A Study on the Service Quality and Competitive Strategies of Internet Financing and FinTech from the Perspective of Internet Finance Law

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ARTICLE DETAILS

Article History:

Received 02 october 2017

Accepted 06 october 2017

Available online 11 october 2017

Keywords:

Internet finance, FinTech, Finance Law, Service Quality, online banking.

ABSTRACT

Internet finance and FinTech are the technologies for data generation, data mining, security, and search engines, and provide strong support for Internet financing. The differences between Internet and FinTech financing and traditional financing lie in the media adopted for financial business, as well as the essence of "openness, justice, collaboration, and sharing". The various tools, such as the Internet and mobile Internet, allow traditional financial businesses to have higher transparency, increased participation, better collaboration, lower intermediate costs, and easier operations. Importance-Performance Analysis (IPA) is often used to measure performance and analyze competitive strategies. This study adopts IPA to analyze and inspect the service performance of the subject's Internet financing as reference for improvement.

1. Introduction

Internet financing is an emerging financial model that realizes financing, payments, and information intermediary business through the Internet and mobile communication technologies, which differs from indirect interbank financing and direct financing in the capital market. Internet finance includes three basic forms of corporate organization, namely, small network companies, third-party payment companies, and financial intermediaries. The current e-banking, online banking, and mobile banking services commonly promoted by commercial banks also belong to Internet finance ^[1].

Internet finance and FinTech are technologies for data generation, data mining, security, and search engines, and provide strong support for Internet financing ^[2]. Social networks, e-commerce, third-party payments, and search engines generate tremendous data. Cloud computing and the behavioral analysis theory render big data mining possible. Data security technology makes privacy and transaction payments easy. Search engines make it easier for individuals to obtain information. The development of such technologies has greatly reduced the costs and risks of financial transactions and expanded the boundaries of financial services. In addition, "FinTech" is a systematic plan to promote the financial instruments, systems, policies, and services for the development of financial products. The common technologies of "FinTech" include blockchain and robo-advisor. Enterprises use technologies to render their financial services more efficient, resulting in a new economic industry ^[3].

The differences between Internet finance and traditional finance lie in the media adopted for financial business, which provide the essence of "openness, justice, collaboration, and sharing". Various tools, such as the Internet and mobile Internet, allow traditional financial businesses to have higher transparency, increased participation, better collaboration, lower intermediate costs, and easier operation. Additionally, through Internet technology, financial institutions can eventually abandon their dominant position in financing, as the concepts of sharing, openness, and transparency of the Internet make the flow of funds among subjects direct and free, and with a low default rate, thus, the role of financial intermediaries will continue to be weakened. Financial institutions will gradually be reduced to the status of subordinate service intermediaries, and they will no longer assume the leading position in terms of the deployment of financial resources. In other words, Internet finance helps

eliminate financial intermediaries.

The IPA model is often used to measure performance and analyze competitive strategies. This study adopts IPA to analyze and inspect the subject's service performance in Internet financing, which can be used as a reference for improvement.

2. Literature Review - the Development Trends and Main Models of Internet Finance

In recent years, the Internet finance model, as represented by third-party payments, network credit institutions, and peer-to-peer lending, has attracted increasing attention. Due to its unique business model and value creation method, Internet finance has direct impact on the traditional businesses of commercial banks, and has even replaced some such businesses. Internet finance shows three important trends: (1) Mobile payment replaces traditional payment. (2) Peer-to-peer lending replaces traditional deposit and loan business. (3) Crowd funding replaces traditional securities business ^[4].

At present, Internet finance has three main models in China. First, traditional financial services provide services to the public through the Internet, meaning online banking, where the role of the Internet is as a channel. Second, the Internet serves the role of credit in financial services, such as Alibaba, due to its e-commerce platform. Third, P2P provides intermediary services, which combines the lender and the borrower ^[5].

In the Internet financial models, due to search engines, big data, social networks, and cloud computing, information asymmetry in the market is extremely low. As both parties are matched during the funding period, they have low cost risk sharing. Intermediaries, such as banks, brokers, and exchange do not work, as the issuance and transactions of loans, stocks, and bonds, as well as coupon payments, are conducted directly on the Internet ^[6]. As the market is fully effective, it is close to the no financial intermediary state, as described in the general equilibrium theorem. In this financial model, convenient payments, search engines, and social networks reduce the costs of information processing, meaning the supply and demand sides for capital can be directly transacted. Resource allocation efficiency, which is the same as those of the capital market direct financing and indirect interbank financing, can be achieved, thus, it promotes economic growth and significantly reduces transaction costs ^[7].

