Research on the Disposal of Non-Performing Assets in Internet Financial Times

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ABSTRACT

There have been some problems in the rapid development of Internet finance, and the most typical one is the non-performing assets of Internet finance. Tremendous non-performing assets of Internet finance not only have influenced the integral security of financial industry, but brought enormous pressure to social economic development. Based on the point, this paper firstly analyzed the factor of non-performing assets of Internet finance and discussed the necessity of improving the disposal of non-performing assets in Internet financial times. Finally, it put forward the specific suggestions on how to dispose non-performing assets in Internet financial times, including the premise of policy formulation, the emphasis of standard development, the key of platform construction and the assistance of standard collection.

KEYWORDS

Internet finance; non-performing assets; disposal method.

INTRODUCTION

The birth and development of network information technology has brought human society great resolution, and human beings have entered into the Internet era currently. All industries must closely link with Internet to achieve the rebirth and development. And Internet finance, the new financial state, is born under this background. Compared with traditional finance, Internet finance has more simple procedures, more convenient operation and definite expanding service objects. More and more small and micro businesses and individual user become the clients of Internet finance, greatly removed the limitation of traditional financial industry in user service. But we also need to note that the security of Internet finance is lower than traditional finance. In addition, the main customers of Internet finance are oriented with small and micro enterprises and individuals whose loan repayment abilities are difficult to be effectively protected, so the bad debt rate is rather higher, which can be indicated from the increasing severe non-performing assets of Internet finance. How to effectively dispose the non-performing assets in Internet financial times becomes the objective demand and necessary requirements of standardizing the development of Internet finance.
FACTORS ANALYSIS OF NON-PERFORMING ASSETS IN INTERNET FINANCIAL TIMES

Disordered development of Internet finance

It has taken numerous years for Internet finance to experience its development, and from which it can be seen that the industry development of Internet era can achieve leap-type development with the promotion of network information technology. Although this kind of leap-type development can realize the impossible rate of tradition development, its risk also grows geometrically. Internet financial industries, oriented with technology innovation, take little costs and have more advantages on entrepreneurial concept when compared with traditional finance. In addition, Chinese current financial system has stronger inclining with large state-owned enterprises, and numerous small and micro enterprises and individual user are difficult to enjoy normal financial service. It is the booming customer demand that makes Internet finance express the rapid advance and conditions of low economic benefit, not recyclable fund even increasing non-performing assets with the promotion of information technology.

Increasing rate of bank non-performing assets

Non-performing assets rate of Internet finance has some relevance with that of traditional financial institutions. With the pressure of international financial crisis, Chinese economy have appeared the increasing downward pressure since 2008, and the economic development have entered into the new norm. The most typical characteristic of new norm is the transformation of economic development from rapid growth to moderately rapid growth. Meanwhile, the adjustment of economic structure has become the main task of development. Transformation will be bound to bring the labor pains and declining of economic development rate will result in the reduction of enormous enterprises’ profitability, which will certainly lead to the lowering of many enterprises’ payment ability and increasing bad debt rate of the bank. Besides, according to the announcement of CBRC, some local government increase the administration intervention and exist some local protectionism, which are not favorable to the non-performing assets disposal of bank and eventually affect the disposal of non-performing asset of Internet finance.

National legal supervision exists vacuum

The development of Internet finance is typical explosive development, and it has become new-type industry with thousands of enterprises within few years. Meanwhile, legal construction and supervision mechanism lag behind the development rate of Internet finance. Traditional laws and regulations aim to the financial institutions such as banks and securities, lacking effective adaptability with Internet finance. But the deficiency of supervision has enabled lots of enterprises even individuals to make illegal profit with the supervision loophole, which will result in the disordered phenomenon of Internet finance. Of course, the severest point is the loss of integrity. Lots of Internet finance don’t connect with national credit mechanism, resulting in the fluke mind and malevolently avoiding liability of some debtors and increasing the integral debt risk of Internet finance system.
IMPROVE THE NECESSITY ANALYSIS OF NON-PERFORMING ASSETS DISPOSAL IN INTERNET FINANCIAL TIMES

Strapped traditional handling model

Since the reform and opening-up policy, four major commercial banks appear lots of bad loans in the marketed oriented development in order to avoid financial risk and improve the safety of economy. Chinese government built four major assets and managing corporations in 1999, particularly responsible for the handling work of bank non-performing assets and formed a whole set of dealing mode, for example, asset securitization, recombination and auction. The advent of Internet era has reshaped Chinese existing financial pattern, and Internet finance is playing an increasing dominant role in the financial system. Traditional non-performing assets disposal methods are strapped for the Internet finance times and to seek new disposal methods is extremely urgent.

Increasing financial systematic risk

Finance is the blood of economy, so the entire economy will face collapse if the finance has some problems. Thus, financial systematic risk becomes the risk that needs to be attached more importance in economic development. The formation of financial systematic risk is greatly related with the trend of economic development. When the economic is upward and credit scale expands, the enterprise or financial institution is in the state of profit and the default rate is rather low; when the economic is downward, the increasing overdue phenomena and time will appear, and the financial systematic risk will be protruding. The phenomenon in the current financial development can be generalized the increasing systematic risk. Non-performing assets disposal will be certainly necessary.

RESEARCH ON THE DISPOSAL STRATEGY OF NON-PERFORMING ASSETS IN INTERNET FINANCIAL TIMES

It can be seen from the above analysis that non-performing assets disposal in Internet financial times has both of the characteristic of traditional non-performing assets disposal and Internet era. Obviously, the old disposal method cannot meet the actual demand of Internet financial disposal. At this time, it is very necessary to adopt effective disposal strategy from the real characteristic of Internet finance era.

