

# Problems and Policy Suggestions in China's E-payment Market

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**Abstract:** With the improvement of science and technology and the development of economy, electronic payment has become an indispensable payment method in people's daily life in China. With the rapid development of electronic payment, it also faces a series of problems and challenges. This paper, from the perspective of China's electronic payment, studies its development status and market development status, and provides feasible suggestions for China's electronic payment market.

**Keywords:** Electronic Payment; The Status Quo; The Development

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With the rapid popularization and penetration of mobile Internet and smart phones in China, the electronic payment market has also entered the development period. As China has a large number of mobile phone users, it is relatively late to enter the mobile payment market, and people's acceptance of payment is also relatively high. Therefore, China's electronic payment market contains a huge potential for development, and relevant stakeholders of electronic payment have high expectations on the development of China's electronic payment. It is very important to analyze the problems in the payment market and study the countermeasures to promote the development of China's electronic payment market.

## 1. Development status of electronic payment in China

According to the quarterly monitoring report of China's third-party payment mobile payment market released by analysys in the first quarter of 2019, the scale of China's mobile payment market reached nearly 47.7 trillion yuan in the first quarter of 2019, with a sequential growth rate of 0.96 percent. Among them, Alipay continues to rank the first with 53.21% share, becoming the mainstream payment method of third-party payment.

The top 10 cities in the total mobile payment index in 2018 include Shanghai, Hangzhou, Beijing, Wuhan, Chongqing, Tianjin, Shenzhen, Guangzhou, Wenzhou and Nanjing, according to a report released by China mobile payment development report (2019) at the second Digital China Construction Summit in Fuzhou on May 6, 2019. Among them, Beijing ranked first in the basic index of mobile payment informatization, Shanghai ranked first in the commercial consumption index of mobile payment, and Hangzhou ranked first in the people's livelihood index of mobile payment government affairs.

Although China's electronic payment started late, it is developing fast, with the development level showing a ladder distribution with high east and low west, and the first-tier cities taking the lead. The top 10 mobile payment cities are mainly distributed in the three economic regions of Beijing and Tianjin, Yangtze River Delta and Pearl River Delta. Driven by commercial consumption, other cities have a strong momentum of development and a large room for improvement

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The E-payment market has a broad prospect. The internal payment demand, user base and external E-commerce promote the rapid development of the E-payment market.

## **2. Problems in the electronic payment market**

### **2.1 Cooperation and competition among participating members**

For electronic payment methods to work well, financial institutions and mobile operators must work more closely together. But in reality, banks and the electricity industry lack of cooperation. Financial industry participants see payments-related activities as fully profitable, banks and mobile device makers defend their interests, and each participant wants his or her own seat, making it difficult for electronic payments to work well. On the other hand, Alipay took the first place in China's mobile payment market in the first quarter of 2019, while Tencent Financial ranked second, according to a report released by *analysys.cn*. The two companies dominate almost the entire market for electronic payments and are highly detrimental to free competition.

### **2.2 Insufficient demand for electronic payment**

According to relevant survey results, third-party users of electronic payment have low awareness of electronic payment business and institutions, and some users are confused about the mechanism of electronic payment even if they use it occasionally. Because it is our country for a long time the payment method takes the dominant position with the cash payment, the consumer is difficult to accept the new payment method for a time. In addition, China's development is unbalanced. In many poor areas, the Internet coverage cannot even be satisfied, *let alone* the use of mobile devices such as mobile phones for electronic payment. Lack of awareness, lack of demand, the development of China's electronic payment market has a long way to go.

### **2.3 Lack of safety awareness, risk problems**

Credit security risk is the most widespread problem in electronic payment market. In the process of practice and application, electronic payment is closely related to the user's identity information, transaction account and so on, and almost not subject to the restrictions of various elements, so the user's private information is easy to be leaked by mobile network operators, illegal elements malicious invasion and embezzlement, criminal activities of money laundering, various kinds of fraud and other risks. At the same time, each user's fund security consciousness is weaker. Through the analysis of relevant survey data, it can be seen that users lack consideration for the security of funds, and in the case of a third-party mechanism they do not understand, they randomly put part of their income into the payment platform, which provides convenience for some institutions to illegally misappropriate user funds. Some consumers are also keen to buy large electronic payment tools, but not all issuers can guarantee that these tools are fully equipped with payment media and value measurement functions. Secondly, the risk caused by the operation of the business personnel and the risk of system failure are not the scale can be avoided.

