Analysis of the Pros and Cons of Mobile Payment in China and Its Development Research

Tianyi Dai
Northfield Mount Hermon School, Gill, MA, USA.

Abstract
With the continuous development of the Internet and e-commerce and popularization, the financial means to pay our traditional constraints still become a great economic development of our country's unfavorable factors, at the same time, the rapid development of mobile communications for the mobile payment business development provides a solid basis, in this case, the mobile payment industry will naturally become a branch of a financial payment. With mobile payment in all walks of life to promote such as logistics, manufacturing, and service industries such as public information, all kinds of innovative mobile technology continues to pay for the cost savings and improve the efficiency of payment; the development of mobile payment industry began to march in forward. In this thesis, China's mobile payment for the study, a detailed analysis of the development status of China's mobile payment reveals the problems of development, put forward the strategic development of the final payment for the development of China's mobile industry has an important significance.

Keywords
Mobile payment, Advantages, Disadvantages

Introduction
With the rapid development of modern technology, the pace of people’s living style has accelerated a lot. Under the pressure of a demanding life, many people no longer want to spend hours going to shopping malls or restaurants, but prefer to experience the pleasure of shopping and eating without leaving home. In recent years, the delivery and e-commerce industry has grown significantly. Prominent delivery company, such as Meituan, had a revenue around 24.2 billion Chinese Yuan in 2022, which increased 17.2% compared to its revenue in 2021. Taobao and Jindo, two online shopping platforms, have also become the first choice for people to purchase goods. The success of these highly Internet-dependent companies cannot be separated from the development of mobile payment in recent years. Mobile payment refers to the use of secure electronic approach to securely transmit payment information between consumers, merchants and financial institutions to banks or corresponding processing institutions through information networks, which are used to create monetary payments or fund flows. In recent years, mobile payment gradually replaced traditional banknotes payment, bringing great convenience and advantages to most people’s lives, and inconvenience to the others.

1. The positive social impact of mobile payment in China
1.1 Increase the efficiency of the social life
Mobile payment has become a mainstream transaction method in just a few years, and has benefited people in
many ways. First of all, decreasing the time cost is a major advantage of mobile payment. Mobile payment avoids the cash change format, decreases the time accommodated for finding changes. Scanning QR code to pay also avoid the problem of finding the wrong amount of change. People took more time to get the same service before digital payments were commonplace. For example, most people spend around two hours for a full meal in restaurants, whereas food could be delivered within an hour through delivery companies (Yawe B.L., 2018).

1.2 Enhance the security of the transaction

Mobile payment also prohibits the problem of personal information leakage and card fraud. Take Alipay as an example, once the user creates an account, all of the personal information will be congregated into in a single app, secured by a password. Because all information and assets are stored in the online account, the possibility of loss and theft in reality is very low; even if it’s lost, it could recover quickly by verifying personal information. This is a great advantage compared to owning physical bank cards, 1.4 million identified theft 1.5 million other lost were reported in 2022.

1.3 Mobile Payment creating new industries

Many other industries have benefited from the growth of digital payments in recent years. As mentioned, delivery companies, e-commerce companies and taxi companies and other companies experienced rapid growth. The taxi company Didi received 100 million orders and have 800 million active users around the world.

1.4 Improving personal credit system

Not only did digital payments create more job opportunities, government gained broader control over citizens’ credit records which ameliorated the issue of citizens defaulting on a loan. Transaction records and loan history are under the control of big data, thus, government could receive the overall picture of citizens’ credit status and revise the policy in order to improve the debit and credit environment. Banks work with apps that keep track of citizens’ credit points. For example, Sesame Credit analyzes and collects the credit status of individuals through cloud computing, machine learning and other technologies. Users of Sesame Credit can easily access their credit status and understand the restriction or benefits they gain at a certain level of credit status.

2. The negative social impact of mobile payment in China

2.1 Unfriendly to seniors

Digital payment creates brought enormous benefit to society and the country’s economy, however, the rapidly evolving technology has the potential to bring inconvenience to a certain group of members, and create larger societal issues.

