A Comparative Study of Online and Offline Micro-loan Platform Modes

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Abstract. With the continuous development of Internet technology and the rapid progress of the financial industry, more and more financial products have chosen the online business mode. The loan business system and risk control management system currently used by many financial institutions and banks can no longer meet the technological progress and customer needs. Therefore, in order to promote the development of the loan business, each online banking financial institution decided to plan to build a credit loan business system to improve the efficiency, risk and controllability of the credit loan business. The speed, openness and transparency of online microfinance platforms have formed a clear contrast with the high requirements, low risks and slow speed of offline microfinance platforms. More and more scholars have studied and discussed this. However, based on China's national conditions, they have been compared from different aspects. Therefore, this paper will make a comparative analysis from four aspects: the generation of the two microfinance platforms, the people served, the loan products, and the risk control.

Keywords: Comparative Study; Micro-loan; Loan Platform.

1. Introduction

At present, there are various online network platforms, and all major financial institutions have begun to create their own online loan platforms. This financial model originated from the overseas online financial model, which serves as an intermediary to build a convenient information platform for investors and borrowers. The domestic microfinance platform can be roughly divided into three modes, online, offline and online offline combination. In the process of its transition to localization in China, Chinese enterprises usually adopt a combination of online and offline models to control the risk at the lowest level[1].

The online mode is usually limited to the development of the loan platform through the Internet. Borrowers only need credit lines to borrow money as a commitment. The borrower's request for loan, the investor's amount input, risk assessment, loan release, etc. are all based on the Internet. The enterprise only provides a platform for borrowers and investors in need. The online model copies the foreign pure intermediary model in order to create a good credit environment to promote personal lending. Therefore, some insiders said that if P2P is not online, then domestic P2P can be said to be in a modeless state[2]. Nowadays, the online model is still too risky for the current national conditions. Then look at offline mode[3]. The offline mode refers to the offline mode of review and loan issuance[4]. The offline model standard is much the same as the bank loan standard, which should be guaranteed by something. The raised amount is released independently through online leading, and lent to the people in need[5]. Therefore, the problem that easily occurs in offline mode is that funds are raised from online to form a fund pool, and loans are made to customers through mismatching of funds and terms. This kind of practice will often step on the mines under supervision, but it is also unpopular with public opinion[6]. Although the offline model is suspected of illegal fund-raising, it can occupy a large part of the market share of online loans in terms of transaction volume and geographical span[7].

2. Online Mode

The online small loan business refers to that the loan company, through the network platform, uses technical methods such as data analysis, based on the internal information of the system such as the daily transaction and business data of customers accumulated on the online platform, and in combination with other relevant information legally obtained from the outside, makes a profound assessment on the credit status of customers applying for loans, and completes the approval of loan requests, loan granting and capital withdrawal through online Risk identification, control and prevention and other related businesses[8].

The online small loan business is convenient and efficient. It can realize the online process and the loan application service platform is not limited by time. The threshold of online small loan business is low, so there is no restriction on regional development, and the openness of loan business is greatly improved. However, at the same time, the geographical distribution of online small loan companies is uneven, and there is a phenomenon that the registered place and the source of customers are different. The number of online small loan companies tends to be stable after a rapid increase in the initial stage. Policies to strengthen the supervision of online small loan business companies have been issued successively. All loan platforms have continuously reduced the loan limit, and the operating yield has decreased significantly[9]. In addition, many online small loan companies have exited the industry due to the possible risks of the newly issued policies.

As the network small loan business can break through the regional restrictions and achieve cross regional operation through the network platform, its business volume and scope have been greatly improved. In terms of business model, the traditional small loan business mainly aims at offline entity enterprises to develop business, with high related costs, complicated loan procedures, and poor risk control ability. On the contrary, the efficiency of online small loan is significantly improved and transaction costs are gradually reduced.

The online small loan business takes the real economy as the transaction background to create a full online operation mode. At present, there are three modes of online small loan business in China:

(1) Internet companies use their own platform customer resources to carry out small loan business. Many Internet companies take advantage of their own Internet platforms to develop online small loan businesses. They evaluate the credit level and solvency of the customers applying for loans by analyzing the customer behavior and other data provided by the platform, so as to diversify the business model of the loan platform.

(2) Traditional small loan companies transform and upgrade to carry out online platform services. This mode is mainly for traditional small loan companies to reform and pilot online businesses, actively adjust their development strategies to adapt to the current economic situation, and make full use of the convenient way of combining online and offline to provide new ideas for their development.

(3) The self owned platform of e-commerce enterprises is combined with third-party capital to meet customer loan needs. E-commerce enterprises such as Alibaba Small Loan Company had weak financial strength in the early stage of development, and the loans they provided to customers mainly came from commercial banks. In the late stage of development, the group's overall operation and development were good, and its strong profitability led it to try to turn to the development form of providing loans mainly to SMEs with its own capital.

