

# The current situation, development and prospect of third party payment industry

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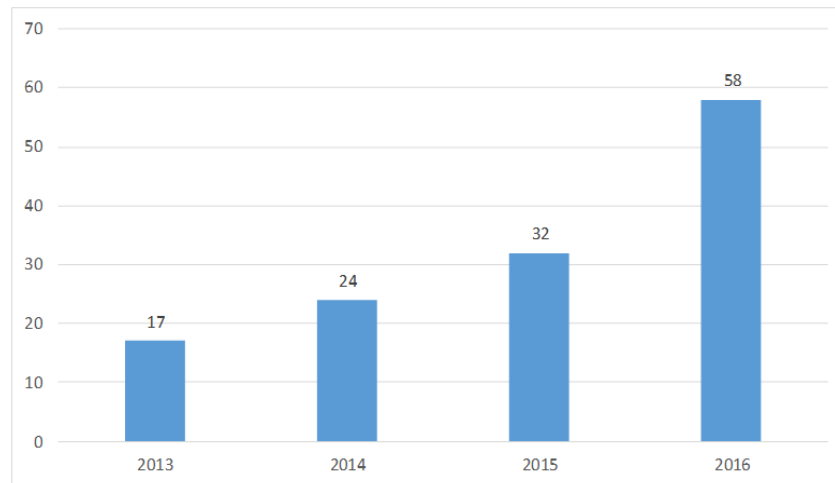
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**Abstract.** With the rapid development of electronic commerce in China, it has promoted the development of other industries. Among them, third party payment has been born and widely used by the people. At present, third party payment platform has become the closely related part of electronic commerce. Third party payment platform is safety payment service on the Internet, it can protect the both transaction and property security. Third party payment as an emerging industry is accompanied by the development of electronic commerce, it objectively has promoted the industrial transformation and changed the people's lifestyle. Because the third party payment market has developed rapidly, third party payment industry still has certain problems need further strengthening and perfecting.

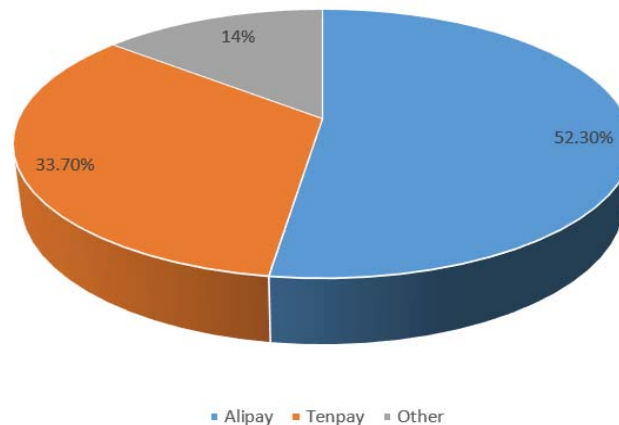
## 1. The current development situations of third party payment

Along with the continuous development of electronic commerce, it has become the indispensable part for people. And at the same time, the promotion of third-party payment has made the third-party payment gain widespread popularity. Since 2010, transaction scale of Chinese third party payment industry has maintained an average annual growth rate of over 50 percent and has become a global leader. According to the date of the research on third party payment industry, the total transactions of third party payment in China was nearly 60 trillion yuan in 2016, the rate of increase of 85 percent compared with 2015. Mobile payments were 38.6 trillion yuan, it was about 50 times the size of the USA. According to the third party mobile payment market share in 2016, Alipay of Alibaba was on top with 52.3 percent, tenpay of Tencent was second with 33.7 percent, the two payment giant accounted for 86 percent and made up the the first echelon. Other third party payment platforms shared the remaining market share. Some of the data are shown in the chart below.





**Figure 1.** The scale of third party payment industries (trillion)



**Figure 2.** The share of third party mobile payment markets

## 2. The features of the third party payment

### 2.1. Safe and convenient

The third party payment has the powerful support of funds and technology. The third party payment platforms link with the payment sites of all major business banks, while entering password, all banks will know and it guarantees the transaction safety. At the same time, third party payment as the emerging industry and cooperates with all major electronic commerce exchange websites. Third party payment can to a great extent bring the users convenience, it provides the users with unified payment interface to save the payment time, and the users don't need to go to each bank on the net running back and forth for operation, greatly shorten the time. The third party payment's convenience is obvious.

### 2.2. Openness

In order to improve its openness, the third party payment platform has opened a series of permissions to serve the users. It can support banks across the country to make online payment, provide users with the most comprehensive online payment, and provide users with the most convenient payment service. Today's online payment is not only confined to the previous bank cards and PC terminal to pay. Nowadays, online payment can be logged on for payment as long as there is one mobile phone, which is more convenient and faster than going to the bank before. The openness of third party payment has been greatly promoted by the various functions. The perfection of third party payment platform also

eliminates people's misgivings for online shopping and make people believe the online transaction. Improving the development of third party payment platforms to improve the development of electronic commerce better.