Young people in a rapidly evolving society can always adapt quickly, in contrast, older people need more time to adapt to new technologies, and some even show slight rejection. In a study of Chinese internet usage body in 2021, only 43.5% of elders frequently use smart phones and internet. In other words, more than half of the elderly community is not familiar new technologies and electronic devices. However, mobile payment, as a new technology that highly relies on the usage of electronic devices and citizen’s ability to utilize the internet, isn’t all that friendly to the elderly group. As more companies are shifting from cash payment to mobile payment, it’s a lot more inconvenient for elder people to access the essential facilities. One example is that when China shifted from free COVID testing to 4CNY per COVID Test and only accepted digital payment, some elder couldn’t pay and get the test due to their lack of knowledge in digital payment.

2.2 The risk of information leakage

As mentioned above, digital payments bring a lot of convenience to businesses and governments because of the centralized management of information. However, once this concentrated information is leaked, it will bring greater risk and more serious consequences to the public. Such example includes the information leakage Facebook encountered in 2021. The information leakage affected over 533 million users, and the types of information include full name, biography, locations, and cell phone numbers. Once this private information is used by people with evil intentions, it can have unimaginable consequences. These include illegal lending, exposure of home addresses, and
loss of property.

2.3 The uncertainty of transaction

The development of digital payments also brings greater risks to online investments, money transfers and other monetary transactions, mainly contributing to the activities of fraud and other illegal acts. The development of internet has made information significantly accessible to the public, yet its accessibility also increases the risk of internet fraud.

3. The main problems in China's mobile payment industry

3.1 The main factors affecting the development of the mobile payment industry

For users, the security factor of mobile payment is particularly important, and insecure mobile payment is difficult to attract users to join. The security level of mobile payment must be sufficiently matched with the security awareness of consumers, and mobile payment must adopt a transaction-level secure encryption mechanism. Transaction-level secure encryption must be effective and of a high standard. In other words, consumers will only use mobile payment if they feel safe enough, and they need to clearly see the payment results to avoid becoming victims of fraud.

In addition, convenience is also an important factor affecting mobile payment for users. If mobile payment is not as simple and straightforward as existing payment methods, consumers will not use it. Mobile payment needs to cultivate consumers' behavioral habits, but if mobile payment is very complex to use, it is difficult to make it. Compared with convenience, speed is also a factor affecting the user experience of mobile payment, fast means that to complete a transaction within an acceptable time frame, usually a contactless mobile payment transaction, once the consumer clicks the "purchase" instruction, the entire payment process should be completed within 30 seconds. Contact mobile payments should be as fast as or faster than that.

Compared with merchants and banks, acceptance and universality have become important factors affecting mobile payment. As a new payment method, mobile payment needs to be recognized by consumers, mobile operators, financial organizations and merchants. Mobile payments can only be widely accepted if all parties can benefit from them. From the perspective of the technical implementation of mobile payment, the adoption of open standards is the most important. Financial organizations and mobile operators are required to be independent of each other and adopt open standards. The relationship between consumers and financial organizations and between consumers and mobile operators must be independent. If a consumer decides to change the SIM card, it should not affect the relationship between the consumer and the financial organization, and vice versa (Klie & Leonard, 2015).

3.2 The main problems in China's mobile payment industry

3.2.1 Industrial chain interest coordination mechanism

The coordination and cooperation of the relevant interest links of China's mobile payment industry chain is still relatively lacking, and there is great room for improvement. Due to the different roles played by each partner in mobile payment, there are many differences in the distribution of their interests, the responsibilities and rights, the settlement of expenses and so on, which has led to the further development of mobile payment. In addition, because there are still not many users and franchised merchants, a complete and mature industrial chain has not been formed in China. As a result, when building mobile payment platforms, various operators and financial institutions aim to maximize their own interests, which is very prominent. However, on the other hand, most of the businesses and users are in a wait-and-see attitude, which leads to the disconnection of the entire industrial chain of interests. At present, there are still most people who do not know much about the mobile payment business that has been carried out, and know little about the convenience of mobile payment. In view of this situation, mobile operators, financial institutions and other related industrial links urgently need to vigorously promote the advantages and characteristics of mobile payment to the target user group through various methods, so as to obtain as many users as possible. By providing preferential policies and reasonable income distribution, they should strive for as many merchants to join (Zhao L & Shu H, 2013).