With the premise of policy formulation

The birth and development of Internet finance is the product of Internet era and financial industry, expressing the typical and natural trend. The external policy has rather less facilitation effect. However, there have been lots of disorder phenomena and increasing non-perfuming assets in the Internet finance development due to its spontaneity. Therefore, the essential method to controlling the non-perfuming assets rate from the origin to regulate and instruct the reasonable and ordered development of Internet finance from the respect of policy formulation. The programmatic supervision document Guidance on Promoting the Healthy Development of Internet Finance was
published in 2015, proposing many standardized requirements with the healthy development of Internet finance. And the State Council dedicated to the arrangement of non-performing assets existing in the Internet finance in 2016, as a result, Internet finance enterprises sharply declined to nearly one thousand companies. What is same with policy formulation is to improve laws and regulations. Currently, Chinese non-performing assets disposal field still exists many loopholes from the definition of non-performing assets to collection part. It is imperative to establish a special law closely with the development of Internet finance. Meanwhile, the formulation of related suited laws are of same importance, for example, the law on information protection of debtors. At present, there exist many disorders phenomena in the debt collection, and debtor information can be bought and sold privately, heavily threatening the safety of debtors. It is very necessary to reduce even avoid violent collection and maintain the safety of platform and debtors with the improvement of laws and regulations.

**With the emphasis of standard development**

Four state-owned assets and managing corporations have been the main institutions of the non-performing assets disposal in Chinese financial industry all the time, but the coming of Internet + finance era has brought tremendous challenge to traditional financial pattern and enormous reform to the non-performing assets disposal industry. Viewing from the current situation, non-performing asset rate is very high and affected by the two factors of vacuum supervision and booming market demand, and the Internet finance field with the representative of P2P appears long-term development. However, severe various problems and increasing bad loan rate existing its development have brought the systematic risk to the financial industry. Meanwhile, non-performing assets disposal industry in Internet financial times become the “blue sea”, and lots of companies want to participate in this industry, having some effects on reducing the non-performing asset rate of Internet finance and also easily appearing the disordered market competition. At this time, it is of great necessity to build standard and sound non-performing assets disposal market. So, the government should strengthen the policy guidance and regulation making to ensure the health and stabilization of non-performing disposal market, while the field should establish corresponding industry association and provide insurance for the healthy development of non-performing disposal industry by means of market access mechanism. Normalized market is of great significance and value to the transformation, disintegration and package of non-performing market, an effective guarantee to improve non-performing assets disposal efficiency.

**With the key of platform construction**

Disposal of non-performing assets in Internet financial times also need to be completed by the Internet, in short, it must rely on the corresponding Internet platform to achieve the disposal of non-performing assets and rely on the Internet to pack up and arrange various non-performing assets and then send them to different handling platform so as to achieve the disintegration and transformation aim of non-performing assets, making debts become shares. Typical platform models, such as Taobao auction, data service and matching collection, can avoid the limited and fragmented situation in the former non-performing assets disposal to actually improve the efficiency of non-performing assets disposal. Taobao assets disposal platform, established in 2014, is one of rather typical platforms among various non-performing assets disposal platforms and
most typical matching trading platform of non-performing assets, also the biggest one of this kind of platforms. Taobao possesses wide user group and tremendous flow advantage, which is good for the promotion of disposal rate of non-performing assets in Internet financial times. Taobao assets disposal platform originated from the network legal auction service of 2012 and developed into the trading platform. Nowadays, there have been hundreds of institutions entering into the assets disposal platform, including Ping and Bank, China Merchants Bank and CITIC. In addition, the matching platform of entrusting non-performing assets disposal, such as assets 360 and 91 Zhainiu, also have distinct effects and advantages in processing non-performing assets of Internet finance. Under general circumstances, clients publish the information and collect company’s bid, and middle and small debtor corporations receive the orders and form complete collection chain.

With the assistance of standard collection

Risks of disordered development and vicious competition of Internet Finance are overall, including both financial concept and social concept. Recent years, these chaotic phenomena existing in the development of Internet Finance, such as illegal fund-raising events of e-rent treasure and debit and credit event, have aroused the strong repercussions of the public. Collection is an inevitable problem of financial industry, and there have been the collection and Internet finance behavior since the birth of finance. The collection is usually regarded as the game, but it must regulate the game procedure and method. Otherwise, it is likely to appear the phenomenon of malevolent delinquency or violent collection, for instance, endless conditions of collection death reported by the news are the expression of disordered collection. In the collection part, peer to peer lending should deeply analyze the basic information of debtors at first, especially the information related with finance, such as salary and income, fixed assets and fulfillment situation. If debtors exist the violation phenomenon such as delinquency, then it is necessary to analyze the specific reason of default and seek corresponding settlement mechanism. In the collection, repayment willingness and repayment ability of debtors are the problems that lending platforms most need to consider. If debtors have strong payment willingness but have temporary insufficient repayment ability due to the problem of dealing with business, the platform can fully adopt the negotiation method to reduce debtors’ repayment pressure, for example, deferred payment or payment by installments. Certainly, debtors can take the legal method to solve malevolent delinquency or refusing to payment.

CONCLUSION

Internet Finance, as the new pattern of finance, has the incomparable advantage compared with traditional finance. Certainly, Internet Finance also exists many problems due to the backward legal construction and vacuum regulation. So, the government should take corresponding measures from the perspective of market norms and policy guidance. The subject of Internet Finance should also complete the corresponding work from the perspective of industry development.
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