

The Internet Economy's Influence on the Financial Industry - Taking East Money as the Research Object

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Abstract. The fast expansion of the Internet and technology over the last decade has given rise to a new financial market—the Internet economy. The Internet economy has added new power to the broader financial industry and has promising growth possibilities. Although internet economy is a hot topic nowadays, many people have limited knowledge towards what exactly is internet economy about and how it is different to the financial market before. Therefore, this essay will examine the influence of the Internet economy on the banking industry using East Money as the study object, by listing the existing advantages of the Internet economy: easier access to information, advances in data analysis under the backdrop of artificial intelligence, and the benefits brought by online transactions; as well as the disadvantages: increased transaction risks caused by Internet security risks and limitations of the current stage of artificial intelligence. Suggestions toward the downside of the internet economy that are mentioned in this essay will also be given at the end of this essay.

Keywords: Internet Economy; Financial Industry; East Money; Investment; Technology.

1. Introduction

With the rapid development and reform of science and technology, finance, as an industry that relies on scientific and technological information, is also constantly changing, gradually forming many fusion products of financial technology, such as Internet technology, digital finance and financial technology etc. [1]. Some scholars believe that the development of the Internet provides certain prospects for commercial banks and lays the foundation for the transformation of traditional banks. Bons and Alt believe that through financial technology and the Internet, banks can broaden their audience scope, thereby improving profit channels and bank profitability, which is of great benefit to the overall financial industry [2]. In "Internet Weekly" in 2002, Jiang discussed the great help of the Internet in improving productivity because it can reduce costs caused by geographical factors, making the costs of businesses around the world roughly the same [3]. Against this background, the Internet economy seems to be a popular choice, but why is there still criticism? Data published by the China Academy of Information and Communications Technology in September 2021 shows that during 2015-2020, the Internet index gradually rose, from 93.0 to 103.8, but the rate of increase is gradually slowing down, indicating that China's Internet has entered a period of revision. Only by identifying the current limitations of the Internet can this deadlock be broken.

Therefore, this essay will take East Money, one of the representative enterprises of the Internet economy in China, as the research object. East Money covers a variety of functions of today's Internet economy, including financial website consulting services, financial data information services, mobile financial information services, and securities market trading services. Therefore, East Money is extremely consistent with this article and has good analytical value. By analyzing the current advantages and disadvantages of East Money, this essay will hopefully provide some insights into the future progress space and development prospects.

The following will be discussed in four parts, namely, a description of the current situation of East Money, the impact of the Internet economy on the financial industry, current problems of the Internet economy, and Internet optimization strategies. The first module outlines the overall situation of East Money, including its business scale and industries, then explains the different businesses of East Money, and finally gives the financial status of East Money in recent years. The main body of the paper will focus on several major advantages of East Money in today's Internet economy, such as

easier access to information, providing more accurate transaction analysis methods, and low costs (not counting R&D) brought about by online transactions, etc. and disadvantages, discussing the increased risk of trading and the limitations of artificial intelligence. Finally, based on the proposed advantages and disadvantages, optimization strategies for the Internet economy will be given to solve these problems while improving the current quality.

2. Brief Introduction of East Money

2.1. Overall Situation

East Money Information Co., Ltd. was founded in 2005 and is now China's leading comprehensive Internet wealth management operator. It has always adhered to the concept of "creating more value for users" and is committed to providing various financial information, data, transactions and many other services to users and shareholders. Since its establishment, the company has achieved many achievements, including being listed on the GEM in March 2010, becoming the first GEM Company with a market value of more than 100 billion in 2015, and successfully achieving a market value of more than 400 billion in December 2021. The company has also successfully established branches all over China in addition to its Shanghai headquarters, including economically developed cities such as Beijing, Shenzhen, Nanjing, Lhasa, Guangzhou, Chengdu, Yangzhou, and Hong Kong [4].

East Money operates many well-known Internet products and business sectors. The most well-known ones are the "East Money Network" launched in 2004, and the "Tiantian Fund Distribution" launched in 2007, as well as innovations that facilitate communication among major shareholders, such as the platform "Stock Bar". As of December 31, 2022, Tiantian Fund, as one of the first companies to have a fund sales license issued by the China Securities Regulatory Commission in February 2012, has successfully accumulated fund sales of more than 8 trillion, demonstrating East Money's leadership in the fund industry. Stable development [4].

