

Analysis on the Path of Internet Finance Penetrating into China Real Estate Industry*

Xiaoyong Zhang, Lin Wei

School of Economics, Northwest University for Nationalities, Lanzhou, Gansu 730030, P. R. China

ABSTRACT

As an important pillar industry of China's economic and social development, the real estate industry has become a main focus point of China's economic growth. With the past two years' high housing prices phenomenon, both the real estate industry's demander and supplier are facing financial bottlenecks, the house property demander's income level is too low to afford to buy the house property, and the house property provider's debt pressure is rising year by year because of massive houses cannot be sold. In 2013, as a new financial model, and relying on cloud computing and big data and other communications technologies, the Internet finance successfully penetrate into the assets large client, the real estate industry, and rise the "real estate + Internet + finance" development model, ease the Chinese real estate industry financing difficulties, and promote the real estate industry's sustainable development once again.

Keywords: Internet Finance Real estate industry Housing price problem Financing difficulties

INTRODUCTION

With the rapid development of economy and society, the Internet finance is not only limited to the introduction and innovation of financial products any more, mostly it is the infiltration of other industries, such as real estate industry. The core function of Internet finance's effect on the real estate industry is to provide financing facilities to the buyers and sellers of real estate transaction, so that funding can be safely and efficiently operated, to intervene in the real estate transaction in the financial way, to meet the real estate industry demand, thus promoting the development of the whole industry.

THE STATUS OF CHINA REAL ESTATE INDUSTRY

Since the reform of the housing system in 1998 to the present, the real estate industry has been continuously improved and developed, and made outstanding contributions to China's economic growth. In 2014, China's real estate industry maintained steady upward growth trend, due to the steady increase in macroeconomic trends and the continuously increase of issuance of paper money, prices of first and second tier main cities continued to show a rising trend, but influenced by multiple factors, such as the remission of the imbalance of land supply and demand, and the implementation of a series of related policies, the growth rate of house prices have been sharply slow down.

As the real estate industry is closely related with people's livelihood, so it is has always been an important issue and concerned by the government. During the 2015 "two sessions", the real estate

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***Address for correspondence:**

xiaoyongzhang888@163.com

industry once again become a hot topic, and in the "Government Work Report", it has been clearly put forward to support the residents own homes and improve housing demand and promote stable and healthy development of the real estate market. According to statistics, in January and February of 2015, China's real estate sales fell and the stocks surged, investment showed a downward trend, but this trend is temporary, after March, the real estate market showed signs of recovery, and first and second tier cities' real estate transaction rebound strength is intensified.

Although the real estate industry is an important driver of economic growth, high house prices caused a series of problems. Such as high house prices caused asset bubbles, seriously affected the development and financial security of the real estate-related industrial chain, and also the high house price is not conducive to further investment and improvement of the real estate industry; more important is the high house prices bounded most income of Chinese residents, that is not conducive to consumption growth and stimulating domestic demand. For the phenomenon of high house prices, our country has introduced a series of policies and measures to curb the excessive growth of house price, such as adjust the business tax incentives, limit the purchase orders, etc., from all aspects to strike the excessive investment and speculation of the real estate industry, and achieved remarkable results. In the economy aspect, the Internet finance's penetration is a brand new development and exploration.

THE INTERNET FINANCE DEVELOPMENT STATUS AND TRENDS

Internet finance both including the innovation of traditional financial institutions, such as electronic banking, online banking, mobile banking, etc, and also including the innovative of non-financial institutions, such as E-business enterprises, P2P, third-party payment platform, and so on. Internet finance expanded the service area of traditional finance, from only barter in the past to virtual trading network at present, and achieved a qualitative leap.

In 2007, Internet finance just rise in China and in 2013 it is the first Internet financial year. And in 2014, the Internet finance developed fast and varied Internet financial products are emerged in large numbers, Internet finance with its own unique low cost, wide coverage, diversity, outstanding effect of large data, and interactive marketing advantages quickly occupied a place in the financial market. In the following 2015, China's Internet finance will show what kind of new trend.

Firstly, strengthen cooperation with other industries. Making cross-border cooperation become a major feature of Internet finance, and in order to enhance the inclusiveness of Internet finance, let more industries join into Internet finance, that is helpful to the Internet finance's innovation and development. Furthermore, strengthen the close ties with big data, because the Internet finance uses network as platform and the flexible use of big data can provide accurate customer information to help Internet finance create financial products, which can be more meet customer's demand. Secondly, accelerate the development of crowd funding. Our country mainly adopts microfinance funding, the Internet finance must be based on the facts of our country, and collect medium and small investors' funds, to provide the necessary financial support for SMEs and individuals, and expand financing channels and fields. Finally, increase cooperation with traditional finance. Although the Internet finance develop rapidly, our traditional financial services are still entrenched in a position, so the Internet finance need to strengthen the cooperation with the traditional finance, mutual integration, mutual promotion and achieve win-win situation.