3. Research Method

The basic framework of IPA was first proposed by Martilla and James, who also conducted relevant practical applications [8]. The averages of importance and performance of an attribute are marked in a two-dimensional figure, where the vertical axis is the degree of importance and the horizontal axis is the degree of performance, as shown in Figure 1 [9-13]. With the classification of different areas, managers can use limited resources in the most efficient manner and clarify priorities for improvement, in order to improve performance and satisfaction [14-20].

The four quadrants of IPA have their respective definitions [21-28]:

- (1) Concentrate here: It means that customers attach great importance to products or service, but consider that the performance of an enterprise is low.
- (2) Keep up the good work: It means that customers attach great importance to products or service, but consider that the performance of an enterprise is high.
- (3) Low priority: It means that customers attach low importance to products or service, and consider that the performance of an enterprise is low.
- (4) Possible overkill: It means that customers attach low importance to products or service, but consider that the performance of an enterprise is high.

Figure 1. IPA Chart

4. Research Results and Discussion

Company X is a Top 10 Internet finance company in China. This study considers Company X as its subject, and evaluates the service quality and competitive strategy of its Internet financing services. This questionnaire adopts a Likert seven-point scale with 9 indicators, and the respondents include 12 professors, 20 senior executives in the banking industry, and 2 government officials. There are 34 distributed copies of the official questionnaire, and 34 valid questionnaires are collected, for a recovery rate of 100%.

This study regards the averages of importance (5.83) and performance (5.76) as the standard coordinates to determine the good or poor performance of each indicator. See Table 1 for details.

Table 1. Measurement of service quality and competitive strategy

No.	Content	Importance	Performance	Competitive Strategy
1	Website guidance	5.3	5.9	Possible overkill
2	Functional operation	5.4	5.9	Possible overkill
3	Legal service	5.9	5.4	Concentrate here
4	Privacy	5.9	6.1	Keep up the good work
5	Safety and correctness	6.1	5.9	Keep up the good work
6	Corporate reputation and evaluation	6.0	5.9	Keep up the good work
7	Compensation for problematic transactions	5.7	5.6	Low priority
8	Service efficiency	6.1	5.8	Concentrate here

9	Professionalism	6.0	5.5	Concentrate here
Average		5.83	5.76	

Based on the results of IPA, the service quality and competitive strategy of Company X are analyzed as follows:

High importance, high performance: (4) "Privacy", (5) "safety and correctness", and (6) "corporate reputation and evaluation". These three indicators belong to "Keep up the good work", and are the advantages of Company X in terms of its service quality, which shall be retained, in order to maintain good service performance.

High importance, low performance: (3) "Legal services", (8) "service efficiency", and (9) "professionalism". These three indicators belong to "Concentrate here". Company X must invest more resources to enhance the quality and competitiveness of these three indicators, in order to turn disadvantages into advantages and enhance competitive performance.

Low importance, low performance: (7) "Compensation for problematic transactions". The least importance shall be given to this service indicator. When the company has redundant resources, it can improve this factor.

Low importance, high performance: (1) "Website guidance" and (2) "functional operation". These two indicators belong to "Possible overkill". Company A has good performance, but fails to bring about more service performances. Hence, its resources shall be shifted to other competitive attributes.

5. Conclusion

The differences between Internet finance and FinTech and traditional financing services lie in the media adopted for financial business, as well as the essence of "openness, justice, collaboration, and sharing". The various tools, such as the Internet and mobile Internet, allow traditional financial business to have higher transparency, more participation, better collaboration, lower intermediate costs, and easier operation.

This study proposed nine indicators to measure the service quality and performance of Internet finance. (4) "Privacy", (5) "safety and correctness", and (6) "corporate reputation and evaluation" of Company X belong to "Keep up the good work". These are the advantages of Company X, which shall be retained, in order to maintain good service quality and performance. (3) "Legal services", (8) "service efficiency", and (9) "professionalism" of Company X belong to "Concentrate here". Company X must invest more resources to enhance the quality and competitiveness of these three indicators, in order to turn disadvantages into advantages and enhance competitive performance.

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