In 2015, East Money acquired Hafu Securities and East Money Securities as wholly-owned holdings, demonstrating its ambition for the development of the securities industry. In 2019, East Money Fund was approved for a public fundraising license in addition to its brokerage license and futures license, and has since officially entered the field of Internet wealth management [4].

To sum up, in the 18 years since its establishment, East Money has aimed to "build a financial ecosystem of people and wealth" and provided one-stop management services such as finance, funds, securities, social networking, futures, etc. to a large number of Chinese investors [4]. By using the Internet to achieve the purpose of making financial transactions simpler and more life-like.

2.2. East Money's Business Model

East Money has many businesses, including investment, stock trading, financial management, data, futures, securities, funds and many other services and consulting communication platforms.

Investment business includes major trading platforms and related stock information. East Money Network is the most well-known and oldest investment platform under East Money. It contains information and indices on various stocks, and tracks the latest events in real-time, allowing investors to quickly and comprehensively understand the current market conditions. Adhering to an objective and true perspective, East Money Network also organizes and summarizes massive amounts of information into different sectors or fields, thereby improving the speed and efficiency of investors to obtain information. In addition, East Money has also provided an Internet communication platform for investors through the construction of the "Stock Bar" that includes a series of rich functions such as financial discussions, stock market hot spots, real-time interpretation, interactive interviews, and live broadcast road shows. Investors can use the stock bar to understand the general views of investors on this stock or the overall market, thereby providing help to investors, especially novice investors. In addition, for investors in Hong Kong stocks, U.S. stocks, A-shares, and funds, East Money launched the Hafu Securities Network. It is a licensed corporation recognized by the Hong Kong Securities Regulatory Commission, and its operations are basically the same as East Money Network.

It covers services such as consulting, market conditions, community, and trading, helping investors to broaden their investment scope [5].

Other subsidiaries, such as Choice Data, Dongfang Wealth Futures, Dongcai Fund, Dongcai Investment Information, etc. provide consulting services related to data, futures, funds, and other investment-related investments. For example, Choice Data uses the most advanced technology of this era to provide users with multi-faceted data analysis, data mentions, data analysis, and data services. These are completed by its derivative products: Choice financial terminal, Choice data API, Choice data APP, Choice database, etc. East Money Futures is a futures company under East Money. It is mainly responsible for domestic commodity futures and financial futures economic business. It is among the first companies among its peers to obtain the qualification for China's financial futures economic business. Investors can open futures accounts through the East Money Futures website. Dongcai Fund provides investors with a channel to purchase ETF (Exchange Traded Fund). As of June 2023, Dongcai Fund currently controls 38 funds, 23 of which are index funds (including 14 over-the-counter passive index funds, 3 ETF funds, 6 index-enhanced funds), and 13 active equity funds. Hybrid funds, 2 funds of funds (FOF), etc. Dongcai Investment Consulting provides professional consulting services to investors [5].

2.3. Financial Situation

As of March 31, 2023, the company's total assets were 221.2 billion yuan and net assets were 67.1 billion yuan. The current total share capital is 15.857 billion yuan [4]. Because 2023 is not over yet, the following are all from 2022 onwards.

Fig.1 shows the growth of East Money's total operating income from 2017 to 2022. Compared with the increase from 2017 to 2019, there was a larger increase from 2019 to 2021, from 4.2 billion to 13 billion; but then faced a decline in 2021, from the original 13 billion to 12 billion. This is possibly because of the epidemic that had caused investors to lack confidence in the market, so investments and transactions have also been significantly reduced.

