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Research on Development Status of China's Consumer Finance Companies

Yongying Liu

Tianjin University of Commerce

ABSTRACT

The chapter I of this article elaborates the background and significance of the topic research, sorts out the domestic and foreign scholars' research on consumer finance companies. Chapter 2 first introduced the concept, characteristics, supply and demand of consumer finance. The third chapter analyzes the development status of China's consumer finance companies, and finds that the number of consumer finance companies has developed rapidly, and the profitability level is high; the products have been continuously upgraded and marketing channels are abundant; the business-driven model has been driven from the fund to the scene-driven and technology-driven. Afterwards, the BOC Consumer Finance Corporation was used as a typical domestic case for in-depth analysis. Chapter 4 concludes the problems encountered by China's consumer finance companies in the development process. The fifth chapter proposes the following countermeasures based on the development of China's consumer finance companies: changing consumer attitudes; broadening financing channels, increasing tax incentives, training financial and scientific talents, and improving the social credit system.

Keywords: Consumer finance company; Consumer credit; Development model

*Correspondence to Author:

Yongying Liu

Tianjin University of Commerce

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1. Chapter I Introduction

1.1 Research Background and Significance

After going through the global financial crisis in 2008, it has been very difficult to invest and export these two carriages to drive the rapid economic development of China. At this time, China began to emphasize the demand, especially the importance of consumer demand, to create favorable conditions for expanding consumer demand, so that China's huge potential for expanding domestic demand and promoting economic growth is continuously released, a long-term mechanism for expanding consumer demand is established, and consumption is coordinated. The "troika" of investment, investment and export work together to promote economic growth into a new normal. Efforts will be made to increase the level of consumer demand, fully tap the huge potential of urban and rural residents' consumption, and promote China's continuous expansion of the scale of the consumer market. At present, the goal of China's economic development has changed from the pursuit of high speeds to the pursuit of high-quality development. It is precisely due to the key period of changing the mode of economic development, upgrading the economic structure, and rotating the kinetic energy of economic growth. Therefore, vigorously developing consumer finance is an effective measure and an urgent requirement to achieve the above goals.

The China Banking Regulatory Commission promulgated the "Procedures for the Pilot Management of Consumer Finance Companies" in July 2009. Subsequently, the China Banking Regulatory Commission approved the establishment of four consumer finance companies in Beijing, Tianjin, Shanghai, and Chengdu, respectively. These four consumer finance companies include Beiyin, Gitzo, BOC, and Jincheng. Pilot operations. On November 14, 2013, the China Banking Regulatory Commission revised the "Measures

for Pilot Management of Consumer Finance Companies" for the first time. With the approval of the State Council, it has added consumer finance in Hefei, Quanzhou, Wuhan, Nanjing, Hangzhou, Guangzhou, Shenyang, Chongqing, Xi'an, and Qingdao. The company piloted. On June 10, 2015, the State Council made a decision to expand the pilot of consumer finance companies nationwide.

On March 5, 2016, Premier Li Keqiang reiterated in his government work report that it is necessary to conduct trials of consumer finance companies nationwide and encourage financial institutions to continue to create more consumer credit products that meet consumers' needs. With the upgrading of China's economic structure and the continuous maturation of the consumer financial market, consumer finance companies, as a supplement to traditional consumer credit services of commercial banks, have become new drivers of stimulating domestic demand, stimulating consumption, and promoting economic growth.

As the world's second largest economy after the United States, the development of consumer finance has become increasingly important for promoting China's economic growth. According to statistics from the People's Bank of China, as of December 2017, the deposits held by consumers and households were 65.2 trillion yuan, accounting for 39% of total domestic deposits. From another aspect of financial activities, as of December 2017, the total amount of loans for Chinese households was 40.5 trillion yuan, accounting for 34% of total domestic loans. The total consumption of household loans in China reached 34.4 trillion yuan, that is, consumer loans accounted for 77% of household loans and 26% of total loans. According to an announcement issued by the National Bureau of Statistics, the contribution of final consumer spending to the growth of GDP in 2017 was 58.8%.

Consumer finance companies have a more mature operating model in the western

developed countries. For those emerging in China, the development has just started and lack of experience. It borrows from developed countries and regions such as Europe and the United States, Japan, and other consumer finance companies to target and finance their target customers. The accumulated experience of product innovation, risk prevention and control, application of advanced technologies, proper supervision of the financial market, and improvement of laws, regulations, and systems will help prevent problems that arise in the development of consumer finance companies in China. Firstly, this paper studies the current situation of the development of China's consumer finance companies, sums up the problems and difficulties in the development process, compares and analyzes the development of foreign consumer finance companies, and then gives an overview of the development of foreign consumer finance companies in China. Based on experience, the final proposal for China's consumer finance companies to develop targeted countermeasures and suggestions is of positive significance to the healthy development of China's consumer finance companies.

1.2 Domestic and Foreign Literature Review

With regard to research on consumer finance companies, foreign scholar Sidney Cattle (1989) found that consumer finance companies have a relatively higher return on investment, stronger profitability, and faster growth, when compared with other industries. Ernest A. Nagata (1993) first studied the cost structure of consumer finance business for consumer finance companies, and then introduced an empirical model to further analyze the effect of the scale effect of microfinance and the mode of operation of consumer finance companies on small consumer credit costs. Finally, it is concluded that the cost of each loan is inversely proportional to the number of consumer finance companies that carry out

small consumer credit business. George.J.Bentsen (2001) studied the relationship between loan costs and interest rates, and proposed that the cost of loan for consumer finance companies was affected by the upper limit of interest rates.

