Analysis of the Profit Model of Internet Money Market Funds Based on the Characteristics of Internet Economy--Taking balance treasure as an example

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Abstract. The development of Internet technology has, to a certain extent, changed and impacted some traditional financial business models. At the same time, faced with uncertainties such as epidemics and wars, the state has tightened the regulation of money market funds, and the capital market has seen extensive changes. The emergence of generalized artificial intelligence technology has once again accelerated the arrival of the AI revolution. Therefore, this paper takes the characteristics of the Internet economy as an analytical perspective, discusses in depth the profit model of Internet money market funds, and concludes that under the empowerment of the characteristics of the Internet economy network, socialization and digitalization, the traditional financial industry has formed a brand new Internet wealth management product Balance Bao with a low threshold, convenient operation and high rate of return, which significantly promotes the development and innovation of the traditional commercial banks, and also gives a deeper meaning to the society in the Internet—enabling the conventional industry to deeper thinking. The research in this paper is of great significance for the transformation and upgrading of traditional commercial bank products and services and the future development of Internet money market funds. At the same time, it also provides a new perspective for China to actively promote digital industrialization and industrial digitalization to promote the deep integration of Internet technology and the real economy, enrich people's lives, and enhance the modernization of the level of social governance.

1 Introduction

Since China's official access to the international Internet in 1994, the Internet and the Internet economy have developed rapidly in China, becoming a necessary force driving economic growth and social progress. The number of Internet users has risen from 720,000 in 1997 to 1.079 billion in 2023, and the Internet economy has grown by leaps and bounds to the point where the value added of the core industrial Internet industry reaches 1.35 trillion yuan in 2023, accounting for 3.72% of GDP. At the same time, the rapid development of information technology, such as artificial intelligence, big data, cloud computing, blockchain, etc., has also been widely used on the Internet platform and cross-border integration, subverting many traditional industries.

One of the traditional industries that have been hit harder is the money market funds in the financial sector. The history of money market funds in China dates back to 2003. With the emergence of these funds it has provided investors with a low-risk, highly liquid financial instrument. Due to the high liquidity and high security characteristics of money market funds attracted a large number of investors, and its scale expanded rapidly, but with the recovery of the domestic economy, the market interest rate adjustment, the advantages of money market funds gradually weakened, and its asset management scale for a certain period of time had declined to a very low level.

However, money market funds have ushered in new development opportunities under the impetus of Internet finance. The features of convenient operation, high transparency, and low threshold have had a great impact on the demand finance business of traditional commercial banks.

The annualized yield of Balance Treasure reached 6% at the beginning of its launch, and it raised 185.342 billion yuan in six months after its launch, accounting for 51.48% of the total amount of money market funds in that year [1]. Relevant data indicating that the user base of the balance of treasure is huge and continues to grow at the same time on the traditional commercial banks have had a small impact. Internet money market funds accelerate the financial disintermediation of China's conventional commercial banks, which have the phenomenon of capital diversion.

However, in recent years, faced with uncertainties such as epidemics and wars, the state has tightened the

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regulation of money market funds, and the capital market has seen extensive changes. In such a context, taking the characteristics of the Internet economy as the analytical perspective, an in-depth discussion of the profit model of Internet money market funds is of great significance for the transformation and upgrading of the products and services of traditional commercial banks as well as the future development of Internet money market funds. At the same time, it also provides a new perspective on the development of China's financial industry and provides in-depth thinking and exploration of phenomena such as financial disintermediation and capital diversion.

Therefore, this paper will analyze the characteristics of the Internet economy, the development history of money market funds, and the profit model of Balance Treasure, aiming to provide useful references for the future development of Internet money market funds and related regulation.

This paper will firstly talk about the overview of the development history of Balance Bao, secondly introduce the relevant concepts of the characteristics of the Internet economy and finally analyze the profit model of Balance Bao to get the diversion and impact on the current wealth management business of traditional commercial banks. It is of profound significance for the development of Internet money market funds in the new environment, the future supervision of relevant departments, and the transformation of traditional commercial banks.

2 Current status of the development of the balance

Since the onset of the 21st century, China's Internet finance sector has experienced rapid growth, driven by advancements in technology. This surge in Internet technology has brought about significant changes and disruptions to various traditional financial models. A plethora of Internet financial platforms and software have emerged as a result of this development.

This transformation has challenged the conventional top-down financial issuance approach, prompting the general public to transition from passive recipients to active participants in financial matters. Consequently, it has effectively improved the efficiency of resource allocation and capital utilization, fostering an environment where most investors feel empowered with equality and respect in financial services.

Meanwhile, traditional commercial banks, which have long held a monopoly position, have faced challenges. Their operational efficiency has lagged behind, evident in declining deposit rates and relatively low returns on financial products. Consequently, individuals have increasingly sought alternative investment and financial channels to maximize asset value.

