.2 Poor Self-Management Awareness in the Financial Industry

The development of the internet finance industry requires both speed and quality, but as it is still in the initial stage of development exploration, the relevant laws, regulations, and various rules and regulations of the internet finance industry are not sound. Currently, many people use data to commit crimes on the internet, which can easily lead to a series of problems. Therefore, vulnerabilities in virtual software pose a great threat to the security of cloud computing. All the above issues need to be considered and must be resolved in the future development process. If not resolved in a timely manner, the consequences will be unimaginable. In terms of its nature, the difficulty of regulation on the Internet remains significant. The Internet has always resisted regulation, and if regulators mishandle it, it can trigger public opinion and bring certain social pressure to the government's financial management.

Therefore, the government's financial supervision carries certain risks in fact and cannot be fully managed according to traditional financial risk prevention measures. The incomplete policies and regulations provide an opportunity for some companies who want to obtain short-term profits. Although their industry qualifications are not satisfactory, they lack a sense of self-management due to the poor self-restraint ability of the entire industry. As a result, the internet finance industry has high business risks and inadequate risk management, which has brought many obstacles to its development.

4. Countermeasures to Improve Internet Finance

4.1 Improve the legal and regulatory system

Conduct in-depth research on the actual situation of the current Internet finance industry, and combine the actual situation and specific issues to form a complete legal system as soon as possible, so that the whole industry can be standardized and have laws to follow. The perfection of laws and regulations can provide a legal basis for maintaining the stability of the Internet financial market, by establishing a legal system to regulate corporate behavior, consolidating the legal basis for the prevention and control of Internet financial risks, establishing laws and regulations to protect consumers, and improving the relevant laws and regulations of the main body of Internet financial risk control in China. It is necessary to improve the supervision system of the entire Internet finance and build an operational risk management system. The whole process should be very standardized, not a little sloppy, and only in this way can we better supervise.

For the peer-to-peer lending platform, where the current contradiction is more prominent, the government should prohibit Internet financial enterprises from establishing a pool of funds, and these enterprises should appear in the network in the form of information intermediaries to earn certain information fees by matching borrowers. At the same time, it is best for internet financial institutions to formulate rules and regulations in the industry in conjunction with other internet financial institutions according to their actual development and their own characteristics, so as to form a unified system norm, with a view to creating a good development environment for internet finance.

4.2 Optimize Internet Financial Security Infrastructure

The construction of financial infrastructure is very necessary, therefore, the central government also needs to strengthen supervision and management, strengthen infrastructure construction, and form a set of standardized credit evaluation models. In addition, the lack of risk warning settings in the current financial system is also an urgent issue to be addressed. Increasing investment in internet infrastructure can not only improve system protection capabilities, but also create a stable financial market environment. The implementation can mainly be carried out from two aspects, as shown in Figure 2.

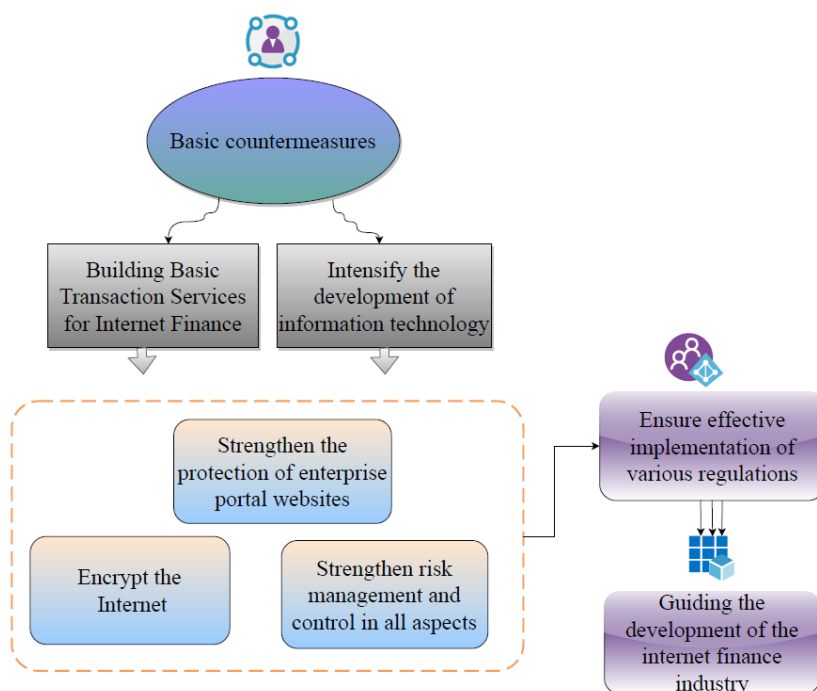


Fig.2 Countermeasures for Internet Financial Security Infrastructure Construction

The protection mechanism for consumers is independent of existing regulatory agencies, and specialized and targeted protection institutions should be established, with corresponding rights

granted to these institutions. In addition, legislative measures should be adopted to ensure the legitimate rights and interests of financial consumers, striving to form an effective regulatory system in China's society in advance, during, and after the event. At the same time, efforts should be made to increase the protection of enterprise portal websites, and login can only be achieved through identity verification, And through hierarchical authorization management and other methods to achieve multiple protections for the login process, in order to avoid the occurrence of financial risks. In order to help rural collective economic organizations better manage the rural collective economy, the state first achieves standardized management of rural collective assets by clarifying the responsibilities of rural collective managers and supervising their work content.

4.3 Improvement of the Internet Finance Business System

The government should improve the internet finance business system, establish standardized product design processes, conduct risk assessment work, and ultimately form a systematic and standardized product specification to ensure that product development can proceed in an orderly manner. At the same time, we will strengthen risk control in all aspects of internet finance, including product elements, revenue descriptions, expenses, investment management, and risk disclosure, so that the managers of collective assets can follow the articles of association, and each asset work can be carried out in an orderly manner, and rural collective assets can be managed most effectively under the protection of the national system.

According to the analysis of China's current economic structure, the People's Bank of China mainly regulates the country's macro-economy, but it can't master some micro-financial regulation, which causes the People's Bank of China to fail to analyze and contain the trend of Internet finance. At the same time, the online loan industry has the characteristics of complexity. At this time, the regulatory authorities need to give real-time and dynamic supervision from multiple angles to ensure the effective implementation of various regulatory measures, and then guide the Internet finance industry into a healthy development track.

5. Conclusions

In recent years, the internet finance industry has experienced rapid development in China. There are still many aspects that need to be strengthened to address the risk issues of internet finance. In this stage of development, it is important to consider the construction of an internet finance security system as an important task. Only by effectively improving the level of risk prevention can we further promote the healthy and long-term development of the internet finance industry, To create favorable conditions for the development of internet finance in China. This article should combine these issues with the actual situation, analyze specific problems, and establish a comprehensive risk management system. To avoid the technical risks of the Internet, it is necessary to first standardize the operational process of Internet technology and analyze common Internet financial risks. Financial institutions can avoid the capital investment and operating costs of opening business outlets. So in this trading mode, financial institutions no longer need more counter personnel, what they need is a mature and user-friendly software configuration, which greatly reduces transaction costs and funds to meet customer needs. Conduct corresponding risk regulation and management from both internal and external perspectives of the enterprise. Specifically, for the internal risks of enterprises, it is necessary to conduct a good evaluation of internet finance risks and establish mechanisms. At the same time, establishing comprehensive internet technology training can reduce financial risks, better solve problems, and ensure the safe development of the entire internet finance industry.

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