Domestic scholars also conducted analysis and research on consumer finance companies. Xu Wenbin and Wang Xiping (2010) analyzed the development model of Western consumer finance companies and discussed the implications for developing consumer finance companies in China. Liu Dan (2010) introduced the relationship between consumer finance and consumption, compared the development model of foreign consumer finance, analyzed China's problems and constraints in accelerating the development of consumer finance, and on this basis, put forward policy recommendations to promote the development of consumer finance in China. Huang Dechun and Lin Cambridge (2011) analyzed the operational model and development obstacles of consumer finance companies and believed that consumer finance companies have a vast market space in China. Cai Yangping (2014) classified consumer finance companies into "banking" and "non-banking" and analyzed their development models. Liang Chunya (2015) analyzed the advantages, disadvantages, and development difficulties of consumer finance companies. Li Ning (2016) analyzed and compared the three major models of China's consumer finance commercial banks, licensed consumer finance companies, and internet consumer finance.

Chapter II Consumer Finance and Consumer Finance Companies

2.1 The concept and characteristics of consumer finance

China has started to pay attention to consumer finance at a relatively late date. It is relatively new and complicated, and it has not much research on consumer finance. Therefore, it

has not yet formed a clear definition for its concept. Liao Li (2010) believes that consumer finance refers to the provision of financial products and financial services including consumer loans to financial institutions. Xishi (2010) believes that so-called consumer finance is a modern financial service that provides consumer loans to all levels of consumers. Feng Jinhui (2010) believes that consumer finance refers to the provision of financial services to satisfy the residents' demand for final goods and services. In order to achieve maximum utility, resident consumers may save for current consumption in the future or they may advance their savings in current borrowings. Consumer finance is born under this demand. It follows that narrowly defined consumer finance refers to short-term consumer lending services provided by financial institutions to consumers. Including general consumer durables, RVs, etc. In the broad sense, consumer finance refers to all financial activities related to consumption.

The characteristics of consumer finance. First, a small amount of dispersion. Because consumer goods in consumer behavior are generally small and the scene is not concentrated when consumers engage in consumer activities, the related consumer finance has a small amount of scattered characteristics. The credit line of consumer finance generally only contains small short-term consumer credits that do not exceed 200,000 yuan. Consumer finance involves all aspects of consumer economic life, such as education, tourism, wedding, decoration, and home, etc. Consumer finance provides a variety of services for consumers' material lives. The nature of consumer credit itself determines that the business carried out by consumer finance has a small amount of scattered characteristics, especially when the online business is carried out on the Internet, and the amount of consumer loans is from 2,000 yuan to 50,000 yuan. Second, flexibility. Consumer finance is an inclusive financial service

developed to meet the consumer credit needs of consumers at all levels. With flexibility according to local conditions and local conditions. In order to facilitate customers, consumer loans are generally paid in installments of equal principal and interest, and can be repaid at any time before the monthly maturity date, which is very flexible and greatly relieves consumers' repayment pressure. Third, timeliness. Consumer financial institutions meet the customer's consumer credit needs in a short period of time and meet customer demand quickly and in a timely manner. Under normal circumstances, when consumers consume in a specific scenario, they submit their loan applications, financial services agency approvals, and financial institutions to issue consumer loans. It takes only a few minutes to complete the entire consumer process. In order to provide a better customer experience, In the fierce consumer financial industry competitive market, consumer financial institutions must strive to shorten the process. Only by satisfying the timeliness of customer spending can we take advantage of fierce consumer financial market competition.

2.2 Supply and demand of consumer finance

The supply of consumer finance. At present, there are more and more financial institutions that develop consumer finance businesses in China. As shown in Figure 2.1.2 below, the main providers of consumer financial markets are commercial banks, consumer finance companies, auto finance companies, and internet finance companies. Which occupy the dominant position of consumer finance, the largest market share is commercial banks. Commercial banks are the earliest financial institutions in China to develop consumer finance businesses. They mainly provide individuals with personal housing mortgage loans, car loans, and credit card spending services. Its advantages are reflected in many outlets (easily accessible to customers), strong

risk control capabilities, and rich product categories. However, there are also problems with the supply of consumer financial products and the homogenization of consumer financial products of bank-based consumer finance companies, repeated credit extensions, and the complicated and complicated procedures for applying for credit loans, and have high requirements on the credit rating of customers.