3.2.2 The lack of credit system and institutions

According to China's national conditions, China's credit system is inadequate in many industries, and the com-
Commercial credit system is not very sound. The mobile field has not yet completed the realization of the user's real-name system, which has further affected the establishment and improvement of the credit system of mobile payment. The lack of credit system has led to various malicious overdrafts and other fraudulent behaviors to disrupt the market, causing operators and banks to worry about the future development of the mobile payment industry, and seriously affecting the promotion of mobile payment services.

### 3.2.3 Cultivation of users' consumption habits

Due to the deep-rooted consumption habits of Chinese people, the consumption habits of electronic money in mobile payment needs to be continuously cultivated. On the technical level, China's mobile payment has been consistent with that of developed countries, but the actual application is not satisfactory. A large part of the reason is that the dependence of Chinese people on cash transactions has led to the exclusion of the use of electronic money. Therefore, the cultivation of users’ consumption habits is more important, which requires the encouragement and support of the government.

### 3.2.4 Issues of security

Security has always been a great concern for users. Security considerations account for a large proportion of whether users use mobile payments. Security issues are now not only the actual security of password management and communication security in practice, but also psychological security concerns. Surveys have shown that less than 15% of people fully trust mobile payments, while 65% are very disgusted with mobile networks sending their banking information. It can be seen that in order to succeed in mobile payment, in addition to solving the actual security problem, it is also necessary to dispel the problem of users' psychological security concerns (Zhao Li & Shu Huaying, 2013).

### 3.2.5 Industry norms and relevant legal and policy issues

There is no unified standard in China's mobile payment industry, resulting in the emergence of a variety of mobile payment platforms on the market. On the one hand, it causes a waste of a lot of resources. On the other hand, it is difficult for platforms to cooperate and communicate with each other. As a result, it is difficult for the entire mobile payment industry to develop in an orderly and large-scale way. In addition, the country lacks supervision and legal constraints on mobile payment. The rights and obligations of all parties in the transaction are not clear; a good and efficient dispute resolution mechanism has not been established in terms of the safe management of the retained funds, the evidence confirmation, the assumption of responsibility etc. in transactions. Thus it cannot effectively protect users' property rights, privacy rights, proof rights, and so on.

### 4. Minimize the risk of mobile payment

#### 4.1 How government minimize the risk of mobile payment

In order to maximize the convenience of digital payments to the public, the government should strengthen the control of digital payments. It’s important to enhance the popularity of cyber-security publicity and the necessary means of protection. Government could also set up mandatory viewing of security hazard videos when individuals are investing in large amounts. The development of new technologies should also take into account the ease of operation of some special groups of people. Furthermore, the government should be responsible for enacting laws that set strict boundaries for large amount of cash transaction on line (Pan Anqi, 2022).

#### 4.2 The needs of different audience and the general accessibility

Companies should take various needs of different audience into consideration. For example, the senior citizens are generally unfamiliar with mobile payment. Thus, when inventing new technology or applications, companies should consider keeping “the elderly mode” in which contains more basic functions in order to facilitate the elders.

#### 4.3 Technical Barriers for Enterprises to Improve Information Security

Enterprises should the internal information use control system to prevent those who have evil intention and hold the core information and technology from using the information illegally by taking advantage of their positions. Companies should also put efforts in improving the companies’ information security technology protection to prevent hackers from carrying out malicious information leakage.
5. Conclusion

The above analysis shows that digital payments bring a lot of convenience to our life and promote the progress and pace of society. In addition to the above advantages, the development of digital payment also brings a certain degree of inconvenience to certain groups of people, because this method is very different from the traditional methods they are familiar with. Therefore, the government and enterprises should take the responsibility to strengthen the supervision of digital payment and help this group of people, so that the general public can enjoy the convenience brought by digital payment while minimizing the risks and hidden dangers. At the same time, this part of the affected population can try to keep up with the majority of people in the environment of rapid technological development.

References