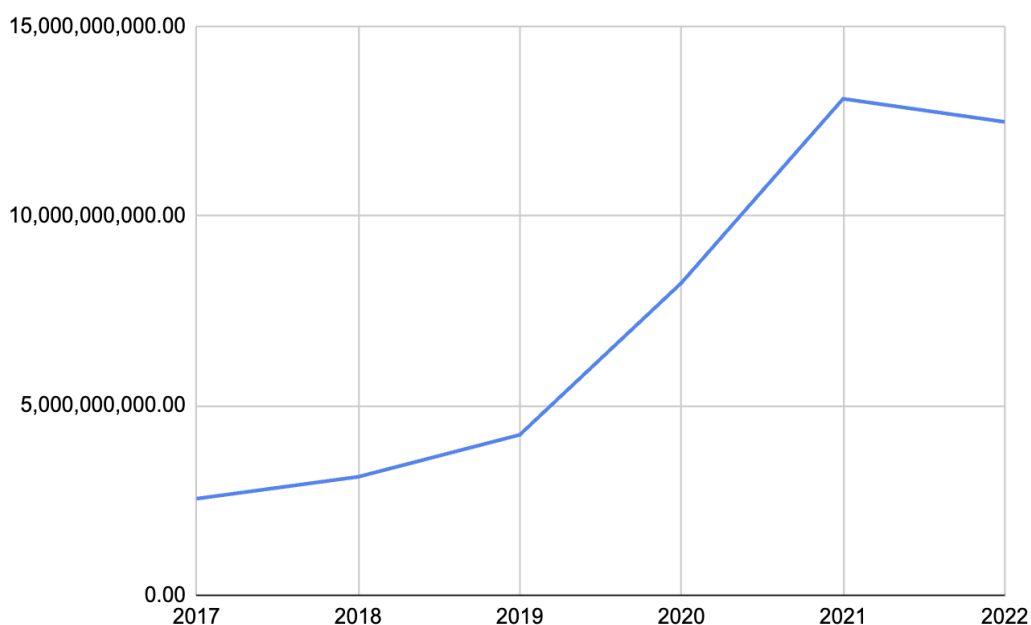


Fig 1. Total operating income of East Money Information Co., Ltd. from 2017 to 2022 (unit: yuan) (Photo credit: Original).

Fig.2 shows the growth of East Money's total assets from 2017 to 2022. The overall total assets are on an upward trend, with the fastest growth rate in the 2018-2021 range, showing the confidence of investors in the market at that time.

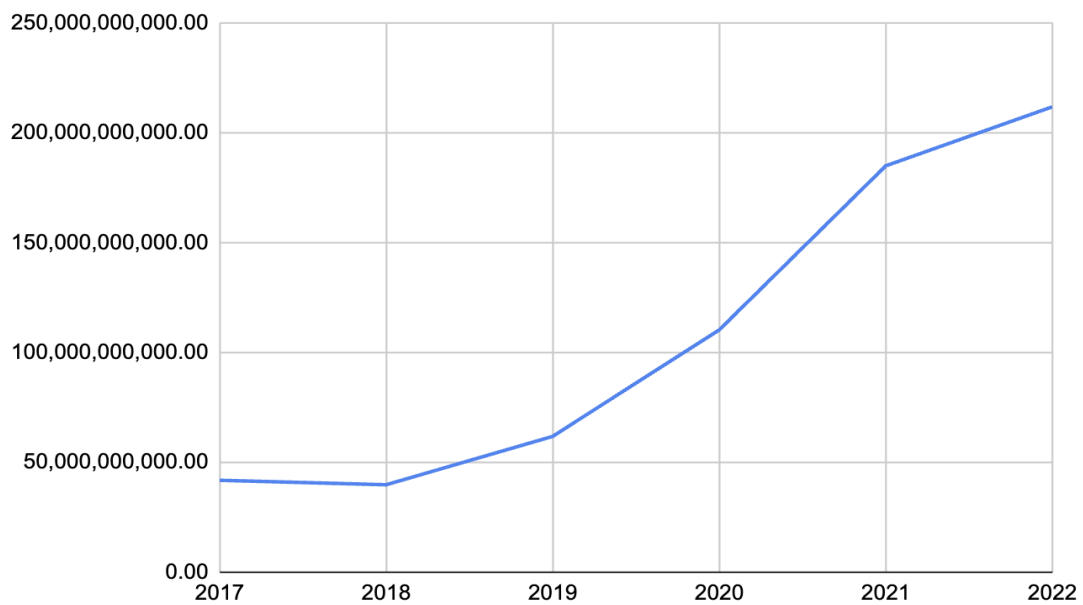


Fig 2. Total assets of East Money Information Co., Ltd. from 2017 to 2022 (unit: yuan) (Photo credit: Original).

Fig.3 shows the amount of money East Money has invested in R&D in the past four years. It can be concluded from the continued growth of R&D funds that East Money is following the development of science and technology and putting more energy into R&D. Moreover, funds have not decreased during the years of the epidemic, and R&D investment has still increased despite a decrease in total revenue. This shows East Money's determination to improve its Internet industry.