### **2.4 Regulatory systems are lacking and legal boundaries blurred**

Although the People's Bank of China has designated China's third-party electronic payment enterprises as non-financial institutions and is responsible for supervision. However, it was not until 2010 that the "measures for the administration of payment services of non-financial institutions" was promulgated, followed by a series of special normative documents and rules. But it has not formed a clear regulatory system, and some of the rules do not work well for the electronic payment caused by the problem. The main scope of the consumer rights and interests protection law promulgated by the People's Bank of China is financial consumers, while for domestic consumers, they are not financial consumers in cross-border electronic payment, which means that their rights of cross-border consumption are difficult to get normative protection. There are only two principles in the anti-money laundering act that restrict the anti-money laundering activities of non-financial institutions, while there are few explanations for various aspects of non-financial

institutions. As a newly developed industry, the cross-border business of electronic payment is still in its initial stage. Many measures and processing systems in specific operations need to be improved. Transaction risks are significantly increased.

## **2.5 Weak business innovation ability**

Although the development momentum of China's electronic payment industry is good, but many payment institutions are weak in business innovation. Taking Zhejiang Province as an example, by the end of 2017, there were 12 third-party payment institutions, only 2 of which had an annual transaction scale of over 100 billion yuan. In the 2017, China online payment Top 100 list published by Internet weekly, only six companies made the list. However, many other payment institutions still have some drawbacks in the application of science and technology, which cannot be grasped correctly and the payment scale is small.

# **3. Electronic payment market problems related to the countermeasures**

## **3.1 Foster a level playing field**

In order to create a good market environment for the E-payment industry, the government should first formulate unified standards and relevant incentive policies for E-payment, combine multiple means with each other, and take appropriate controls and move forward orderly. Secondly, cooperation among participating members is essential. Financial institutions and mobile operators must have the intention to strengthen cooperation and implement it. In addition, the position of Alipay and Tencent Finance is hard to shake. Other payment institutions can try to cooperate with each other in the industrial chain and win a place for themselves in the market where free competition is difficult. Or, we can divide China's E-payment market in a small way and develop a whole set of solutions around the industry to avoid vicious competition.

## **3.2 Increasing demand for electronic payments**

First, the government vigorously promotes E-payment education, and gives effective guidance to middle-aged people when promoting the groups with strong ability to accept new things. Second, in the daily use of electronic payment services, actively promote the acceptance of consumers, the use of electronic payment has become their habit. Third, encouraging businesses to increase the use of electronic payments can boost the number of consumers. Fourth, mobile operators integrate electronic payment into existing services, financial institutions strengthen financial services, and mobile network operators increase investment in network infrastructure.

## **3.3 Increase security and defense risks**

First, the current social credit system should be improved and a good social credit system should be established. Secondly, it is necessary to strengthen technical safety guarantee and improve safety performance with advanced means. At the same time, backup and restore work is also indispensable to ensure the security and reliability of important data. As for users themselves, they should enhance their awareness of capital prevention, carefully consider the purchase of large electronic payment tools, set strict passwords for capital transactions, and have a clear idea of the capital balance.

## **3.4 We will strengthen oversight and enforce laws**

It is urgent for China's regulatory authorities and legislative departments to introduce relevant policies on electronic payment, so the specific supervision of electronic payment should be implemented. First, appropriate security measures are essential to combat illegal activities such as fraud, tax evasion, money laundering and other illegal activities by means of electronic payment. Second, since E-cash is excluded from legal tender, the complexity of its associated clearing and settlement issues will rub up against its rate of adoption and diffusion, and the status of E-money should be established through legislation. Third, relevant laws and policies are needed to protect the financial security of consumers' electronic payment accounts. Fourth, the scope of "financial consumers" in relevant laws and

regulations should be expanded to include domestic consumers in the scope of protection of cross-border electronic payment business.

### 3.5 Enhancing operational capacity

First, the relevant departments should strengthen the publicity of third-party payment, especially those payment institutions with low visibility and small scale, so that they can develop better. At the same time, electronic payment institutions in the standard development, to find a good market positioning, pay attention to business innovation. To develop personalized products and services for merchants that meet their needs; actively use and expand the overseas electronic payment market, expand the scope of business; enhance innovation and formulate differentiated strategies with leading institutions such as Alipay and Tenpay.

## 4. Conclusion

This article makes further researches on the development of electronic payment market. The rapid development of electronic payment market has a far-reaching impact on the national economy for a long time, and it will soon become a mainstream means of payment. However, the development of electronic payment has not achieved the expected effect, and there are always some problems hindering its development in the market. Therefore, it is necessary to conduct in-depth analysis of the electronic payment market, reveal the root of the problem, and give full play to its value.

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