Research on Internet Consumer Financial Risk Prevention from the Perspective of Financial Ethics

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Abstract: In recent years, the hidden dangers and negative effects of the rapid development of the Internet consumer finance industry have begun to explode, and it has become a top priority to effectively prevent and defuse consumer finance risks. Regulatory authorities have also begun to introduce various regulatory policies, strengthen supervision and try to establish an effective regulatory mechanism. In addition to paying attention to "hard constraints" such as legal norms, we should also attach importance to "soft constraints" such as ethics. This paper sorts out the various manifestations of Internet consumer financial risks, with the help of hierarchical economic ethics points of view, conducts macro, meso and micro ethical analysis of the causes of risks, and finally proposes risk prevention measures and suggestions from an ethical perspective. [1]

1. Introduction

With the implementation of a series of rectification actions on "cash loans" by the regulatory authorities at the end of 2017, and the further implementation of the rectification and reform of online loan platform compliance filing since 2018, the rapid development of Internet consumer finance since 2015 has begun to enter an industry It is cooling down day by day, and the new stage of increasingly strict supervision. As an emerging [2] industry, Internet consumer finance has the characteristics of rapid development, many participating organizations, and a wide range of people. It is more likely to breed chaos, accumulate risks, infringe on the legitimate rights and interests of consumers, and even impact the normal financial market order.

Therefore, it is necessary to analyze the potential risks of Internet consumer finance and seek corresponding risk control and solutions. However, due to the lack of supervision, the lagging of the legal system, and the imperfection of the credit investigation system, if we want to effectively prevent and control various risks in the Internet consumer finance field, we need to adopt a systematic ethical construction, multi-dimensional and multi-angle Make efforts to cope with increasingly frequent and complex moral anomie [3] phenomena, thereby rebuilding the balance between the Internet consumer financial market, management and ethics.

2. Internet Consumer Finance Risks and Their Performance

Internet consumer finance relies on the rapid development of Internet technology and e-commerce to greatly improve the service scope and efficiency of traditional consumer finance, but the development of innovation is also accompanied by the arrival of risks. Compared with traditional consumer finance, Internet consumer finance faces more special risks and more destructive.

2.1 The Main Risks and Performance Faced by Consumers (Borrowers)

Consumer finance is a new thing, and the client base is mainly young people under 30. Such people are not well involved in the world, lack consumption experience and risk prevention awareness, and are willing to try and enjoy new things. Therefore, they are easily affected by the pervasive Internet viral marketing, leading to excessive consumption and excessive debt.

Consumers' inadequate understanding of the consequences of default, coupled with the current limited application of credit information, incomplete reward and punishment mechanism, and low default costs, which have further increased the risk of default and caused a more serious debt crisis for borrowers. [4]

On the Internet consumer finance platform, borrowers need to fill in a lot of detailed personal information if they want to obtain a higher loan limit. It not only includes regular basic information, but also asks to fill in information such as social security, vehicle, provident fund, and even bind the user's credit card bill, Sesame Information, JD and Taobao consumer bills, etc. This deep important personal information has great commercial value. Many organizations do not pay attention to the safety of user information, and lack sufficient technology and management standards, which may lead to the theft or sale of customer information, causing serious personal privacy of consumers. Leakage may suffer huge losses.

2.2 Main Risks and Performance Faced by Consumer Financial Institutions

The credit default risk of Internet consumer finance refers to the possibility that the debtor fails to repay the principal and interest in accordance with the interest rate stipulated in the contract, thereby causing losses to the creditor. China’s current personal credit investigation system is imperfect. Except for some financial institutions that have access to the central bank's credit investigation system, other institutions mainly rely on third-party credit investigations or their own credit investigation platform borrowers to "multiple loans", "borrow the new and repay the old." "Malicious evasion of debts" happens from time to time, and even fraudulently cashing out consumer financial institutions with fraudulent identity information. [5, 6]

Internet consumer finance, as an emerging industry, lacks laws and regulations to regulate and supervise it, resulting in illegal operations, inductive publicity, insufficient information disclosure, leakage of customer information, and violent collections. Even for licensed financial institutions, there are also compliance and operational risks on the asset side. In recent years, five licensed consumer finance companies including Bank of China Consumer Finance, Hubei Consumer Finance, and Haier Consumer Finance have received administrative penalties of more than 10 million yuan for illegal operations. The "Circular No. 175" issued by the government at the end of 2018 stipulates that the main work direction is to adhere to the withdrawal of institutions. It can be seen that in the future, the regulatory authorities will have stricter and stricter compliance requirements for Internet consumer financial institutions.

