

# 2018-2019 China Fin-Tech Industry The Matic Research Report

iiMedia Research

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# **Research Method**



Methods in-depth interview and desk research have been used in this report. Also we used our own user data monitoring system and iiMedia Polaris Analysis System for Internet Products.

- Carrying out in-depth interview with industry experts and user for knowing the key facts of the industry and getting corresponding data.
- Filtering, comparing the following data with data getting in user survey for getting the scale of the industry.
  - Data and information publicized by the Government
  - Public information of the industry
  - Corporate annual reports and quarterly reports
  - Viewpoint publicized by industry experts
- Analyzing data from our own data base, iiMedia Polaris Analysis System for Internet Products, and iiMedia Strawberry Pie Data Survey and Computing System.
- Big Data Public Opinion Monitoring System: First global system achieve public opinion monitoring and negative opinion monitoring through the whole internet, including negative opinion warning, public opinion monitoring, and information of competitive products. Scanning the internet and updating the data every minute.
- Always searching for excellent enterprises as cases, e-mailing for more details: <a href="research@iimedia.cn">research@iimedia.cn</a>.







# Overview of China Fin-tech Industry from 2018 to 2019

# Financial Technology - Definition, Classification and Advantages



#### **Definition:**

Fin-tech can be understood as the application of technology in the financial field. The combination of technology and finance has made breakthroughs in innovative financial products and service modes, improving customer experience, improving service efficiency, and reducing transaction costs. In recent years, fin-tech has become a hot industry focused by global investors and entrepreneurs.

#### **Classification:**

#### (1) Payment and Settlement

Including microretail payment services for individual customers and large wholesale payment services for institutional customers.

# **⊘Deposit, Loan and Capital** Raising:

Mainly including P2P lending and equity crowdsourcing, which means the financiers raise funds from investors in the form of creditor's rights or equity through the Internet.

#### ∴3)Investment Management:

It mainly includes intelligent investment consultants and electronic trading services. The former is intelligent financial management, while the latter provides various types of electronic securities and currency transactions.

#### **Market Facilities**:

Basic technical support such as customer identity authentication multi-dimensional data collection processing, and technical infrastructure such as distributed accounts and big data.

# **Advantages:**

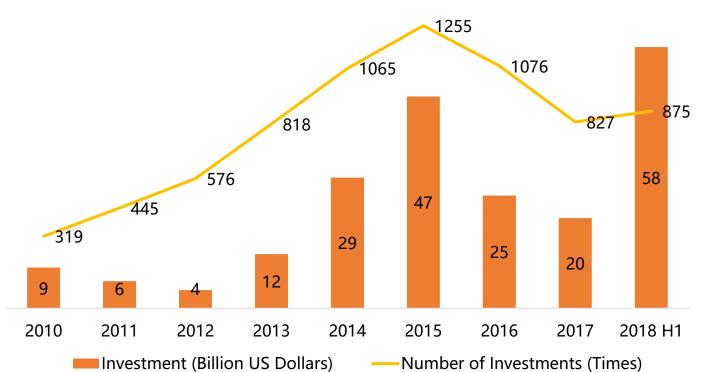
Wider Coverage

Big Data Analysis **Available** 

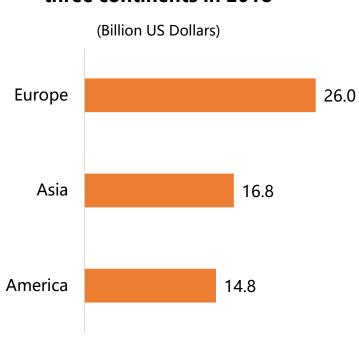
# **Current Condition of Global Fin-Tech**