Consumer finance companies can be divided into three categories based on the composition and nature of shareholders. That is, the major shareholder is the commercial bank which is a banking department, the shareholder is a physical store and the shareholder is an e-commerce platform. Typical representatives include: Bank of China Consumer Finance Corporation, Haier Consumer Finance Corporation, and Suning Consumer Finance

Corporation. They have a comparative advantage in terms of capital acquisition, resource integration consumption scenarios, and customer data. The automobile finance company launches the consumer finance business means that it provides financial credit services to consumers and producers who have car purchase needs. When consumers purchase new cars, the down payment ratio can be selected and the repayment method can be flexible. Internet finance companies provide consumer finance services that use their own consumption scenarios to provide consumers with a small convenience of short-term consumer credit services or some staged shopping platforms. Among them, commercial banks provide the largest variety of consumer financial products, the widest range of services, and the largest market share

Chart 2.1.2 supply of consumer finance market

Subject	Commercial Bank	Consumer Finance Corporation	Automotive Finance Corporation	Internet Finance Corporation
Representatives Note: The above data source Internet Financial services and products	BC, ABC, ICBC, CBC, etc. Mortgage, car loans, credit cards, etc.	BOC Consumer Finance Corporation, China Merchants Finance Corporation, etc. Durable consumer goods	SAIC General Motors, Toyota Motor Finance, etc. Packages for worry-free wisdom, smart wisdom, etc.	Alibaba, Jingdong, Suning Tmall stage, flower buds, lending, Jingdong white bars
Advantages	Rich products, low risk	Quick and easy	down payment, flexible repayment methods, simple procedures	Consumer scenarios, customer credit information base

Note: The above data source Internet

Consumer finance needs. According to the data released by the People's Bank of China, after entering the new normal state of the economy, China's economic growth has shifted from high-speed to high-speed. As shown in Figure 2.1.3, GDP has soared from 47.9 trillion yuan in 2010 to 82.7 trillion yuan in 2017, with an average annual growth rate of more than 10%. The ratio of consumer loans to GDP rose

from 18.36% in 2010 to 38.11% in 2017. These data all show that consumer finance has a vast market and development space in China. The role of consumption in promoting economic development has greatly increased. In 2010, consumer loans accounted for 15.66% of the total loans used by financial institutions. This ratio rose to 26.24% in 2017, an increase of nearly 10 percentage points. Moreover, these

figures are still rising year after year. It can be seen that the consumer financial demand of Chinese residents has continued to expand

with the development of society, which provides favorable conditions for the supply side of consumer finance

Table 2.1.3 development of consumer credit in China from 2010 to 2017 (100 million yuan)

Year	Consumer Loans	Short-term consumer loans	Medium- and long-term consumer loans	Financial institutions Fund use Various loans	Gross domestic product (GDP)	Consumer loans/loans	Sum of consumer loans/GDP
2010	75064	9567	65497	479196	408903	15.66%	18.36%
2011	88717	13555	75162	547947	484124	16.19%	18.33%
2012	104357	19367	84990	629910	534123	16.57%	19.54%
2013	129721	26558	103163	718961	588019	18.04%	22.06%
2014	153660	32491	121169	816770	636139	18.81%	24.16%
2015	189520	41008	148512	939540	689052	20.17%	27.50%
2016	250472	49313	201159	1066040	743585	23.50%	33.68%
2017	315194	68041	247154	1201321	827122	26.24%	38.11%

Source: People's Bank of China website

2.3 The nature and positioning of consumer finance companies

The nature of consumer finance companies. Subdividing the definition of the China Banking Regulatory Commission into consumer finance companies, it can be seen that consumer finance companies specialize in providing loans to individuals in China, with the purpose of consumption. The principles are: small-scale, decentralized, and the purpose of loans is personal purchase of consumer goods. And there is no guarantee in the loan process and no mortgage is required. This shows that consumer finance companies are financially inclusive. It provides a consumer financial platform for customers who have short-term funding shortages and cannot obtain financing needs from banks. At the same time, consumer finance companies provide personalized financial services to different groups of customers and enhance the well-being of Chinese residents.

Although consumer finance companies have had years of development history in the United States, Europe, and other western developed

countries, and Japan and China Taiwan, and already have relatively mature development models, different countries and regions have positioned and launched businesses for consumer finance company customers. The type is different. For example, consumer finance companies in the United States can provide consumers with home mortgage loans, credit card services, etc., and their business types are relatively abundant.

According to the regulations of the China Banking Regulatory Commission, China Consumer Finance Corp. will mainly target its customers to low-end income groups. The development of consumer finance business is mainly the provision of personal consumer durable goods credit loans, generally has the following characteristics: First, the target customer group is mainly targeted at low-income groups with low income levels but stable income sources. Second, the cumulative amount of consumer loans granted to individual customers shall not exceed 200,000 yuan. Third, funds cannot be supplemented by absorbing public deposits. In addition to shareholders' registered capital, funds can be

obtained temporarily through interbank lending and asset securitization. Fourth, high flexibility. The speed of approval, simple procedures, high timeliness, and the maximum repayment period of up to 3 years have expanded the scope of flexible use of consumers. Fifth, because consumer finance companies do not have mortgages or any guarantees when they issue consumer loans, this determines their relatively high operational risk exposure. Therefore, the CBRC's shareholder, capital adequacy ratio, minimum registered capital and loan interest rate Other aspects have established relatively strict standards.

Chapter III Basic Development of China's Consumer Finance Companies

3.1 Development Status of China's Consumer Finance Companies

3.1.1 The rapid growth of the number of consumer finance companies

On June 10, 2015, the consumer finance company piloted nationwide. As a result, the development of consumer finance companies is gaining momentum. Various financial institutions, such as commercial banks and internet companies, have established consumer finance companies one after another. The scale of consumer credit has expanded dramatically. In June 2017, the credit of China's consumer finance industry increased by 125% year-on-year to reach 190.6 billion yuan. As shown in Figure 3.1.1, as of July 7, 2017, with the acquisition of a consumer finance company license by Hangzhou Yinyin Consumer Finance Co., China's 24 consumer finance companies have obtained a business license in a few short years, 22 of which Home agencies have begun to open.