2.3 Risks and Performance Faced By the Consumer Finance Industry

As an emerging industry, the development speed is very long and fast, and more and more institutions and platforms have entered the consumer finance field. Institutions compete with each other for users and channels, blindly promise, grant credit, and even condone users' deception and packaging, without carefully evaluating users' debt and repayment ability. Such vicious competition will only cause a bad reputational impact on the entire industry, and it will inevitably lead to problems such as adverse selection by consumers. [7]

3. Ethical Analysis of the Causes of Internet Consumer Financial Risks

The well-known American economic ethicist George Endler divides the related issues of economic ethics research as the ultimate goal of practical application into three levels: micro, meso, and macro. He pointed out that the central task of economic ethics is to "contribute to improving the ethical quality of the entire decision-making process at all levels of economic behavior." In the ethical analysis of Internet consumer finance, we also analyze the causes of Internet consumer finance risks by drawing on the hierarchical economic ethics perspectives according to the target interests and motivations of different subjects.

3.1 Ethical Analysis at the Micro Level

In the process of financial product innovation, consumer financial institutions must not only be restricted by law, but also by financial ethics. From the perspective of a commission-to-agent relationship, as an agent, a consumer financial institution should fully consider the interests of the principal, not bring excessive risks to the principal, and promptly disclose the operation mode and risk situation of the product to the principal. With the development of the Internet financial market, the frequent changes of financial innovation products have given financial consumers more choices to meet individual needs. But at the same time, some financial products are designed with "moral flaws." They wander around the edge of the regulatory system under the cloak of financial innovation. It is hard to say that they violate the law, but they clearly conflict with public order and good customs. [8] These "immoral" consumer financial products are squeezing the edge of supervision and are out of touch with existing laws and regulations, becoming a tool for regulatory arbitrage and a fuse for risks. In addition, it has also violated consumers' right to fair transactions, increased risks in the consumer financial market and social instability, and should be resolutely rectified and managed.

Ethical deficiencies not only exist in consumer financial institutions and their employees, but also in financial consumers, which have a huge impact on the normal and stable operation of the consumer financial market. Conflicts of interest are common in the financial field, because practitioners and financial institutions in this field often act as agents and trustees or other roles that make themselves assume responsibilities for the benefit of others. How to reduce and avoid conflicts of interest between consumer finance practitioners or institutions and financial consumers has also posed a problem for the regulatory authorities.

3.2 Ethical Analysis of Meso-Level

The modern term corporate social responsibility，or called CSR，originated in the United States in the early 20th century, and its connotation and extension have been further analyzed and defined. The American scholar Carroll's definition of CSR is currently the more mainstream definition. He believes that the definition of corporate social responsibility is "the society's expectations of the economy, law, ethics, and free decision (charity) of the organization in a certain period of time. From an economic point of view, the responsibility of a company is to "pursue profit." However, financial institutions cannot focus on their own interests, but must strive for a "win-win" action plan. In the past few decades, experts, scholars and corporate organizations have reached a consensus: It is no longer necessary to incorporate ethics into corporate governance. There is a question that can be selected. Financial institutions themselves have their own particularities, and during the rapid development of financial technology, Internet consumer financial institutions must not only consider creating profits and wealth, maximizing shareholder value, but also establishing sound corporate governance. The structure and the establishment of the core moral value system are the prerequisites for the long-term prosperity of the enterprise and the long-term interests of investors. [9]

3.3 Macro-Level Ethical Analysis

Consumer loans in the form of "campus loans" and "routine loans" continue to exist in a more concealed manner. Changes in the economic and social environment have induced young people's bad consumption concepts. In the absence of a credit information sharing mechanism, these bad consumption concepts have contributed to the deterioration of "excessive borrowing" and "long borrowing". The report of the 19th National Congress of the Communist Party of China clearly stated that it is necessary to "advocate a simple and moderate, green and low-carbon lifestyle, and oppose extravagance and waste and unreasonable consumption." This important statement also points out the direction for the development of future consumer ethics. [10]

From an efficiency perspective, consumer financial institutions continue to innovate and make breakthroughs driven by profits; but from a regulatory perspective, there is not enough driving force to accelerate the development of regulatory technology. This has led to a boom in the consumer finance market on the one hand, leading to an increase in economic growth; on the other hand, some consumer financial institutions and practitioners with inflated desires have caused serious moral hazards and markets under the temptation of high profits. Risk and system risk.

4. Conclusion and Suggestion

The education of financial consumers includes not only the basic knowledge of financial investment, network operation skills and anti-fraud education, but also the cultivation of correct consumer ethics, guiding them to consume appropriately according to their own needs and capabilities. Financial education methods should be diversified. Ethics education courses can be opened in schools, publicity activities in communities, public welfare advertisements in public places or the media, etc., to create a financial ethical environment, and improve the risk prevention awareness and financial ethics level of the entire social financial consumers.

For the construction of financial professional ethics for practitioners, first improve the management system, talent selection mechanism and evaluation mechanism of Internet consumer finance enterprises to ensure the basic professional qualities and moral standards of practitioners. Secondly, financial ethics education can be used to strengthen the moral self-discipline construction of practitioners, cultivate moral consciousness, and make them highly identify with professional ethics and practice standards and internalize them into their own work attitudes, behavior principles and values, and form professional ethics conscience.

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