#### Amount of investment in three continents in 2018

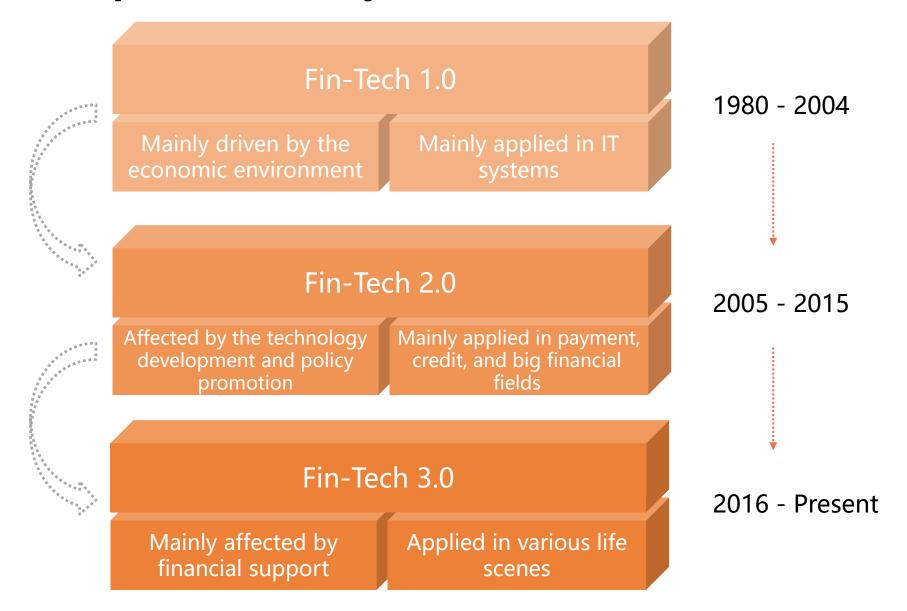


Global fin-tech investment has experienced rapid growth in 2014 and reached its peak in 2015. In 2015, the number of investments in the global fin-tech division reached 1,255. After 2015, the enthusiasm for investment in fin-tech in the global capital market has weakened. In terms of the regional distribution of global investment, European ranks first, the amount of investments in which reachees to US\$26 billion, while Asia and America are ranked behind with the investments of US\$16.8 billion and US\$14.8 billion respectively.

Data Source: PitchBook, iiMedia Research

# **Development History of China fin-tech**

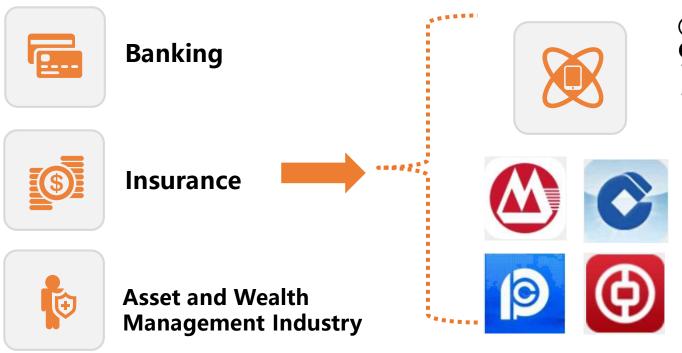




# **Characteristics of China Fin-Tech Development**



# **Technology Enables the Transformation of Traditional Financial Institutions:**



# **1** Cooperation with Fin-Tech

- CompanyCooperation with traditional financial institutions
- The main cooperative business is intelligent support for business decision and intelligent operation, etc.

# **② Applying Business on the Internet**

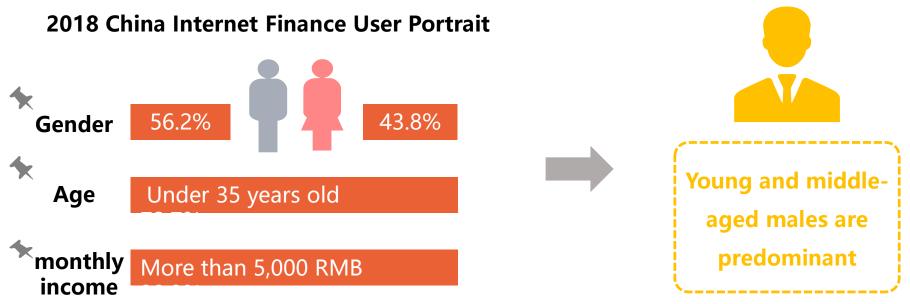
- Web Versions of Business Processing
- Mobile APP Business Processing

The major characteristic of the development of China fin-tech market is: technology fully empowers the transformation of traditional financial institutions. Since China fin-tech industry started relatively slower compared to developed countries, traditional enterprises have great pressure on transformation, and need to apply technologies in improving operational efficiency and supporting business decisions. iiMedia Research consulting analyst believes that, the cooperation between fin-tech companies and traditional financial institutions should be strengthened to give full play to their respective strengths and improve the efficiency of financial products and services.