IMPACT OF THE INTERNET FINANCE ON THE CHINA REAL ESTATE PROVIDER

There are three main funding channels of China's real estate developers: deposit and advance payment, self-financing and bank loans. 30% deposit and advance payment, and 70% self-financing comes from

bank loans, shows that the vast majority of China's real estate development funds is from bank loans. But in recent years, along with monetary tightening, banks raised loan rates to real estate developers, the loan become more difficult, and the auditing is enhanced, real estate developers want to raise the funds from the banks become more difficult. With respect to bank loans, Internet finance provides great convenience for the real estate developers in financing aspect.

Firstly, Internet finance's interest rates are lower than traditional finance. In order to promote the loan business, part of the Internet financial institutions carry out preferential measures, such as zero-interest mortgage loans and unsecured three-year zero- interest loans, which would have a considerable effect to the lenders. Secondly, one of the advantages of Internet finance is the low cost. On one hand, the capital investment for establishment of business branch place is reduced; on the other hand, it can facilitate consumers to quickly find the right financial products. Moreover, the coverage of Internet finance is broader than traditional finance, and it has more diverse sources of funding channels. And loan approval rate of Internet finance is significantly faster than the traditional finance, which is conducive to the development of real estate developers to obtain the desired funds in a short period of time, and can be put into use as soon as possible and improve efficiency.

In summary, if see from the lending channel, the real estate developer can loan directly from the Internet, not only can enjoy the low interest rates, but also saves the cost of a series of procedures among the banks, and finally result on the house prices, and reduce the house prices to some extent; if see from the marketing channels, the real estate developers can directly contact with customers through the Internet to do the house sales, reduced the intermediate links, and reduced the marketing personnel cost, this also reduced the house price to some extent; if see from the supply channels, whether steel material, construction materials or other industrial raw materials related to the real estate industry, all can directly use the Internet finance to do the payment and transactions, reduced the intermediate cost savings from the source, to make the house prices in a downward trend.

IMPACT OF THE INTERNET FINANCE ON CHINA'S REAL ESTATE DEMANDER

The main ways for individual house buyers are one-time payment and apply for home loans, due to the one-time payment need to raise a lot of money, that is heavy burden for the ordinary customers who have limited economic capacity; home loans is applying for the bank financing, in 2014, the major banks housing loan interest rates are around 6%, if the customer loans 200,000RMB from bank for the house purchase, the final payment of principal and interest to the bank will have to be close to 300,000RMB, too high interest generated considerable economic pressure to the ordinary customer.

Compared with the traditional bank lending, the lending rates of Internet finance for small and medium customers is much lower, and the rate is different from the real estate developers, personal loan customers can enjoy more favorable conditions and can be more easily get low or no interest loans of the funds needed. The customers purchase funding is increased, at the same time, customers can directly contact with developers through the internet to study the details of the purchase. The internet finance provides easy purchase process, at the same time, it also save costs, so that customers can complete the purchase transaction at a price below the market entities, which indirectly reduced the house prices.

Although the Internet banking loan is with low interest rates, but the deposit interest is higher than banks, and Internet finance service mode is diversified, most financial services generally have the characteristics of high profit, and Internet finance service process gradually become more and more standardized, both traditional financial and new financial are in strong government guidance and supervision, more and more customers are willing to invest their idle funds in the Internet finance,

resulting in the funds invested in the real estate industry is moved to other higher yielding fields, this alleviated the excessive investment and speculation in the real estate industry, and controlled the house prices moderately.

Internet finance as the third party payment platform, provides a new financing channel for the real estate industry, and this made the funding of the real estate developers and customers not confined to bank loans, and facilitates the transaction of both parties, and has a certain inhibition effect to the house prices' fast growth; Internet finance's function is not only in the aspect of financing for the real estate industry, but also in the aspects of use and processing of information, asset risk appraisal, capital supply and demand period, and the matching of numbers and so on can also be used in real estate industry, this become a strong competitive factor of the real estate industry. But there are also some risks of Internet finance, the problem is the Internet's security, although China has intensified supervision of the Internet, but the network is not absolutely safe, information leakage of the real estate developers and customers may exist, this is harmful for the transaction parties; and also the credit demand for Internet finance is high, but the constraint is obviously insufficient, if one of the parties appear credit crisis, that may harm to the other party and harm the interests of payment platform, which is as the intermediary of the third-party. So no matter the Internet finance or the real estate industry participants, both should correctly handle the relationship between them, so that “real estate + Internet + finance” model can better play its own value.

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AUTHOR'S BIOGRAPHY



Xiaoyong Zhang (1988-), Male, Master of science in economics, Teaching Assistant in School of Economics of Northwest University for Nationalities,

Professional: Quantitative economics,

Research direction: Quantitative analysis of financial markets;