### **3. The analysis on advantages and disadvantages of third party payment industries**

#### *3.1. The advantages analysis of third party payment industries in China*

The third party payment has strong functions and its own advantages in China, it is convenient and efficient, and you can get what you want to have without going out. Let us look at the advantages.

*3.1.1. The centre of credit guaranty.* The third party payment has a great advantage is its credit guaranty. It can ensure the security, the good and bad of the goods and the whereabouts of the goods during the process of trading. The third party payment media can better protect and guarantee the value of the goods. At the same time, it also imposes certain constraints on some unreasonable customers. Credit guaranty better protects the both rights and makes both pay faster to save most of the time and further promote the development of third party payment.

*3.1.2. Reduce operating costs.* The third party payment signs an agreement with all major banks to be more convenient and efficient, and it reduces its operating costs and saves trading hours. For example, the gateway interface set up by third party payment can be operated repeatedly without going to the bank, it is to save time and effort. It also reduces the enterprise's operating costs without installing security certification software. So that the third party payment platform is more advantageous, with more competitive advantages, and it will be more and more powerful.

*3.1.3. Extensive and humanized transaction.* Because the different and dispersive electronic commerce transaction amount, buyers are scattered, and balancing so many scattered customers, it is easy to provoke unnecessary dispute. The third party payment turns out to take over the problems. The third party payment can take over many scattered customers at the same time. The personalized service of third party payment is suitable for C2C model. In addition, the third party payment can help other small enterprises, help them improve after-sales service ability and quality, promote more enterprises to cooperate with the third party payment platform, to better promote the development of the third party payment platform.

*3.1.4. The customers' coverage is wide and young.* The third party payment contacts with some domestic electronic commerce trading platform, they directly benefit from each other. Such as Taobao, Jingdong, Tmall and Yihaodian all can use third party payment platform to log in and binding. At the same time, the cooperation between third party payment and major banks can make transactions faster. Most consumers nowadays are busy with work and have less time. Due to the convenient and fast features, third-party payment platforms meet the needs of consumers' demand. Therefore, most young consumers prefer to use third party payment platforms. Nowadays, online shopping is dominated by young people, which also leads to the coverage of third-party payment younger.

#### *3.2. The disadvantages analysis of third party payment industries*

The third party payment benefits from the development of electronic commerce. But among them, there are some disadvantages. Specifically, the following points are included.

*3.2.1. The problem of competition between the third party platform and bank.* The third party payment is to bind with bank, the two develop mutually to run each other. However, there is a competitive risk relation between the third party payment platform and bank. If the banks don't use third party payment, they contact with the merchants and customers by themselves, the loss of the third party payment platform is great. Besides, there are also many external factors of cooperation between the current

payment platform and the banks. There are mutual game competition issues between the two sides, which restricts the development of third-party payment platforms.

*3.2.2. The operating risk of the third party platform.* The third party payment is not the bank's financial service, if business license is revoked, it is likely to be acquired. So if we want to avoid such risks, we must rely on the strength of the law. The law now has not published relevant policy, the third party payment industry must consider such risks. Third party payment platforms must actively strive for various types of financial business licenses in order to reduce the operational risk of third party platforms and to better safeguard the development rights of third party payment industry.

*3.2.3. Business innovation issues.* Along with the comprehensive popularization of mobile phones and the lower network charges, more and more people use mobile phones for payment. It direct result in the online payment and mobile payment proportion in the total number of third party payment is undergoing fundamental changes. The mobile payment has become the leading payment channel, because it is more convenient, efficient than online payment. But the third party payment markets have gradually saturated, the third party payment must maintain the high speed and adapt to the new trend, constantly improve its business model and expand its market target range. For example, putting more market development points in the overseas markets, once the third party payment platform is successful in overseas markets, it will usher in a new career height.

#### **4. The prospect of the third party payment industries**

The rapid development of third party payment industries profits from the large population and market size, rapid Internet trends. Especially the spring up of electronic commerce, the high-speed development of online finance and loose regulation. As these dividends slowly diminish, third-party payment will shift the focus of competition from the consumer to the industry, and use payment data to provide diversified financial services.

For the past few years, as financial supervision continues to be strict, the central bank requires third party payment to return to the essence of payment channels and can only do small and compliant businesses, which are monitored by the Internet consortium. From the frapping for pay license, the underrate and handy location for third party payment industry, and the standard for excess reserve and rate. It can be seen that the regulators have stepped up efforts to rectify the industry chaos while the opening of the payment of the code has also promoted the sound progress of the industry. Judging from the current series of actions of the regulators and the current status of third-party payment, we can draw a trend that the third party payment industry has already bid farewell to the past extensive development model and it will inevitably embark on a normative and ordered development path under strong supervision in future.

#### **5. Conclusion**

In conclusion, our country's electronic commerce is promoting the rapid development of third party payment industry. The third party payment industry shows the enormous advantages and potential during the process of developing and expanding, not only promoting the development and expansion of the e-commerce industry, but also advancing the pace of our country's industrial transformation and upgrading. Although the advantages and effects of third party payment are obvious, there are some problems in the process of development and application, which need to be adjusted and improved in the future development to better adapt the demands of economic and social development and rhythm changes.

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