Finance Service in E-commerce

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Abstract: The issue discussed the advantage, service content of the internet financial profession, the opportunity and challenge faced by the middle and small financial institution in the developing country and the country which is undergoing economic transform, the development strategy of our country internet financial and the safety problem brought about by the payment reform.

Key Words: Internet finance; opportunity; development

With the development of E-commerce, Internet finance service is becoming more and more important in business activities. Its emergence will have a profound effect on the global economic finance condition. The author tries to analyse the Internet finance service from different aspects at the background of Internet economic ages.

1: Advantages of Internet Finance

As the main developing tendency of the finance profession, the Internet transaction will become a very good channel to transmit financial information.

1: In finance realm, the finance trends of funds circulation can be delivered to all over the world quickly. Realizing the whole service on Internet could break the limit of time and space.

2: Reducing the cost in bank and improving the efficiency. A research shows that the cost of a transaction in common subbranch is about $1.07, however the cost on Internet is $0.01 and it can also provide personal service which traditional banks have great difficulty to do.

3: Internet can connect billions of consumers all over the world, which will do good to collect the marketing feedback information and develop the potential buyer-market.

4: The bank gets involved in the goods transaction which can make the money circulating in Internet with more safety and efficiency and ensure the fulfillment of the exchange of commodities.

2: Finance Profession Service Types

A new digital economy extended from E-transaction and bank settlings have changed the process of E-commerce. The reform of financial service methods has brought out the development of the service contents in finance.
1: Internet Banking

1: Concept, Function
Internet banking is a financial joint which is set up in Internet. There is no hall, no sales department. Only through a computer which is connected to Internet can you enjoy every service anywhere in 24 hours. It is also called “virtual bank”.

Internet banking has two models in concept: one is the new E-banking, the development of which depends wholly on Internet. Almost all of its transactions are operated on Internet. The other is that the traditional banks apply Internet services to develop traditional banking business, dealing service, set up family bank and firm bank etc.

Internet bank is a virtual bank counter on Internet. Internet is a media for its personal business. It can supply message inquiring accounts transferring, paying on line, trust business for personal customer who has an account on it.

2: Development
The rapid development of Internet has enough capacity to develop a new business transaction model. It can promote the development of the Internet banking by fulfilling the electronic transaction on internet. Finance always stands at the head of the digit revolution. In every country, finance is always the biggest, most advanced user in computer and web.

On Oct. 18, 1995, the first Internet bank was set up in America. The bank is established on Internet. It has only ten staff members at a website. In 1996, its bank savings has been 140 million dollars. In 1979 its bank savings had been 400 million dollars. Internet bank develops very quickly. The development of Internet bank in our country began in April, 1997.

But now the consumer’s scope is narrow, the quality is little. The customers are between 20—35 years old who have high revenue, good education, and they are active to accept new things, and the firms on internet are only 30 thousand, which takes just one percent of Chinese enterprises.

3. Advantage
(1). The operating cost on Internet banking is only 15%--20% to operating revenue. The operating cost of traditional bank is 60%. Otherwise, the operating cost of Internet bank is far lower than the traditional bank.

(2). The bank and the consumer can communicate with each other directly through web. Utilizing the feedback messages, the vocational department can find the
potential customers, and the scheme department can design new financial goods according to the consumer’s need.

2: Internet Stock Exchange

1: The meaning of Internet stock exchange

If the process at which the customers ordered to the sales department can be realized through Internet and then the exchange result can be transited from sales department to customer also through Internet, this process is so-called Internet transaction. This kind of transaction always results in exchange between money and stock, so it is also one kind of the E-commerce. There are mainly two kinds of transaction formation now in our country. Firstly, exchange directly through sales department on Internet: the customers can order and inquiry. Secondly, the customer can reach to the sales department through a web site belonging some Internet service.

1. The Advantages of Internet Stock Exchange

(1). The cost of developing Internet exchange is inexpensive. At the same time, it can make up with the shortage of invisibility of trust through telephone and shortage of prone to make mistake etc.

(2). Internet exchange and comprehensive service are easily managed and controlled. It can take full advantages of the resource, on the other hand, it requires small investment. At the same time, it makes great profits and is good at extending transaction developing new customers.

(3). Adopting statistic cipher and many kinds of customer identity examining methods etc. The safety of the Internet stock exchange is much higher than that through telephone trusting.

2. The development of Internet stock exchange

In America, the stock market is one of the transaction at which the application of E-commerce is most popular. About 20% of the bills are transported though the Internet in American stock market. At present, in our country the Internet exchange is most active in the stock sales department. The exchange occurs between the customer and stock sales department and have no influence on the exchange formation among the sales department.

Since 1994, China’s stock exchange net has covered the whole country. Approximately 2600 sales departments of more than 300 stock companies are connected to each other. Its highest volumes of transaction per day is more than 300 hundred million RenMinBi. It has supported greatly the development of China stock market.
The changes brought about by the Internet stock exchange are as follows:
(1). The efficiency of stock market is enhanced greatly.
(2). The scope of stock market is greatly extended.
(3). The issue cost of investment stock is greatly decreased.
(4). The issue and transaction method of stock is greatly improved.
(5). Internationalized stock market is greatly promoted.