3. Offline Mode

The offline microfinance platform is mainly used by the government to make private finance and some underground financial activities sunny through institutional arrangements. Arranging micro loan activities according to shareholders' own capital, and then lending them to small and micro enterprises. The general financing process is as follows: the borrowing enterprise submits a written application to the lending financial institution or bank, specifying the date, purpose and method of repayment, and then the lending financial institution or bank approves the application. Within a certain period, the borrowing enterprise is evaluated. After analyzing the purpose of fund use, a loan contract is signed to grant loans to eligible borrowers. After that, the loan financial institutions or banks can do a good job of loan recovery.

The development characteristics of the traditional commercial banks' strict risk control make them tend to large enterprises and enterprises with strong strength in terms of loans. Relatively speaking, if there is no property mortgage or third-party guarantor, small enterprises and enterprises with poor strength will be more difficult to obtain loans, which is often said to be "abhorrent of the poor and love the rich". Therefore, due to the influence of enterprise economic strength and financial non-standard and other factors, SMEs are more difficult to obtain commercial bank loans. Therefore, the market needs other credit mechanisms to fill the blank area of SME financing.

At present, the scale of domestic underground finance is very large. According to the data released by the Investigation and Statistics Department of the People's Bank of China, the amount of private financing in China has reached 950 billion yuan, accounting for 6.96% of GDP and 5.92% of the total domestic and foreign currency loans. Li Jianjun of the Central University of Finance and Economics conducted a survey on SMEs in 17 provinces of China. The data shows that more than 30% of SMEs' financing comes from informal channels such as private banks and loans between enterprises. Therefore, the emergence of offline micro loan platform has played a great role in channeling and absorbing private capital, effectively understanding the credit of the people and restricting the further development of underground finance, thus making the traditional financial model and private credit loans mutually connected and integrated. With the rapid economic development since the reform and opening up, the eastern region of China has accumulated a large amount of original capital. These

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huge capital forces need to find a better way out; Affected by the global economic crisis, domestic enterprises began to carry out industrial upgrading and adjustment. Enterprises in Dali's traditional industries chose to go bankrupt. In a short time, a large number of private capital withdrew from traditional industries in order to find a better way out. The emergence of offline micro loan platform just provides a way out for the above capital and industrial capital transformation.

According to China's policies and regulations, offline microfinance platforms with good operation can be recommended and transformed into rural banks. This bright development prospect has planned a way for a large number of private capital to be changed into legal financial capital, which has promoted the development of offline micro loan platforms.

4. Conclusions and Suggestions

China's P2P online loan platform is represented by online micro loan platforms and offline micro loan companies. The author analyzes the advantages and disadvantages of online micro loan platform represented by P2P online loan platform and offline micro loan companies in the current environment. Finally, this paper draws the following conclusions: First, online microfinance platforms represented by P2P online lending platforms and offline microfinance companies have congenital similar attributes and cooperation genes. Second, both online micro loan platforms represented by P2P online loan platforms and offline micro loan companies should pay attention to the problems existing in the cooperation mode, and improve their own business level and risk control capabilities. Third, online micro loan platforms represented by P2P online loan platforms and offline micro loan companies should adjust their development methods according to market changes, and should not be subject to cooperation methods.

As mentioned in the above problem analysis, many problems of online micro loan platforms and offline micro loan companies represented by P2P online loan platforms arise because their identity and status are not very clear. So it can be seen that some small loan companies in China have their own independent situation and unique characteristics. How can we quickly solve this problem for those businesses that have not repaid beyond the repayment period, so that the company's funds are not occupied too much.

In China, relevant departments and governments should formulate corresponding laws, regulations and measures, clearly define P2P online loan platforms, and stipulate that they are represented by online micro loan platforms and offline micro loan companies, which are financial institutions with legal benefits and have a certain legal status to support some small and medium-sized enterprises. At the same time, the government should also improve relevant support policies accordingly. For example, small loan companies can also carry out relevant business according to the policies of financial institutions; Small loan companies should also actively support interbank and commercial banks' activities on financing. The online micro loan platform and offline micro loan companies represented by P2P online loan platform, according to China's policies, because they serve the economy of agriculture, rural areas and farmers, micro loan companies also have the right to enjoy preferential policies and measures for agricultural projects; These methods not only protect the legitimate rights and interests of online micro loan platforms and offline micro loan companies represented by P2P online loan platforms, but also develop in the right direction in the future development process, making them have the right value orientation. According to the data survey, most loan companies are registered and operated in urban areas, so our government and relevant departments should strengthen their coverage in counties and towns through corresponding policies. In addition, it is also necessary to review the operation capability of the Company's senior management accordingly to prevent moral problems of the Company's management and minimize the probability of risks other than system risks.

The state of the market economy is always the survival of the fittest and the survival of the fittest. Therefore, the government departments that manage the financial system also adhere to this principle. They screen out small companies with good development status and a certain development prospect, provide certain assistance, and approve small loan companies, mainly considering the company's development prospects, economic strength, technical equipment, corporate image, etc., through layer by layer assessment, Select the most promising loan companies, avoid the emergence of some shell companies, and investigate the quality rather than quantity of companies.

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