

China Mobile Payment Development Situation and Prospects Analysis

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Abstract

With the continuous development of the Internet, e-commerce and popularization of financial payment means, traditional constraints have become unfavorable factors in our country's economic development. Meanwhile, the rapid development of mobile communications provides solid basis for the development of mobile payment business. In this case, the mobile payment industry naturally will become an industry to deal with all walks of life and promote the development of logistics, manufacturing, service industries, public information and all kinds of innovative mobile technology. Then a branch of financial payment will naturally be formed. As mobile technology continuously improves cost savings and the efficiency of payment, the development of the mobile payment industry began to be analyzed. In this thesis, for study Chinese mobile payment, a detailed analysis of the development status will be investigated, the problems of development of China's mobile payment will be revealed and the strategic development of the final payment will be put forward. They all have profound significance.

Keywords: *Mobile Payments; Detailed Analysis; Investigated; Revealed; Strategic Development*

1 INTRODUCTION

According to the statistics, the total transaction value of mobile payments reached 2.845 billion RMB in China by 2010. The average annual growth rate was 55.21% from 2005 to 2010. In addition, the user of mobile payments exceeded 157 million. The average annual growth rate was 18.54% over the pass five years. In such a rapid development circumstance, mobile payment has become the focus of all walks of life. However, it should be noted that mobile payment is still in primary stage of the market and so many severe problems will be confronted. How to make a huge profit in this field? Current situations and development prospects of mobile payment should be paid more attention in China.

2 DEVELOPMENT OF MOBILE PAYMENT IN CHINA

2.1 The History of Development of Mobile Payment in China

According to the increasing of users and what services of mobile payment can be provided as the criteria for identification, the business development of mobile payment can be roughly divided as follows in China.

1) Phase I: Trial and Error Stage

Since 2002, China Mobile has cooperated with major banks in China, such as the Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, etc., and jointly launched mobile banking services with the STK platform as the payment method. However, if users wanted to use mobile banking services, they had to replace their original cell phone cards with STK cards. Therefore, so many users were stopped by these problems. In addition, the market for mobile payment was not large enough and the cooperation models had more restrictions at that time. Thus, the variety of mobile banking services was relatively small and less attractive to users.

2) Phase II: The Introduction of Third-Party Payments Realized Rapid Development

After the first phase of China Mobile, China Mobile and the financial sectors learned the lessons and started a new

round of mobile payment business expansion. In August 2003, China Mobile, China UnionPay, and Bosun Advantage formed a company specializing in mobile payment services - Linkage Advantage Technology Co, which shareholding structure is 38% for Bosun Advantage, 31% for China Mobile and 31% for China UnionPay Business Company. As a third-party payment platform operator, Linktone's main business is to provide software development and platform support for the mobile payment business of operators and banks, to expand industry support and to conduct targeted marketing planning.

With the strong support of the third-party payment and Linkage Advantage, China Mobile's mobile wallet business grew continuously and rapidly in the last few years. By 2007, Linkage had 10 million registered users, of which more than half were active, and its directors believed that Linkage was profitable.

2.2 Development Trend of Mobile Payment in China

1) The Current Scale of the Mobile Payment Industry

At present, the business of China Mobile Payment mainly includes cell phone bill payment, cell phone finance, mobile e-commerce payment and some other personalized services. It specifically covers checks and payment of cell phone bills, personal account inquiries, cell phone recharge, mobile newspaper subscription, purchase of lottery tickets, insurance or cell phone ticketing, purchase of digital point cards, e-mail payment, distance education, cell phone donations, cell phone insurance, public utility payments etc.. China's mobile payment industry scale was enlarged and costs were reduced.

2) Future Development Trend

Since mobile payment combines with mobile communication technology, Internet technology, e-commerce technology and technology related to the financial industry, it has characteristics of cross-industry technical. Currently the industry is in initial development stage and stable competitive market environment has not yet been formed. Online payment companies with their own e-commerce platforms, represented by Alipay and CaiPay, have gradually shifted their online payment advantages, product forms and users to mobile under the trend of mobile Internet. Because the technology is mature and there is no need to transform the terminal, the linkage effect can be generated in a short term to obtain the first-mover advantage. However, in the long run, the exclusivity of mobile Internet payment is weak, and payment enterprises need better combine online and offline markets and constantly innovate business models.