3: Internet Insurance

3. Concept and Application

With the development of Internet, the competition among insurance enterprise extended from the conventional area, it challenged greatly the conventional operating methods of the insurance. The Internet insurance includes: quoted price through the Internet; agent service and management and so on. Through instituting a web site, the insurance company takes advantages of his homepage to propagate company resume, insurance knowledge, the insurance types and service items etc. The customers may look it through freely, look into the insurance types and acquire all kinds of information such as insurance duty, expense rate, even clauses and so on.

4. The Development of Internet Insurance

It is reported by the USA Independent Insurance Association that: in the future ten years, 31% of business insurance transactions and 37% of individual insurance transaction will be operated through Internet. The Internet insurance will become a “black horse” in the international insurance market.

With the popularizing of the computer in our country, the Internet customers grow quickly, the mass Internet gives birth to huge potential market. The statistic indicate that: in our country, more than 70% of Internet user have a higher income than the average and they are between 21-35 years old, while according to the investigation of the insurance market, it is just the group who have the strongest interest and awareness in insurance. Many famous insurance companies make use of the opportunities to occupy the Internet insurance market in advance. Therefore, following the Internet development tendency, the companies should set up and better up their ideas on Internet.

Contrasting with the traditional method, the advantages of the Internet insurance are:
(1). Without intermediary: through the Internet, the insurance company can avoid the intermediate such as agent, broker etc. By affording inexpensive Internet service fair, the company now can save a lot of commission and management expenses, lower the
cost, extent the contracting area, and promote trade efficiently.
(2). Shorten the distance between the company and customer: by “help yourself” model of the Internet service system, the customer can acquire the service he wanted conveniently and quickly without going out the house.
(3). The flexible information propagating system: the company can institute Internet sit and broadcast Internet advertisement to the whole world by bulletin or E-mail.

3: It bring out opportunity and challenge to the middle or little bank and the new developing finance enterprise.

The E-commerce is a financial institution .It brings out opportunity especially for the developing country and the country which is undergoing economic transform. With the infiltrating of the E-commerce, if the large finance company can’t gradually adapt to the development of E-commerce and make corresponding adjustment, it might lose some of their advantages. It is predicted that the Internet will alter the order of the bank company.

As affording a service transcending the limit of one country, the competition among the Internet finance will be more intense. It will require a higher demand for the plan, construction, development, operation, management of the company and for the cultivation of the employer’s quality and ability. At the same time, financial companies should follow the development of the E-commerce, make innovation in the economy service and payment, participate actively in the competition of the international E-commerce and promote the development of the world economy. Therefore, it is necessary to research and regulate the digital currency policy and safety system criteria of the E-commerce. Especially for the flow of the digital currency, only when it reaches a certain level in the management, safety, secrecy, flexibility and internationalization etc, can it be applied in E-commerce trustfully.

At the age of E-commerce, finance will face the following challenges:

(1) The development strategy of the finance transaction system.
(2) The reform and adoption of the conventional transaction and system, and the exploitation and application of the new model finance information system.
(3) The law, regulation vacuum and the finance management problem come with the E-commerce.
(4) The issue, payment and management of the digital currency.
(5) The safety problem of the public Internet information coping with hackers.
(6) The development, competition and regulation of the new trade.

4: The problem in the Internet finance and the method to handle it in our country.

There is no overall organization and construction of the criterion: the society labor is wasted because of the lack of the conformity of the transaction regulation and information pattern of all kinds of transaction.

The whole efficiency of the financial electronic system is not good: the net of bank is not connected with each other, and this also leads to huge loss.

The scale of the financial information communication net is small, and its operating and safety level is low. There are no special affair disposition transporting nets, at the same time, the protection method of the safety of the net is far from enough.

The development of the E-payment system falls behind, the setting method can’t satisfy the requirement of the progress of the situation.

The transport velocity of the Internet is slow, and the expense is high.

2 Methods to Solve the Problem.

(1) Accelerating the development of the E-payment method: the E-commerce can work efficiently only after the practicable e-payment system had been set up.

(2) A harmonious relationship must be achieved among all kinds of banks, and the China People’s Bank should propose the regulation of the basic net connection, the pattern of the information transport and the criteria of the information collection.

(3) The financial profession is of high risk, we must make full use of the management information system to prevent and resolve the financial risk.

Therefore, we must further reform and construct the financial market, utilize the public net effectively, extend the newly developed financial transaction actively, research the properties and requirement of the new market and create new financial service items.

5: The Safety Problem of The Financial Electronics

The more the financial electronic, the more it will depend on the computer and the more risks it will face. Especially with the rapid development of the Internet, as a kind of new transaction realm, net is now indicating a new developing tendency. This will unavoidably promote the formation of new setting methods. The new method must reach a certain level in the safety, velocity, privacy and internationalization before it can be used with insurance in the E-commerce. So it is very important to fortify the safety management of electronic financing which will affect greatly the construction and development of the electronization of the bank and the safety of the funds of the bank. This provides the necessary condition for the healthy development of financial electronization.

As far as the construction and application of financial electronization is concerned, its potential safety problems are as follows:

(1) Because the distribution of the computer communication net is very extensive, it is difficult to establish centralized management.
(2) The application software system facing the customer directly is the most vulnerable target by the criminal.
(3) Bank card system: at present, the card widely used in our country is magnetic credit card, while its structure is simple and can be forged easily.
(4) The operating environment of computer: the menace of software mainly rises from virus.

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