# Young and Middle-aged Men are the Main Users of Internet Financial Platforms



As the data of iiMedia Research showed, Internet financial users in China are mainly male, accounting for 56.2%. Users under the age of 35 accounted for 72.7%. iiMedia Research consulting analyst believes that, the users who prefer to use the financial services provided by the Internet platforms are mainly below 35 years old, and these users more inclined to accept the usage of Internet products. In the future, with the deepening of the combination of Internet and finance, Internet financial products are expected to cover more people with higher ages.



Data Source: iiMedia Polaris Analysis System for Internet Products





# Analysis of Major Segments of China Fin-Tech from 2018 to 2019



# 2.1 Consumer Finance

# The Concept and Characteristics of Internet **Consumer Finance**



**Definition of Internet Consumer Finance:** 

On the basis of Internet information technology, Internet consumer finance provides financial services to meet the higher consumer demand and to solve various consumption restrictions and inconveniences brought about by the original traditional consumption financial services. Specifically, capital suppliers provide financial services for consumer loans to consumers through the Internet in order to meet the expanding needs of consumers in housing, shopping, entertainment, work, etc. The main types of financial services are to provide micro-loan or installment payment to consumers.

The Advantages of Internet Consumer Finance:

Cover More Users

**Lower Transaction** Costs

More Risk Management

**Challenges Faced by Internet Consumer Finance:** 

High Threshold for License Acquisition

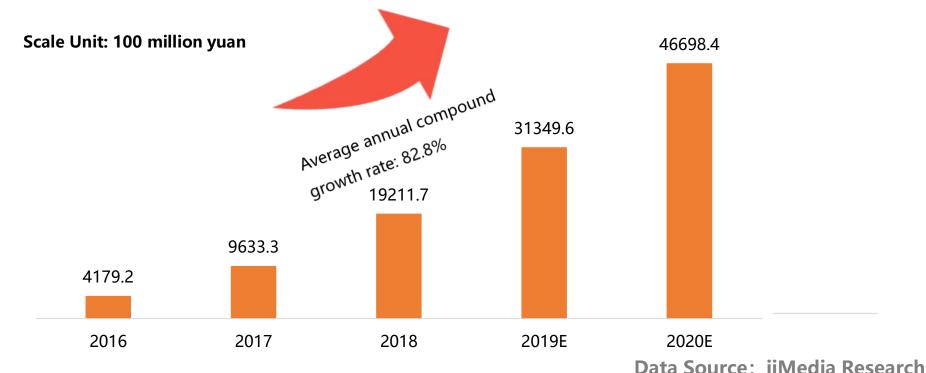
Low Risk Tolerance

# China's online consumer financial market is developing rapidly



As the data of iiMedia Research showed, China's online consumer finance market has developed rapidly in recent years. According to the scale and forecast of online consumer finance market from 2016 to 2020, the average annual compound growth rate of consumer finance market is estimated to be 82.8%; the market size in 2018 is 1921.17 billion yuan, which is expected to break through 300 billion yuan in 2019. iiMedia Research consulting analyst believes that, in recent years, mobile Internet and big data technologies are becoming more and more mature to promote the rapid development of Internet consumer finance. Internet consumer financial products should explore more in combination with new technologies and give play to their technological advantages over traditional consumer credit.