Table 3.1.1 Profile of Approved Consumer Finance Company

Name	Approval Time	Registration location	Registered capital (100 million)
Zhongyin	2010-01-06	Shanghai	8.89
Beiyin	2010-01-06	Beijing	8.5
Jincheng	2010-01-06	Chengdu, Sichuan Province	3.2
Gitzo	2010-02-12	Tianjin City	70
Zhaolian	2014-08-28	Shenzhen City, Guangdong Province	20
Xingye	2014-10-14	Quanzhou City, Fujian Province	3
Haier	2014-12-03	Qingdao, Shandong	5
Suning	2014-12-11	Nanjing, Jiangsu Province	6
Hubei	2014-12-16	Wuhan, Hubei	5
Mashang	2014-12-30	Chongqing	13
Zhouyou	2015-01-06	Guangzhou, Guangdong	30
Huarong	2015-10-23	Hefei City, Anhui Province	6
Shengyin	2015-11-03	Shenyang City, Liaoning Province	3
Jinshang	2016-01-24	Taiyuan, Shanxi Province	5
Changyin	2016-06-16	Changsha, Hunan	3.6
Hayin	2016-11-11	Harbin City, Heilongjiang Province	3.6
Shaghaishangchegn	2016-11-25	Shanghai City	10
Zhongyuan	2016-12-20	Zhengzhou City, Henan Province	5
Baoyin	2016-12-21	Baotou City, Neimenggu Autonomous Region	3
Chagnyinwuba	2017-01-24	Changsha, Hunan	3
Hebeixingfu	2017-01-22	Shijiazhuang City, Hebei Province	3
Zhuhaiyishenghuatong	2017-01-22	Zhuhai City, Guangdong Province	1
Jiangsusuyinkaiji	2017-04-12	Suzhou City, Jiangsu Province	6
Hangyin	2017-07-07	Hangzhou, Jiangsu Province	5

Note: The above information comes from the Internet

3.1.2 Rich Marketing Channels for Consumer Finance Company Product Upgrades

At present, consumer finance companies provide more and more financial products for consumers, and clothing, food, housing, transportation, etc. are increasingly involved. For example, Beiyin Consumer Finance offers two different products for consumers with different needs, instalment and cash services. Among the products that have been purchased in phases are fashion digital, beauty loan, beauty loan (dental special), health loan, car decoration, car insurance, etc. The cash service products include income loans, mortgage loans, help loans, and home loans.

Product Marketing Channels In addition to online merchant partnerships, Gitzo (China) Consumer Finance Corp. fully leverages its established 5,000-plus point-of-sale (POS) online loan facility in China to conduct marketing among stores that have established partnerships with shareholders. BOC's consumer finance companies have done relatively well in using big data for risk control. They have created an online real-time automatic approval system to upgrade traditional consumer finances that rely on manual authorization and approval to use automatic approval systems and automatic analysis of big data. Smart system. This system not only liberates manpower, saves time and labor costs, but also increases the efficiency of approvals, reduces the waiting time for customers, provides consumers with a very good consumer experience and consumer financial services, and helps expand the market share of consumer finance. , improve profitability.

Currently, BOC Consumer Finance has launched consumer finance business in more than 200 cities across the country, with more than 1,000 cooperative merchants and outlets, and has accumulated millions of customer services.

3.1.3 Transformation of Business-Driven Models of Consumer Finance Companies

With the rapid economic and social development, the quality of life of residents has skyrocketed. The people's pursuit of a better consumer life is reflected in the love of cars, homes, travel, education, and intelligent high-tech products. Consumer spending is not just a matter of staying in durable consumer goods, but is gradually shifting to high-quality, personalized products that bring greater utility. The household income and expenditure structure has been further upgraded. The concept of consumption has changed, and residents are daring to use financial leverage to consume. This undoubtedly leads to an increase in consumer demand.

Domestic consumer finance companies are mainly divided into three business-driven models: banking, retail, and e-commerce. These three development models have their own characteristics and have comparative advantages in terms of capital acquisition, industrial integration, and customer acquisition in consumption scenarios. Among them, bank-based consumer finance companies are the main players. Of the 24 consumer finance companies established, 19 have commercial bank backgrounds. However, the current drive model for the development of consumer finance companies has gradually shifted from funding-driven scenarios such as consumption to technology. To provide consumers with a suitable consumption scenario, Big Data and Internet finance technology to create a convenient and automated automated approval system has become a common pursuit of consumer finance companies and consumers.

3.1.4 Slowing Growth of Performance of Consumer Finance Companies

As shown in Figure 3.1, from the consumer finance companies that announced their financial results in 2016, the top four consumer finance companies are Gitzo, BOC, Zhaolian,

and Jincheng. At the same time, their bad debt rate is also relatively high.