In response to these evolving investor needs, platforms like the Yu'E Bao emerged as a solution, offering a balance between risk and return that catered to the preferences of the majority of investors [2].

On June 13, 2013, Balance Bao was jointly launched by Alipay, a subsidiary of Ali, and Tianhong Fund, and its full name is Tianhong Balance Bao Money Market Fund.

In essence, it relies on a third-party payment platform to absorb the massive customer resources of the third-party platform. In the past, if Alipay users left their funds in their Alipay accounts without withdrawing them after shopping online, these idle funds would not generate interest and Alipay would not pay the corresponding interest to the users. However, since the launch of Balance Treasure, users can transfer these idle funds to Balance Treasure to purchase "Tianhong Zenglibao Money Market Fund", thus obtaining a higher investment income.

When the user needs to shop online or transfer, people can directly use the funds in the balance treasure to pay for the transfer. The main operating principle of the balance treasure is that the user will be idle funds deposited in the balance treasure, the money has formed a huge pool of funds, and the balance treasure through these funds will be invested in short-term money market financial instruments, such as the central bank bonds, interbank certificates of deposit, commercial paper, etc. These products have high liquidity and low-interest rates and can be used for various purposes. These products are characterized by high liquidity and low risk-sharing to give investors a certain amount of income. Balance treasure according to the user's share of each natural day for calculation.

By the share of the proportion allocated to the user directly reflected in the user's account balance, the user can apply for redemption of the share of the balance treasure at any time. The funds are usually in the t + 0 working days to the account [3] t + 0 is mainly embodied in the real-time redemption of funds, and the payment function through the funds has to come in and out of the funds, the funds of the requisition of funds and the funds of the redemption of the funds against the insufficient Part of the advance to reach, to provide customers with account value-added at the same time, does not affect the customer all the payment experience [4].

As a representative of Internet financial products, Balance Bao has created a combination of traditional finance and Internet technology to provide investors with a new way of financial management. Its high yield, low threshold, low risk, and other features have attracted a large number of users, which makes Balance Bao occupy a vital position in the Internet financial market and at the same time, it breaks the monopoly of traditional financial institutions on the financial market, reduces the threshold of financial management, and makes it possible for more people to participate in the financial market.

More people can participate in the financial market, which also forced the reform and innovation of traditional financial institutions to promote the development of the entire financial market. Finally, the development of the balance of treasure has also led to the innovation and development of the entire Internet financial industry. With the success of the balance of treasure case, more and more Internet financial products emerged such as Internet insurance, and Internet funds, these products together to promote the development and prosperity of the Internet financial industry. Together, these products promote the development and prosperity of the Internet financial industry.

3 Analysis of the profit model of balance treasure based on the economic characteristics of mutual benefit network

The economic characteristics of the Internet include digital, networked and social characteristics. The digital nature of the Internet refers to its ability to deliver standardized digital content at the speed of light. There are no limitations in terms of time, space, or scale. And the economic cost of transmission is very low, close to zero cost. At the same time, the cost of digitalization is a bridge between the real world and the digital world. Networking characteristics refer to the fact that the Internet has a network effect and satisfies the value of Metcalfe's law.

The law refers to the Internet as an externality. That is to say, with more and more new entrants to the Internet, for the original network users, the resource utilization efficiency of the Internet has not become worse but rather improved. That is to say, the economic benefits generated by the Internet is proportional to the square of the total number of network users, and the number of Internet users increases exponentially [5].

The socialization characteristic means that people can collaborate and cooperate across geographical and time constraints. And large user communities can be formed to promote the sharing of information and knowledge.

From the initial rise of the Internet to the bursting of the Internet bubble, people have realized the return of economic rationality and started to rethink and recognize the fundamental significance of the profit model for the development of the Internet economy [6]. Using the Internet economic characteristics of this model to analyze the profit model of the balance of treasure, researchers can get the following viewpoints: the Internet economic characteristics of the balance of treasure has been an important application and has created its unique profit model.

3.1Digital features

The balance of the treasure through digital means of the user's consumption habits, investment preferences and other massive data to analyze these data can be for the balance of the treasure to adjust the fund size of its currency and investment strategy, in order to better meet the needs of users. At the same time, digitization enables Balance Trust to conduct a large number of transactions at a very low cost, improving operational efficiency. As a result, the old scenario of relying on real-time phone calls to commission traders to conduct transactions will become less and less common, instead relying on emerging information systems that allow for the transfer of large amounts of funds in a short period of time.

3.2 Networking characteristics

Because the network effect can make the balance of the rapid expansion of the user scale, to provide valuable content and services. According to the user's historical behavior and other data, personalized recommendations and social interaction should be used to form a large user community and attract more users. The number of users rises exponentially, forming a scale effect to achieve a winner-takes-all situation. At the same time, the characteristics of the network can also help its products through social media, online advertising and efficient promotion and dissemination to attract more potential users.