3 THE CURRENT MAIN PROBLEMS OF CHINA'S MOBILE PAYMENT INDUSTRY

3.1 Safety Factor

For users, the security factor of mobile payment is particularly important. It is difficult to attract users to join mobile payments without security. The level of mobile payment security must match with consumer's awareness of security, so transaction-level security encryption must be used which must be effective and high standard. That is, only will consumers use mobile payments when they feel secure enough, and they need clearly to see the outcome of the payment avoiding being the victims of fraud.

3.2 Increase Potential User

In addition, convenience is an important factor for users. Consumers will not use mobile payment if it is not a simple and effective payment method. Mobile payment needs to cultivate consumers' behavioral habits, it will be difficult if mobile payment is very complicated to use. Speed means completing a transaction within an acceptable time frame. A contactless mobile payment transaction should be completed less than 30 seconds once the consumer clicks "buy". A contact mobile payment should be at the same speed or even faster.

3.3 Need for Multiple Supports

The multiplicity of acceptance and versatility of mobile payments has become an important factor influencing mobile payments of merchants and banks. As a new payment method, the mobile payment needs to be accepted by

consumers, mobile operators, financial organizations and merchants. All parties should have possibility to benefit from mobile payment in order to be widely accepted. In terms of the technical implementation, the adoption of open standards is utmost important. It is required that financial organizations and mobile operators should be independent with each other and adopt open standards. The relationship among the consumers, the financial organizations and the mobile operators must be independent with each other. If the consumer decides to change the SIM card, it will not affect the relationship between the consumer and the financial organization and vice versa.

4 CORE PROBLEMS OF CHINA'S MOBILE PAYMENT INDUSTRY

4.1 Industry Chain Interest Coordination Mechanism

The coordination and cooperation of the relevant interests in the mobile payment industry chain still have many deficiencies in China, and there is much room for improvement. As each partner plays a different role in mobile payment, there are many differences in the distribution of interests, responsibilities, obligations, rights and settlement of fees, which leads many problems that the current mobile payment has to face. In addition, there are only quite few users and merchants using mobile payment services. A complete and mature industrial chain has not been formed in China, which leads to the fact that when building a mobile payment platform, operators and financial institutions are just paying attention to how to maximize their own interests and merchants and users are mostly in a wait-and-see attitude, which leads to the disconnection of the whole industrial chain. This problem is very prominent. At present, most people know little about the mobile payment business and convenience of mobile payment. In view of this situation, mobile operators, financial institutions and other related industrial links need to promote the advantages and characteristics of mobile payment to the target user groups in various ways, so as to obtain as many users as possible. By providing preferential policies and reasonable income distribution, they should strive to get as many merchants as possible to join in.

4.2 Lack of Credit System

According to our national conditions, our credit system has problems in many industries and the commercial credit system is unsound. Since the mobile sector has not yet completed the realization of the real-name system for users, what has further affected the establishment and improvement of the credit system for mobile payment. The lack of a credit system has led various malicious overdrafts and other fraudulent behaviors that disrupt the market, causing operators' and banks' concerns about the future development of the mobile payment industry, which seriously affects the promotion of the mobile payment business.

4.3 Increase User Engagement

As Chinese people have deep-rooted consumption habits, the consumption habits of electronic money in mobile payment have to be cultivated continuously. In technically, although the technical support of mobile payment in China is consistent with developed countries, the actual application is unsatisfactory. A big reason is cash transactions relied by the citizen leading the rejection to use electronic money. Therefore, the cultivation of user consumption habits becomes more important and needs the encouragement and support of the government.