Table 3.1 List of Profitability of Licensed Consumer Finance Companies (2016)

Name of license holder	Operating income (100 million yuan)	Net profit (100 million yuan)	Non-performing loan ratio	Established time
Gitzo	68.26	9.31	4.45%	2010-11
Zhongyin	--	5.37	3.29%	2010-06
Zhaolian	15.33	3.36	0.82%	2015-03
Jinchegn	1.6735	0.745	2.63%	2010-02
Mashagn	1.579	0.065	--	2015-06
Hangyin	0.23	-0.0999	--	2015-12
Suning	1.058	-1.89	--	2015-05

Source: related company earnings

3.2 Typical Cases - China's First Four Consumer Finance Companies

3.2.1 BOC Consumer Finance Corporation

BOC Consumer Finance Co., Ltd. was established in June 2010 with the approval of the China Banking Regulatory Commission. It is an affiliate of the Bank of China and is headquartered in Shanghai. Currently, it has set up first-class regional centers in 27 provinces, municipalities and autonomous regions across the country. The initial registered capital of 500 million yuan, the initial shareholders for the Bank of China, Bailian Group, Shanghai Lu blond hair. In order to further expand consumer finance business in 2015, BOC's consumer finance companies began to increase their capital and expand shares. BOC Credit Card (Hong Kong), Border Innovations, and Hong Shan Shengyuan became new shareholders of the company. The number of shareholders increased from 3 to 6 and the registered capital was increased. Increased to 889 million yuan.

The financial products of BOCBC are mainly divided into three categories: The first category is the "New Easy Loan Cash Loan" product mainly based on direct sales, including the "New Easy Loan Credit Loan" with a loan limit not exceeding RMB 200,000 and "New Easy". "The loan enjoys loans"; the second type is the "new loan-only merchants exclusive loan"

which is mainly associated with merchants, including language training, vocational skills, decoration, renting and other commercial loans; the third type is based on Internet credit "New Easy Internet Loan". The three major categories of products have already formed a "convenient, professional and flexible consumer financing and service" model.

Beginning in 2013, BOC Consumer Finance no longer serves only local customers, but begins to provide consumer financial services to target customers nationwide. As of the end of 2017, there were more than 1,000 cooperative merchants and outlets in more than 200 cities in more than 20 regions across the country, and it had already served millions of customers. The number of employees also rose from 38 in 2010 to more than 400 in 2015. The company's loan balances ranged from 2.16 million in 2010 to 13 billion in 2015. The business has grown by more than 6,000 times.

3.2.2 Beiyin Consumer Finance Corporation

As a wholly-owned subsidiary of Bank of Beijing, Beiyin Consumer Finance Co., Ltd. was approved by the China Banking Regulatory Commission on March 1, 2010 with a registered capital of RMB 300 million. In 2013, Beiyin Consumer Finance Company increased

its registered capital by 550 million yuan and its capital was changed to 850 million yuan.

Beiyin Consumer Finance's easy e-loan products rely on telephone direct sales platform, internet finance platform and video loan machine's three direct sales channels. Its business feature is that consumers' advice and applications for loans are not subject to time and geographical restrictions; loans are not guaranteed, approvals are fast, safety factors are high, operations are simple, and quotas are flexible; the results of the approval are fed back to customers within 24 hours, the day after the signing of the contract. Loans will be granted, and loans will be granted on the same day of approval on the same day. Has the advantages of convenient application, rapid processing, flexible quotas, and no geographical restrictions.

The main target customers are: 1. Short-term office workers and SMEs with credit funding requirements; 2. Academic qualifications concentrated mainly in colleges and universities; 3. Consumers who have done credit business and left good credit records; The ages are concentrated in 20-45 years old, mainly young people who have just entered the society and middle-aged people whose family economic burden is heavy.

3.2.3 Jincheng Consumer Finance Corporation

Jincheng Consumer Finance Company was established on March 1, 2010 with the approval of China Banking Regulatory Commission. The initial registered capital of RMB 320 million was jointly financed by Chengdu Bank of Sichuan City Commercial Bank and Hong Leong Bank of Malaysia, with Chengdu Bank (51%) and Hong Leong Bank (49%). At present, the business scope of Jincheng Consumer Finance Company mainly covers Chengdu and surrounding areas.

After the establishment of Sichuan Jincheng Consumer Finance Co., Ltd., it will focus on

Chengdu. Now it has established cooperative relations with a number of local merchants. The cooperation method is mainly through the business staff of the company's business staff to enter and cooperate with the merchants and hypermarkets. Consumers in need apply for loan applications on site. It takes only 30 minutes for applications for durable consumer loan products to be approved, and general-purpose loan products can be approved within 24 hours as soon as possible, and then consumer loans will be issued. According to the consumption characteristics of local residents in Chengdu, Jincheng Consumer Finance Corporation has launched a series of consumer credit products that are close to people's lives and benefit the people's livelihood, including housing renovation, health care, education and training, cosmetic surgery, and orthodontics.

Jincheng Consumer Finance Company insists on serving low-end customers. The target customer base is positioned as low- and middle-income groups that cannot be covered by traditional commercial banks. This forms a differentiated competition with commercial banks. The average age of customers is 25-40 years old, and the average monthly income is less than 5,000 yuan. By providing financial products with small quotas and low thresholds, the company explores the potential of low-end and middle-end customers and guides this group to be willing to spend and dare to consume. As of December 2016, Jincheng Consumer Finance Corp. has issued cumulative consumer loans of more than 3.7 billion yuan, and the number of cooperative merchants exceeds 1800, among which the number of local cooperative merchants exceeds 1,000. The cumulative number of service customers is more than 320,000, of which customers with a monthly income of less than 5,000 yuan account for 82% of the total, and the average loan amount for each loan is 11,000 yuan. Non-performing loan rate of 2.43%, provision coverage rate of 157.34%,

risk within controllable range, below industry average.