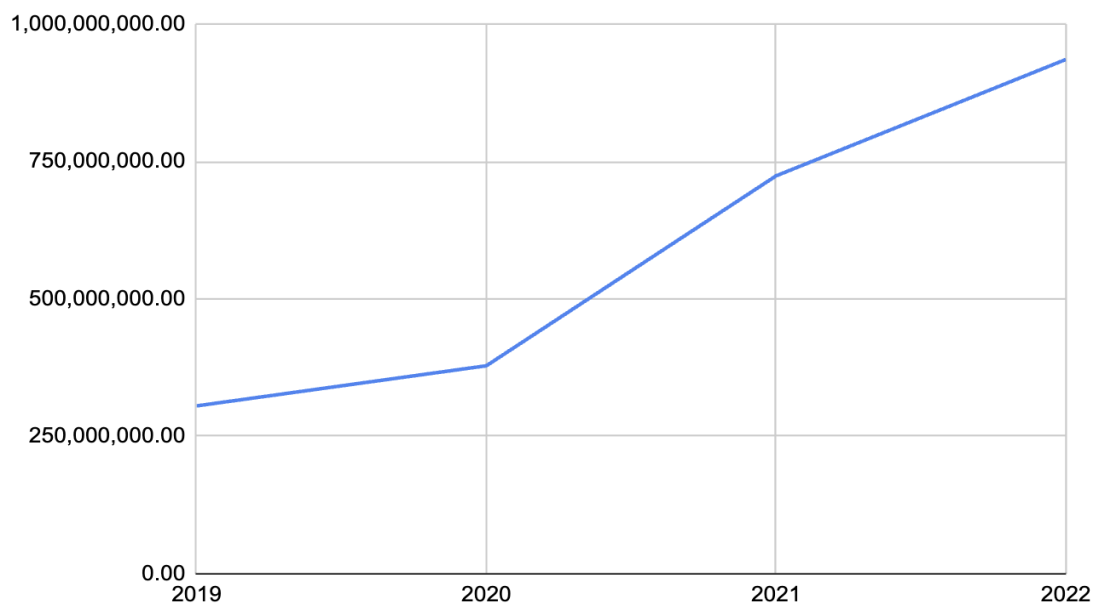


Fig 3. Amount of R&D investment of East Money Information Co., Ltd. from 2019 to 2022 (Unit: Yuan) (Photo credit: Original).

The green part represents the Internet advertising services, etc., accounting for 0.60%. As shown in Fig.4, the securities business accounts for more than half of East Money's income and is East Money's main source of income. Then there are financial e-commerce services, such as transactions and online marketing, financial data services and Internet advertising services, which account for only about 2%.

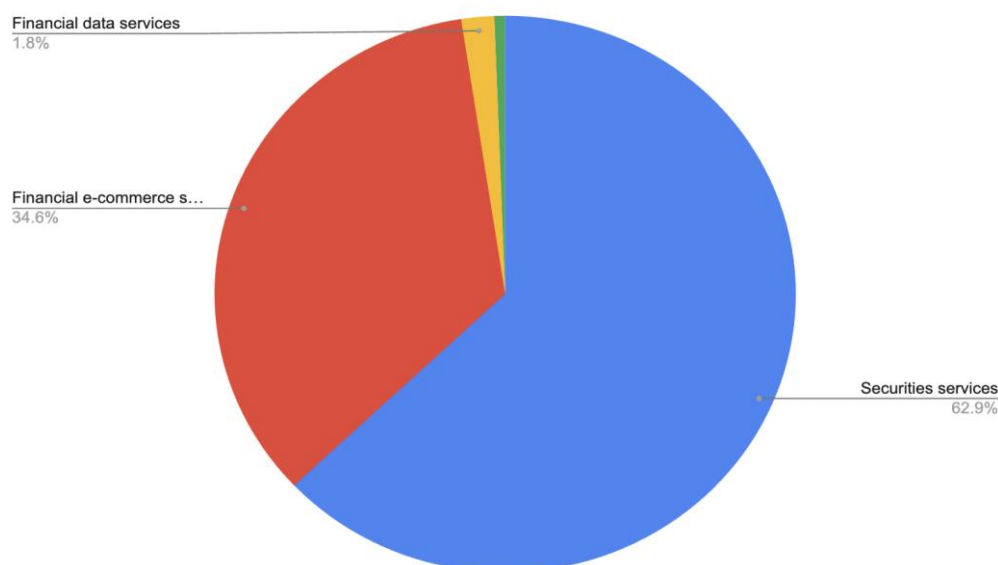


Fig 4. Proportion of business revenue of East Money Information Co., Ltd. in 2022 (Photo credit: Original).