4.4 Security Issues

Security has always been concerned by users, and security considerations have played a big part in whether users use mobile payments or not. Now the security issue is not only the practical security of password management and communication security, but also the psychological security concerns. A survey has shown that less than 15% of people can fully trust mobile payments, while 65% of people are very averse to mobile networks sending their banking information. It can be seen that if we want to let mobile payment expand and be successful, we need to solve the actual security problems and eliminate the problem of psychological security concerns of users.

4.5 Industry Norms and Related Legal Policy Issues

China's mobile payment industry have not unified standard, resulting in a wide variety of mobile payment platforms on the market, which on the one hand causes a large amount of wasted resources, on the other hand makes it difficult

to cooperate and interoperate between platforms and for the entire mobile payment industry to develop in an orderly and large-scale manner. In addition, In China, regulation and legal constraints on mobile payment are lacked. The rights and obligations of the parties in the transaction, the safety management of the funds left in the transaction, the confirmation of evidence and the assumption of responsibility etc. are not clear. A good efficient dispute resolution mechanism is not established. The property rights, privacy rights, and the right of proof of the users cannot be effectively protected.

5 SUGGESTIONS FOR THE DEVELOPMENT STRATEGY OF CHINA'S MOBILE PAYMENT INDUSTRY

5.1 Integrate the Value Chain and Enhance Industry Cooperation

Multiple parties, such as banks, operators and third-party institutions, as the core participants of the industry chain have their own advantages. Further contact ,consultation and deeper cooperation must be conducted according to their own interests. The phenomenon of working on some project without reference to the world needs need to be avoided. When acquiring their own interests, they should pay more attention to complementary role of each interest body and make use of it to promote themselves and meet people's needs. In addition, we should increase the cooperation between industries and build industrial alliances, so that the resources of multiple parties can be integrated and utilized in a unified manner. At the same time, we need to seek business operation modes that meet the interests of all parties and form an integrated industrial chain to achieve win-win cooperation.

5.2 United Industry Customers to Improve Credit Index

We will establish a credit rating and evaluation system, unifying credit evaluation standards and implementing credit rating management by uniting customers in the industry. The credit information of financial and judicial departments will be integrated into mobile payment services, let the credit rating and evaluation system improve the credit index of mobile payment participants to reduce the credit risk of mobile payment.

5.3 Diversify Mobile Payment to Enhance the Attractiveness to Customers

The needs of mobile users are diverse, so mobile payment methods must be diverse. There are various payment needs in the payment process. Bank cards, cell phone payments, points and phone bills all these payment methods will be chosen. Therefore, convenient payment methods will be required by the mobile terminal users. What's more, in the mobile payment field, the mission of mobile payment is not to replace Internet shopping payment but gradually making payments easy and our society cashless. Mobile payment will play an important role in this field.

5.4 Strengthen Security and Safety

On the one hand, the security technology on the cell phone must be strengthened to provide technical security for mobile payment, such as SIM's smart card, firewall, wireless VPN, identification technology etc.; Strictly prevent the invasion of cell phone viruses and establish a platform system for cell phone safety with higher security. On the other hand, it is necessary to enhance the security awareness of users who should have a strong awareness of illegal links, fraudulent SMS, etc. to reduce the risk of cell phone security problems.

5.5 Solve the Problem of Industry Regulation

Government regulators need to develop a unified industry standard as soon as possible to standardize the market. In 2011, the Ministry of Industry and Information Technology and the Central Bank have jointly instituted the work of the mobile payment standard system. The international prevailing 13.56MHz program and the domestic independent intellectual property rights of the 2.45GHz program can complement each other's strengths and weaknesses and all of these will be incorporated into the industry standards to create good opportunities for the development of the mobile payment market.

6 SUMMARY

Mobile payment can integrate logistics, capital flow and information flow efficiently which will gradually become a value-added service in people's daily life. Therefore, mobile payment will usher a golden period of development in China . This thesis sets out from the development status of China's mobile payment industry to reveal the problems existing in the current mobile payment industry and propose corresponding solutions.

1. Integrating the value chain and enhancing industry cooperation
2. Diversifying mobile payments to enhance the attractiveness to customers
3. Strengthening safety and security
4. Solving the problems of industry regulation

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