3.3Socialization characteristics

The socialization feature enables Balance Transfer to be integrated into users' daily lives, applying to shopping and transferring money in various scenarios to enhance user stickiness. Moreover, the word-of-mouth and opinion leader effects can help Balance Trust establish a good reputation.

Word-of-mouth effect, also known as the halo effect or herd mentality, mainly refers to the phenomenon of people's opinions based on the feeling of something formed by the expansion of the good feeling and the formation of opinion. IWOM, beyond the boundaries of time and space, will be limited to the traditional word of mouth between relatives, friends and neighbors to extend to everyone so that communication and sharing between strangers becomes possible Balance of money through the release of interesting, valuable content on social media to attract consumers to pay attention to and invest in order to expand the word of mouth effect [7].

At the same time, the enterprise enterprise can also use social media to monitor the feedback and opinions of investors, timely adjustment of financial instruments, and improve the quality of word of mouth.

4 Profit model analysis of balance

Based on the above characteristics of the Internet economy can be obtained balance treasure profit model is by investing in a number of short-term money market financial instruments such as: bond repo is the two sides of the bond transaction at the same time, in the form of a contract agreed in the future on a certain date, at the agreed price by the bond seller to the buyer to repurchase the bonds again the transaction, the bond repo market has a large number of participants, the transaction volume is huge, is an inter-bank market "ballast" [8].

As well as the T + 0 redemption mechanism that is, investors who bought shares on the same day can sell them on the same day. This is conducive to stimulate the trading volume due to T + 0 trading in a trading day on the number of operations of stock sales and purchases are not limited, so investors can be fast in and out of the short-term fluctuations in stock prices will also be more frequent trading volume will increase. And in this trading system, a sum of money can be repeatedly used to buy and sell stocks in a trading day, the efficiency of capital utilization can be improved.

In contrast to conventional commercial banks, the balance treasure within this profit model streamlines the process, diminishing both the search costs for customers and platforms.

Leveraging big data collection technology, the balance treasure can precisely identify target demographics, thereby significantly slashing operational and informational collection expenses. Consequently, it establishes a streamlined and expedited approach to accessing customer information when juxtaposed with traditional banking institutions.

Customers are extremely sensitive to changes in market information, through the Internet big data technology, the balance can timely and accurately capture any subtle changes occurring in the market, and, in this way, quickly adjust the iteration of the financial instruments to come up with a corresponding strategy.

At the same time, this profit model, the balance treasure, completely breaks the time and space limitations. Compared to the traditional commercial bank's administrative inefficiency, there are account opening investment amount limitations. Balance treasure has completely realized the degree of low threshold or even 0 thresholds.

The balance treasure for the customer's demand deposit assets in the protection of "live" under the premise of providing a very low-risk value-added channel will certainly divert the commercial bank's demand deposits [9].

Therefore, traditional commercial banks should actively participate in the development of the Internet economy in the wave and constantly carry out iterative upgrading of products and financial tools to embrace the Internet in order to win the initiative.

As a representative of Internet money market funds, Balance Treasure has a unique profit model that possesses both the general characteristics of the Internet and the advantages that traditional financial institutions do not have. However, people should also pay attention to its shortcomings.

The essence of Balance Treasure is a short-term money market fund. According to the Interim Provisions, once the net asset value of a money fund exceeds 200 billion yuan for 20 consecutive trading days, or the number of fund shareholders exceeds 50 million for 20 consecutive trading days, the fund manager should take the initiative to report to the China Securities Regulatory Commission (CSRC) within 10 working days, and the CSRC will evaluate and determine the final list and make a public announcement.

Despite the fact that the first-line relevant policies and regulations have been introduced, there are still regulatory risks. At the same time, changes in Ali Group's business strategy may also pose significant risks to Balance Treasure [10].

5 Conclusion

This paper analyzes Balance Bao, a representative of Internet money market funds, based on the Internet economic characteristic model.Using the digital, networked, and social features of the Internet, new financial products like Balance Bao offer low barriers, ease of use, and high returns. This boosts traditional banks' innovation and prompts deeper thoughts on how the internet can empower traditional industries.

Against such a background of continuous iterative updating of science and technology, people's financial thinking and concepts of financial investment are also constantly being updated. The users of Balance Treasure are also more and more inclined to be young, and these people are also the main force of social investment and consumption in the future.

People are at a crucial juncture where the push for a modernized industrial system, the acceleration of new-quality productive forces, and the profound advancement of the digital economy converge. In this context, there remains significant research value in exploring how the Internet+ strategy can spearhead the digital transformation of traditional industries like finance, thus empowering economic development. Future investigations may leverage correlation analysis, regression analysis, and modeling techniques to scrutinize and compare specific datasets, thereby deriving more precise and insightful conclusions.

As Internet technology continues to advance and the financial market undergoes deep reform, Internet-based money market funds are poised for expansive growth and ample opportunities.

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