3.2.4 Gitzo (China) Consumer Finance Corporation

Gitzo (China) Consumer Finance Co., Ltd. is the first consumer finance company set up wholly foreign-owned and registered in Tianjin with an initial registered capital of 300 million yuan. It is also one of the first four consumer finance companies in China. At present, after several rounds of capital increase, registered capital has reached 7 billion yuan.

In July 2014, the company's largest back-office operation center, the Changsha Customer Service Center, was put into use. The two major customer service centers of Gitzo Changsha and Wuhan can accommodate more than 8,000 customer service personnel at the same time. The daily average service volume is over 750,000. In addition, after several years of development, Gitzo Consumer Finance has become a stable business partner with nearly 3,000 domestic retailers. According to the annual report of Mindless Consumer Finance Company, the business development speed has been alarming in the past two years. In 2016, the operating income was 6.826 billion yuan and the net profit was 931 million yuan. The operating income in 2017 was 13.255 billion yuan, an increase of 107% over the same period of last year, and the net profit exceeded 1 billion yuan.

Chapter IV The Development Dilemma of China's Consumer Finance Companies

4.1 Insufficient consumer demand

Due to historical factors and the Chinese people's historical advocacy of diligence and conservation, the traditional concept of consumption is difficult to change quickly. Although nearly 40 years of reform and opening up, although this habit has changed, but mainly concentrated in some learning ability

and easy to accept. For young people with new things and new ideas, there is still a long way to go before they reach the concept of advanced consumption in developed countries and regions in Europe and America.

First of all, for a long time, Chinese families, especially rural families, have deep-rooted concepts of "high savings, low consumption" and traditional consumption. Most families prefer savings, are unwilling or dare not to consume in advance, and only have rich funds in their hands to dare to consume. Cash settlement is usually used instead of instalment payments to financial institutions for consumer credit. Even if the family's cash flow is difficult to meet occasionally, when they are unable to make ends meet, it is also the first time to ask friends and family for help, and then consider bank loans. The purpose of this approach is twofold. The first and the former do not require tedious and complex processes in the bank loan process, which is relatively convenient and quick. Second, the former omits the cost of having to pay the interest of the latter, which is economical.

Secondly, for young people who have strong learning ability and are easy to accept new things and concepts, especially for college students who have just left campus and entered the society, the use of credit cards can help them solve the problem of general personal consumer loans. Compared with young people, although the elderly and rural residents also have certain consumer demand, they are bound by the lack of formal consumer finance support. This part of the demand for potential customer resources has been ignored.

In the end, China is in a period of total success in the realization of a well-to-do society. It has not yet achieved full poverty alleviation, the overall level of affluence of the people is not high, and the distribution of wealth is uneven. In addition, China has not yet established a sound and comprehensive social pension security and welfare system. There is still a large gap

between rural residents' income levels and income sources compared to cities. In order to seek a sense of security in life, most farmers use their money for savings. Because of the need for emergency, residents are more conservative when they spend, and they tend to save and buy housing. Therefore, emerging consumer finance companies will become more difficult to acquire customer resources.

4.2 Narrow financing channels

In 2013, the China Banking Regulatory Commission revised the original "Procedures for the Management of Consumer Finance Pilot Programs" to change some provisions, including the following four ways for consumer finance companies to obtain funds. 1. Accept the deposits of the shareholders' domestic subsidiaries and domestic shareholders; 2. Borrow from domestic financial institutions; 3. Approve the issuance of financial bonds; 4. Domestic interbank lending.

Therefore, it can be seen that the narrow financing channels of consumer finance companies are mainly reflected in the following three aspects. First, there is a single source of funds, which cannot meet the needs of the consumer finance business. Regarding shareholder deposits, shareholders, especially non-banking consumer finance company's major shareholders, are not very strong in their own funds, have limited financial support, and are more inclined to provide financial support related to their main business, which is not conducive to the independence of consumer finance companies. development of. In borrowing money from domestic financial institutions, due to the large investment in infrastructure at the initial stage of the establishment of consumer finance companies and the relatively high costs in the previous period, resulting in poor financial statements, the need for guarantees from shareholders of consumer finance companies when borrowing

from financial institutions. Increased financing difficulty.

The second is the high cost of financing in the financial market. As there are few financing channels and the market is not well-off, consumer finance companies do not have the right to speak up when raising funds, and the cost of obtaining funds is relatively high. Due to the pursuit of profits, consumer finance companies will lack the incentives for inclusive financial services. Sustainable development.

Third, strict supervision of asset securitization and issuance of financial bonds, and higher barriers to entry. Due to rigid requirements in terms of establishment time, operating results, etc., it is difficult for newly established consumer finance companies to meet the approval conditions for raising funds through the issuance of financial bonds and domestic interbank lending.

4.3 Incomplete Personal Credit System

China's credit investigation activities started late. In 1997, the People's Bank of China began to set up a bank credit registration and consultation system. Since the beginning of 2004, the People's Bank of China has spent nearly two years building a nationwide unified personal credit information system. In March 2016, the Credit Information Center of the People's Bank of China was established and began to continuously expand the scope of personal credit information, collect information in an all-round way, and improve the credit information database. Up to now, the People's Bank of China Credit Information Center has basically established credit data information for individuals who have had credit activities in China. However, for some companies or individuals who do not have credit activities, they have a blank.