3. The Impact of the Internet Economy on the Financial Industry

3.1. Information is Easier to Obtain

Previously, market information could only be accessed by satellites, such as the Qianlong software produced in Taiwan. However, since the advent of the Internet, information has disseminated more quickly. The growth of the Internet economy has resulted in the rapid spread of information, allowing individuals to have access to the knowledge they require more rapidly. East Money has developed a number of financial and securities information websites in response to the fast expansion of the Internet, allowing investors to acquire the information they want more conveniently and swiftly. East Money Network, for example, mixes the essence of news with today's social media.

On the one hand, East Money.com offers investors real-time news about each industry or stock. They no longer have to search through various news websites for relevant content, which makes information acquisition more efficient. The "7x24 live broadcast" capability, for example, will refresh a new financial report every minute, allowing investors to grasp vital information in real-time and make timely decisions simpler. Simultaneously, East Money Network aggregates this information from all sides into various modules in the form of content. For example, the homepage is separated into sections such as "big market," "theme," and "individual stocks," which effectively simplifies and handy the complete inquiry procedure. The East Money Network also provides easy access to information regarding the general market and market circumstances, such as indexes and trends [6]. Investors no longer need to spend time gathering information thanks to East Money Network's comprehensive information, which can also significantly boost overall investment efficiency.

East Money has also launched mobile clients such as the East Money APP, allowing a large number of investors to view information on the spot at any time and space. Investors can also automatically obtain the latest market news through the message push function.

East Money's websites, on the other hand, feature a range of highly interactive social media capabilities such as blogs, popular search lists, comments, barrages, and so on, allowing investors to learn not only objective information and statistics but also the reviews and opinions of other investors. East Money Network's "Opinion" element, for example, delivers professional analyses and opinions from various specialists and business magazines. It is an excellent resource for both senior investors and beginners who have recently entered the investment circle. The Stock Bar website under East Money also includes a hot search list function, which allows investors to directly and clearly

understand the recent hot spots and the focus of public attention, which is of great help in selecting and purchasing stocks.

3.2. Transaction Analysis Methods

With the development of science and technology, artificial intelligence (AI) has become more and more popular. Compared with the human brain, AI can analyze big data through various data analysis methods (decision trees, association rules, fuzzy mathematical analysis, artificial neural networks, chaos and classification theory, etc.) to improve overall efficiency and accuracy [8]. In this way, the benefit of the Internet economy is that it can make full use of these AI technologies to provide more effective resources and services to a large number of investors.

For example, the Choice Data APP under East Money Network provides a large number of investors with a variety of content on stocks, fixed income, funds, commodities, foreign exchange, macro industries, etc., and includes many analyses software such as Excel plug-ins, quantitative interfaces and portfolio management which makes data analysis more convenient. Various indicators, such as basic information, market indicators, financial statements, valuation indicators, technical indicators, etc. are also included and are important tools to assist investors in transaction analysis [7]. Moreover, Choice Data will also organize existing data into the form of icons, allowing investors to observe these cumbersome data in a visual form.

For more traditional investors, East Money also has websites similar to manual consultation, such as East Money Investment Consulting, which answers questions for investors and provides advice on investment portfolios.

3.3. Transacting Online

The rise of the Internet has enabled transactions to be conducted online. Therefore, securities firms no longer need to open offline, which reduces the operating costs of various securities firms and creates a virtualized trading venue. Brokerages can promote and sell their products through East Money Network, a platform with huge traffic. For example, Tiantian Fund, a subsidiary of East Money, is responsible for selling various products related to funds. It is especially beneficial for small fund companies since East Money is a very mature company that owns customers who are mostly high-net-worth individuals with relatively high investment experience. Moreover, Tiantian Fund has excellent interoperability with East Money's stock bar and securities trading, so it is regarded as an extremely advantageous choice for a Sales platform [9]. Discussing East Money's ability to serve as a medium for product sales, it also has the advantage to place advertisements for related products on the platform, thereby increasing revenue.