# Scale and Forecast of Online Consumer Finance Market from 2016 to 2020

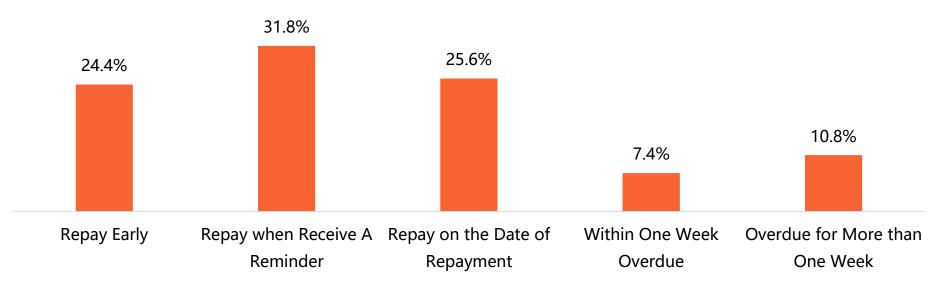


# **Over 80% of Online Consumer Finance Users Can Repay on Time**



As the data of iiMedia Research showed, 81.8% of the respondents said that they can repay on time. Among them, the proportion of users who repay when the reminder date is ready to expire is 31.8%, and the proportion of users who pay earlier is 24.4%. Of the respondents who overdue their payments, 7.4% said they would repay within one week of overdue. iiMedia Research consulting analyst believes that, on one hand, companies are more inclined conduct credit investigation considering users' online behaviors, and the construction of an online credit system can more effectively reduce the operational risks of Internet consumer finance companies. On the other hand, users gradually develop good financial product usage habits, which will further promote the steady development of the online consumer finance industry.

# Survey on Product Repayment Time of China Consumer Finance Users in 2018



Data Source: iiMedia Strawberry Pie Data Survey and Computing System

Sample Size: N=1748; Research Period: 2018.12

Data Source: iiMedia Research



# 2.2 Supply Chain Finance

# Integrating the Internet, the Efficiency of Supply Chain Finance Improves



# Traditional Leading Enterprises in Supply Chain Finance and Their Limitations



Bank: Difficult in business extension, complicated approval process and long approval time



Other Funding Agencies: Small amount of funds and weak risk prevention ability



**Third Party Logistics Enterprises:** 

Low financial operation proficiency and weak risk assessment capability



Core Enterprises: Higher risk,



internal supervision needs to be strengthened

# Internet Platform Provides Supply Chain Financial Services







E-commerce Platform Third Party Payment Platform P2P Network Loan Platform

Although supply chain financial services can effectively benefit small and medium-sized enterprises, there are still problems such as low efficiency. With the development of technology, the efficiency of supply chain financial services integrated with the development of the Internet has been improved, and their advantages have been further brought into play. At present, there are mainly e-commerce platforms, third-party payment platforms, P2P online lending platforms to provide supply chain financial services. The main advantage for Internet platforms to develop supply chain financial services lies in the improvement of flexibility, and the combination of corporate online electronic information can enhance the risk control ability more effectively to reduce risk. Internet platforms often combine financial institutions' funds to reduce the pressure on funds while helping traditional financial institutions with their online transformation.

# **Public Opinion Index of Supply Chain Finance**



## **Yanzhi of "Supply Chain Finance"**



Yanzhi: Reflecting the real-time attitudes of netizens towards an event, a personage, or a brand;

Numerical range from 0 to 100;

The more positive attitudes are, the higher Yanzhi when it's over 50;

it's usually below 45 when the attitudes grow negative.

Monitoring Period: 2018.9.25—2018.12.25

#### **Key Word Cloud of "Supply** Chain Finance"



Data Source: iiMedia Big Data Public Opinion Monitoring System



# 2.3 Mobile Payment

# **Characteristics of the Development of China Mobile Payment**



At present, the mobile payment industry is still dominated by WeChat and Alipay. However, the payment business is related to the key segment of the national financial operation. In the future, large-scale payment and cross-border payment will still need to be dominated by the products of the national background. Nevertheless, the mobile payment products launched by the Internet platform have more advantages in popularity and convenience. In the future, they will still be the main players in the field of micropayment.