On the one hand, after years of efforts, the credit information database already contains nearly 900 million people's credit information, and still more than 300 million personal credits

have not yet appeared in the credit system. Moreover, these credit files mainly come from credit loans of commercial banks, followed by public information such as social security, provident fund, environmental protection, tax evasion, civil adjudication and enforcement. However, due to the generality and timeliness of the business development of consumer finance companies, they decided to strictly control risks while providing consumer credit services for low-income groups with consumer demand in the country, and at the same time, speed up loan approval. , Consumer finance companies have higher requirements for the soundness of credit system construction.

On the other hand, the timeliness of credit information is poor, and a multi-sector information sharing mechanism has not been fully established. Currently, consumer finance companies generally rely on the credit information basic database established by the People's Bank of China Credit Information Center when conducting business to assess customer default risk. However, this is not conducive to the company's development of an inclusive consumer finance business because there are still more than 300 million potential customers whose personal credits have not yet appeared in the credit information system. The incompleteness of credit information has increased the difficulty of consuming credit approval by consumer finance companies. This serious problem of information asymmetry can cause consumer finance companies to increase bad debt rates if they agree to loans. Improve the operational risk of consumer finance companies, which is not conducive to the long-term development of consumer finance companies.

4.4 Business lacks innovation

The current "post 90s" and "post-95s" have become the main force of consumption. Some consumer demand has gradually shifted to high-quality, personalized needs. This indicates

a new direction for consumer finance companies to innovate consumer financial products and enhance their business capabilities. However, due to various reasons, the current business of consumer finance companies still lacks innovation. On the one hand, consumer finance companies have not been in development for a long time, and they lack relevant development experience in operations, management, product innovation, etc. The lack of experience is not conducive to the innovation and business expansion of consumer financial products. Moreover, many people's understanding of consumer finance companies is not thorough, not comprehensive, and they have not fully accepted this fresh consumer finance subject.

On the other hand, consumer finance companies have their businesses on and off the Internet, but they are mainly based on the Internet. With the wide application of high-tech science and technology such as the Internet, big data, and cloud computing, high-tech talent with data application management and familiarity with financial products is relatively scarce, and it is difficult to meet the needs of consumer finance companies for business and product innovation.

4.5 Heavy tax burden and high operating costs of inclusive finance

The higher tax burden on consumer finance companies is reflected in the fact that current tax policies do not include the interest income earned by consumer finance companies in the issuance of loans for general personal consumer durables into the scope of VAT exemption. The Circular on Supporting the Tax Policies for Supporting the Financing of Small and Micro Enterprises jointly promulgated by the Ministry of Finance and the State Administration of Taxation clearly stipulates that: From December 1, 2017 to December 31, 2019, financial institutions shall issue small amounts to farmers and individual industrial

and commercial households. The interest income earned on the loan is exempt from VAT. The customers served by consumer finance companies are mainly low-end and middle-income groups. Many migrant workers, blue-collar workers and college students have just entered the community. These people have certain intersections with the objects of the aforementioned documents, but they are not exempt from VAT. The tax cuts of consumer finance companies have not been fully covered.

Chapter V Development Strategy of China's Consumer Finance Companies

5.1 Changing Consumption Concept

The development of consumer finance in our country is still young. The establishment of consumer finance companies has played an important positive role in expanding the consumer finance market, transforming the concept of consumer credit, developing inclusive green finance, and how to transform our residents (especially rural residents). The change in consumer attitudes has prompted consumer finance to play a greater role in expanding domestic demand in China. It needs the strong support of the government. First, establish and improve the social endowment insurance system, increase the construction of the people's livelihood project, and further strengthen the protection of China's residents in medical care, health, children's education, employment, housing, etc., especially to meet the needs of residents in the remote and impoverished western regions. Living needs and consumer demand, raising the income level of residents, broadening the sources of income for farmers, gradually eliminating the concerns of residents' consumption, and enhancing the consumer's consumer confidence and consumer credit scale. Second, deepening the reform of the income distribution system for urban and rural residents, expanding the number of middle classes,

narrowing the income gap between urban and rural residents, and increasing the income of middle- and low-income earners will activate the organic integration of the rural consumer market and the resolution of the new social contradictions in today's society. To increase consumer demand, individual consumers will spontaneously slowly increase consumer finance demand and form a virtuous circle of China's consumer finance ecosystem. Third, strengthen policies to promote universal access to credit. On the one hand, it adheres to the concept of marketization, promotes policies and regulations to netizens and consumers through the Internet, new media, and grassroots, enhances their knowledge of credit, understands consumer finance-related business knowledge, and helps them recognize the consumer finance of consumer finance companies. Business, and through the establishment of a dedicated customer service community outlets face to face to explain consumer finance business, so that they truly feel the convenience of consumer finance companies to bring them convenient services. On the other hand, guide consumers to correctly understand the difference between credit consumption, advanced consumption and over-consumption, correctly understand rational consumption and impulsive consumption, correctly understand the income level and consumption branch risks, correctly understand their own needs, and reasonably conduct consumer credit activities. In transforming the mode of economic development and improving the quality of economic development, we must pay attention to constructing a long-term mechanism that continuously taps consumer demand and expands the overall scale of consumer demand.