At the same time, due to the reduction in commissions, the fees required for investors to trade have also been reduced, which has become a benefit to investors. In the past, investors had to go offline to open an account to obtain permission for securities trading, and the account opening process was sometimes extremely cumbersome. The benefits of the Internet economy emerged at this time, reflected in the portability that investors can open accounts on the APP anytime and anywhere. The stock trading process can also be completed easily and quickly on East Money Online without having to contact offline traders. The efficiency of the transaction process is improved.

To sum up, the Internet economy is extremely promising for investors and securities companies.

4. Current Problems in the Internet Economy

4.1. Increased Transaction Risks

Although transactions have become simpler under the Internet economy, security-related issues have also become a hidden danger. Due to the rapid development of the Internet, the existing legal system and regulations have become somewhat limited and backward, giving opportunities for lawless criminals to take advantage of. The privacy of trading users is faced with the possibility of

leakage, and the risk index has also increased. This is not only a threat to individual investors, but may also have a great impact on the entire macroeconomy and financial markets [10].

In addition, due to science and technology becoming more prevalent in China, people may only have a superficial understanding of the business channels and operating models of many new technologies but do not fully understand their specific operating models. This may lead to more incidents of using Internet platforms to commit online fraud and user property may be lost as a result. The most worrying thing is that in this situation, it is temporarily difficult for the government to manage market order, and therefore it is difficult to come up with perfect measures to avoid such situations such as fraud and information leakage in a short period of time. Although East Money has strict rules and regulations on privacy management, looking at the Internet economy comprehensively, its hidden dangers will still pose certain threats to different stakeholders in the financial industry.

4.2. Limitations of Artificial Intelligence

Artificial intelligence has an advantage in quantitative trading because it can accurately analyze existing data and provide investors with suggestions. However, the limitation of artificial intelligence is that it does not have human thinking ability, which makes it unable to perfectly predict the future without the development of past data. There are many reasons that affect the fluctuation of stock prices, such as military, economic, political, etc., including the sudden rise of some industries, etc. These are all things that artificial intelligence cannot infer from past data.

5. Internet Economic Optimization Strategy

5.1. Promulgate Laws and Regulations to Reduce Transaction Risks

In response to various legal incidents caused by the Internet, relevant departments should pay attention to the importance of law and establish treaties to strictly restrict all possible risks [10]. The legality and effectiveness of all online lending institutions must be ensured to reduce the possibility of the general public being deceived and to eliminate the possibility of any online hackers or scammers to the greatest extent.

5.2. Continued Development of Artificial Intelligence Technology

With the continuous development of AI technology in the future, the potential of artificial intelligence will not be limited to objective functions such as analyzing data and data collection but can be closer to investors, such as investing in investors according to their interests and providing advice on stock portfolios. In addition, AI technology has the full potential to analyze risks after deeper research and development and conduct comprehensive risk analysis through various indicators based on investors' ideal investment portfolios. This will greatly help investors avoid unnecessary risks and better conform to East Money's philosophy of "creating more value for users".

In view of the limitations of artificial intelligence, in addition to the continuous development of AI technology, people should also keep in mind to not rely too much on artificial intelligence solutions. It is always important to make independent choices based on individual understanding of external information, so as to avoid eventual losses due to overly trusting artificial intelligence.

6. Conclusion

By analyzing the advantages and disadvantages of the Internet economy based on East Money, we can conclude that the Internet economy has great development prospects. The Internet economy not only opens up the financial market, expands transaction volume and audience scope, and enables everyone with Internet access to the stock market; it also reduces operating costs and provides marketing channels for major financial products. The emergence of artificial intelligence has also provided technical assistance for investment analysis, greatly improving the accuracy of analysis. However, there are also hidden dangers in the Internet economy, mainly in the security risks when

using the Internet and the limitations of artificial intelligence in analyzing the future market. Based on this, two suggestions are given to address the shortcomings mentioned above - the introduction of corresponding laws and regulations and the continuous research and development of AI technology. These suggestions will provide room for improvement of the existing Internet economy, thereby completing the renovation stage of the Internet economy and continuing to progress.

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