Leading Third Party Payment Agencies

State-owned Payment Institutions

Pioneers in Innovation and Technology

**Expected to dominate in** micropayments in the future Beginning to Play an Important Role in the Mobile Payment Industry

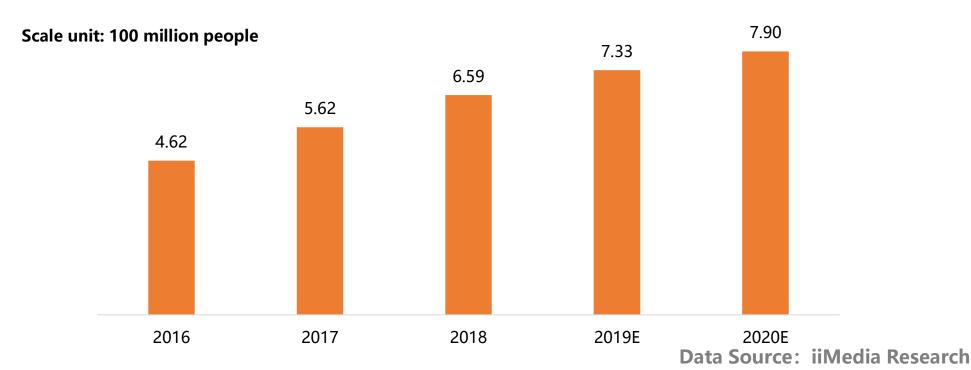
**Expected to dominate in large-scale payment** and cross-border payment in the future

# **User Scale of China Mobile Payment Maintains** Growth



As the data of iiMedia Research showed, In 2017, the number of mobile payment users in China reached 562 million, an increase of 21.6% compared to 2016. It is expected that the growth of mobile payment users will slow down in 2018, with a cumulative user base of 659 million, and the number of China mobile payment users in 2019 is estimated to be 733 million. iiMedia Research consulting analyst believes that, with the increase in market coverage, user dividends will gradually disappear, and the growth of China Mobile payment users scale will further slow down.

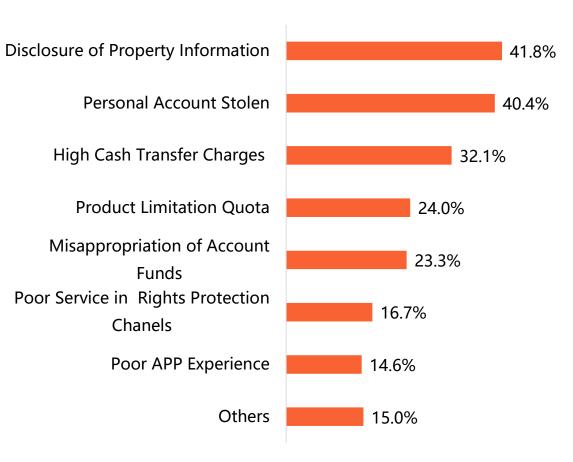
## Scale and Forecast of China Mobile Payment from 2016 to 2020



# Information and Account Security Become the **Focus of User Concerns**



# Survey on Main Concerns of Product Usage for China Mobile Payment Users in 2018



As the data of iiMedia Research showed, 41.8% of respondents indicated that they most worried about the disclosure of property information such as bank cards when they use mobile payment products, and the proportion of users who are concerned about theft of personal accounts has reached 40.4%. iiMedia Research consulting analyst believes that, with the application of mobile payment products increases, and it associates with more personal information, property status and other core information of users, whether enterprises can provide users with more reliable protection will become a key point of market competition.

Data Source: iiMedia Strawberry Pie Data Survey and Computing System

Sample Size: N=1748; Research Period: 2018.12

Data Source: iiMedia Research





# **Tendency of China Fin-tech Development**



# The Momentum of Fin-tech Development Remains Rapid

## **Compound Talents and Technical Reserves are the Keys**

iiMedia Research consulting analyst believes that, with the better application of Internet, AI, big data and other technologies, the development of fin-tech enabling traditional financial business will continue to maintain a rapid state, and more vertical fields of fin-tech will mature in the future. However, the balance between efficiency and security is crucial for the development of fin-tech. They are equally important but contradictory. Therefore, enterprises need to strengthen the reserves of compound talents and technology to achieve technological breakthrough, which can finally promote the further development of fin-tech.