5.2 Broaden financing channels and increase tax incentives

The "Procedures for the Pilot Management of Consumer Finance Companies" stipulates that

the current financing channels of China's consumer finance companies are difficult to fully play their role in a short period of time, and cannot meet the needs of consumer finance companies to carry out consumer credit business. Consumer finance companies must find new ways to solve their financing difficulties. The author believes that expanding the scope of financing for consumer finance companies can consider the following paths: First, allowing private capital to participate in the operations of consumer finance companies, and clarifying the methods and methods of cooperation between consumer financial institutions and private capital owners to achieve Win-win. The second is to allow consumer finance companies to raise funds through the issuance of commercial paper in the currency market, so as to reduce the threshold and cost of financing. The third is to allow consumer finance company asset securitization when the financial market is stable. This approach can enhance the liquidity of consumer finance companies and increase the efficiency of fund use.

Relaxation of market-based financing policies. The development of financial services for consumer finance companies has a strong inclusive character. After seven years of rapid development, regulators should appropriately relax standards. On the one hand, strengthen the cooperation between commercial banks and consumer finance companies, and strengthen inter-bank credits. On the other hand, consider the characteristics and general contribution of consumer finance companies in their specific business operations, and consider reducing the market-based financing threshold for consumer finance companies, as appropriate. For example, for companies that have developed steadily, have a high degree of acceptability, and rely on better scenarios, they will reduce their financial debts, deadlines for ABS issuance, and allow them to issue large deposit certificates to their customers in the same industry.

At present, the tax burden on consumer finance companies is relatively heavy because some tax incentives that can be reduced or exempted have not been implemented for various reasons. It is recommended that the relevant taxation departments of the country further optimize the subdivision of tax relief policies so that eligible tax breaks can be implemented, thereby reducing the operating costs of consumer finance companies and helping them invest more energy and funds into the inclusive consumer finance business. For example, some of the more inclusive consumer finance companies meet the conditions for exemption of loan-related income VAT, and they should be exempted from the VAT on interest income earned by consumers (especially rural residents) in their consumer credit operations.

5.3 Training Financial Technology Talents

The financial industry is essentially a digital enterprise. The development of China's consumer finance is all about digital. Naturally, it is inseparable from financial and scientific talents. As long as you are using computers, you need help from information technology professionals. Establishing a highly qualified and highly skilled scientific and technological personnel team is a strong driving force for the development of consumer finance companies. The cultivation of scientific and technological talents can start from the following aspects: First, combine consumer finance and information technology, focusing on the cultivation of college students. Young college students have a very strong learning ability and a strong understanding of knowledge. This puts forward higher requirements for university teachers and professors. The school can hire industry talents to serve as part-time tutors outside the school, make full use of off-campus resources, and broaden the practice channels for undergraduates. After graduation, college students have four years of theoretical knowledge and a certain society. Practice, after

graduation can rely on what they learned to directly enter the consumer finance company.

Second, universities or social institutions are encouraged to set up specialized training institutions. For example, in the China Consumer Finance Network, the China Financial Research Center will hold regular special events on consumer finance. Participants will use training and meetings to enhance their concrete operations in the consumer finance business, data processing and use, enrich theoretical knowledge and professional skills, etc. The training is relatively more time-efficient.

Third, establish an internal assessment incentive mechanism. With the establishment of an assessment and incentive mechanism, the consumer finance company associates the income level of employees with performance and technology, which is conducive to improving the enthusiasm of the employees, inspiring them to consciously learn related technologies and improve work efficiency.

Fourth, introduce and absorb foreign professionals. China's consumer finance companies are relatively late in establishment and relatively young. They need to learn from many mature consumer financial companies abroad. The introduction of professional technical personnel can make up for the shortcomings of consumer finance companies and promote the healthy development of consumer finance businesses of consumer finance companies. Combined with China's actual situation, we will better improve our consumer finance system.

5.4 Improve the Social Credit System

Credit is crucial to the economic development of a country. A sound social credit system and good personal credit behavior are the basis for the healthy development of consumer finance. For a long time, China's personal credit collection has been unified by the People's Bank Credit Reporting Center. Recently,

Baixing Credit Co., Ltd. has obtained approval from the Central Bank and successfully obtained the first three-year personal credit registration license in China. In order to speed up the improvement of the personal credit information business system, establish a large database of personal credit records, and implement the information sharing mechanism, the following points need to be achieved: First, strengthen the credit information department in accordance with the law and strictly enforce the law. The People's Bank of China's Individual Credit Reporting Center strictly supervises the access agencies in accordance with the "People's Bank of China Law" and the "Regulations on Credit Management" to ensure the healthy development of the personal credit information industry and protect the legitimate rights and interests of consumers.

The second is to establish a feedback mechanism between the credit information system and the big data risk control system. Pay attention to the cultivation of integrity awareness. Through the preaching of credit knowledge and the dangers of personal dishonesty, we create a sincere social atmosphere on the Internet, establish reward and punishment mechanisms, and provide certain incentives for honest people to let consumers know that a well-kept credit record will be greater at the next loan. With the convenience, the losers will not only get no loan service, but they will also be restricted in their future trips, advocating everyone's trust.

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