#### **Market Development Norms Tend to be Stringent**

## The Application of RegTech is Expected to be Strengthened

iiMedia Research consulting analyst believes that, the development of fin-tech will be a continuous process. During its development, some industries and enterprises are prone to aggressive problems. While the financial industry is a key area for national development, the regulation of the fin-tech market will be more stringent. At present, the development of RegTech is attracting the attention of the government and industry. The application RegTech, which can improve the efficiency of compliance regulation in a larger scope, will be strengthened in the future.

# **Utilization of Multi-Technologies being Normal in the Development of Fin-Tech** The Intelligent Degree is the Key to Enhancement

The application of fin-tech needs to be perfected with the latest technologies. The key to the continuous advancement of fin-tech is the comprehensive utilization of different technologies. With the application of various technologies, the intelligent degree of financial products will be further enhanced. Through intelligent technology processing, adjustment based on user data and market status, it will provide enterprises and users with the optimal asset and wealth management portfolio.

# **Tendency of China Fin-tech Development**



### **Fin-Tech Continues to Develop Inclusively**

## The Importance of Enterprise Financial Service Will be Improved

iiMedia Research consulting analyst believes that, the major advantage of the promotion of fin-tech over traditional financial services is that it can cover more users and enterprises. By lowering the standard of credit granting and simplifying the service process, it can effectively promote the development of financial inclusion. At present, fin-tech enterprises, especially the Internet financial enterprises, mainly achieve inclusive through consumer finance provided for consumers. With the deepening of cooperation between such enterprises and traditional financial institutions, fin-tech services will benefit more SMEs in the future,

# Develop by ecolopic ating with the Traditional Financial Institution

## **OpeningBanking Becomes an Important Trend for the Development of Fin-Tech**

iiMedia Research consulting analyst believes that, fin-tech enterprises will strengthen the cooperation with traditional financial institutions in the future for their development. On the one hand, the pressure of capitals for fin-tech enterprises will be reduced, on the other hand, it can also promote the transformation of traditional financial institutions. With the deepening cooperation between them, the trend of OpenBanking becomes more obvious. Fin-tech products will be more diversified through financial data

# Multiple Credit Investigation Improves the Risk Management Ability

# Big Data Risk Management Ability Becomes the Focus of Enterprises Competition

At present, fin-tech enterprises provide financial services more through online channels, which effectively promotes financial services to cover more users. However, they are also more exposed to the operation risks. Improving the risk management ability is thus very important to the enterprises. In the future, enterprises need to conduct credit investigation from more dimensions, and evaluating the risks by considering the consumption and financial credits records. The improvement of risk management ability requires enterprises to have strong big data technology capability, and it will become the focus of enterprises competition.

# **Tendency of China Fin-tech Development**



## Fin-Tech Products Will be More Integrated with Specific Scenarios

#### **Platform-Based Enterprises Have Greater Advantages**

iiMedia Research consulting analyst believes that, fin-tech products will be more diversified in the future. Combining with specific consumption scenarios can better meet the users' characteristic needs and improve the efficiency of users obtaining. Fin-tech products will be more integrated with specific scenarios to serve the users in the future. Platform-based Fin-tech enterprises from industries like e-commerce and logistics will have greater advantages in integrating products with scenarios. These platforms can provide specific products through concrete scenarios such as consumer consumption or supply chain logistics operation, and thus have more advantages in market development.

## **Competition Among Fin-Tech Enterprises Tends to be Fierce**

## **Demands for Improving Core Competence Become More Urgent**

The application of fin-tech has further released the development potential of the financial industry. The huge market space has attracted more enterprises. Traditional financial institutions, Internet financial enterprises, Internet enterprises, etc. have joined in one after another, which intensifies the market competition. Fin-tech enterprises need to further improve their core competence to develop in the fierce market competition environment.

#### Fin-Tech Products Penetrate More Areas of Life

#### The Importance of Information Security is Prominent

iiMedia Research consulting analyst believes that, fin-tech products involve fields of payment, wealth management, investment, etc., and penetrate into all aspects of users' daily life. Its application will involve large amount of users' private information, and will seriously affect the users once the hidden problems in Internet operation erupt. Therefore, fin-tech enterprises need to further strengthen user information security, build early warning mechanism and improve the technology of information security.



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