

# RESEARCH ON THE CONSTRUCTION OF CHINA'S CREDIT SYSTEM UNDER INTERNET FINANCE - TAKING SESAME CREDIT AS AN EXAMPLE

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## Abstract

This paper uses literature research method and comparative analysis method. By collecting and collating relevant data and information, and studying papers and writings on the construction of credit systems at home and abroad, we understand some of the current research on the construction of credit systems under Internet finance. Then, the three mainstream models of personal credit system in developed countries, namely the market-led model represented by the United States, the government-led model represented by the European Union and the industry association-led model represented by Japan, are compared and analysed, from which some experiences that can help to improve the construction of credit system in China are drawn. After that, we discuss the current situation of credit system construction under the Internet finance in China by combining relevant information and table data. The problems that exist in the development of China's credit system under Internet finance are then presented. This is followed by a case study of Sesame Credit to provide some reference for the construction of China's credit system. Some countermeasures and suggestions are given in conjunction with the current situation and problems of credit system construction. Finally, the following conclusions are drawn on how to build and improve China's credit system under Internet finance: 1. Improve laws and regulations related to credit collection in Internet finance. 2. Establish a unified standard for credit data processing. 3. Strengthen credit publicity and education.

**Keywords:** Internet finance; Credit system; Sesame credit.

## 1 INTRODUCTION

### 1.1 Research Background and Significance

#### 1.1.1 Research background

Internet finance is a new financial model, which provides financing, payment, investment and information intermediary services for traditional financial institutions and network companies through network technology and information communication technology. It is the product of the combination of the Internet technology and the further development of the financial industry. Over the years, network technology and mobile communication technology have made great progress, and domestic Internet finance has also developed rapidly under this trend. Internet finance began to gradually integrate into

people's lives. For example, people's use of Huabai is a good embodiment. With the advantages of simple operation, fast feedback and low cost, Internet finance has greatly facilitated people's lives, but there are also some problems such as information leakage and hacker attacks. On the one hand, these problems infringe on people's interests, on the other hand, they are not conducive to the healthy development of Internet finance. To solve these problems, it is necessary to improve the current credit reporting system.

#### 1.1.2 Research significance

On the basis of reviewing and sorting out the research of domestic and foreign scholars on the credit reporting system, this paper compares the similarities and

differences of the credit reporting system in foreign developed countries, draws lessons from experience, combines the development status of China's credit reporting system, analyzes the problems existing in the credit reporting system under the Internet finance, makes a case study of sesame credit, finds some references from its credit reporting mode, and then puts forward some measures and suggestions based on the problems. These suggestions will help improve the credit reporting system and promote the stable development of Internet finance. To some extent, it also helps to strengthen people's awareness of the protection of personal information.

## 1.2 Research Status at Home and Abroad

### 1.2.1 Domestic research status

The domestic research on the credit reporting system under Internet finance is relatively short and immature. Many scholars mainly study the main problems and reasons of the credit reporting system of Internet finance. Zhaoyuanbo (2018) started from the successful experience of the three modes of Internet credit reporting system construction, and proposed that the process of the construction of relevant laws and regulations should be accelerated, and the supervision system can adopt the mode of separate supervision [1]. Fengyumei (2019) took the construction of the Internet financial credit reporting system as the research direction, analyzed examples from the perspective of 100 banks' credit reporting, and proposed that the Internet financial credit reporting should be complementary to the traditional credit reporting. The government and the market should work together to promote the construction of the Internet Financial credit reporting system [2]. Duanyu (2020) analyzed the current situation of personal credit reporting in China according to the current development of the Internet financial market, found out some problems existing in personal credit reporting, and put forward corresponding countermeasures [3]. Guotingyu (2020) takes sesame credit as an example to elaborate the problems existing in China's private individual credit reporting institutions and give feasible suggestions [4]. Niuguoliang (2020) made a profound analysis of the challenges and opportunities brought by Internet finance to the construction of China's financial credit reporting system, and proposed that China's financial credit reporting system could be upgraded from three aspects: forming a good industrial ecological chain, promoting

reform internally, strengthening cooperation externally, strict supervision, and strictly observing the bottom line [5].

### 1.2.2 Foreign research status

Freedman (2008) believes that Internet financial credit reporting has certain advantages over traditional credit reporting system in terms of obtaining credit reporting data [6]. Viktor (2012) proposed that the continuous progress of Internet Finance and big data technology can provide a new thinking path for improving the personal credit reporting system. Viktor's research lacks the support of relevant data and mostly stays at the theoretical level. However, with the development of Internet Finance and big data technology, his view has been confirmed, and the Internet financial behavior data has become an important basis in the construction of personal credit [7].

## 1.3 Research Contents and Methods

### 1.3.1 Research content

The research content of this paper is divided into six parts, which are as follows:

The first part is the introduction. First of all, it introduces the background of credit reporting system construction under Internet Finance and the significance of this research. Secondly, it expounds the research status at home and abroad, and then states the research content and research methods of this paper in the construction of Internet financial credit reporting system. Finally, the innovation and shortcomings of this paper are mentioned.

The second part is the comparison between the relevant theories and the main foreign credit reporting models. This paper mainly introduces the information asymmetry theory and "5C" criterion theory used in the research of this paper, and also compares three representative credit reporting models abroad.

The third part is the analysis of the current situation of the credit reporting system. According to China's national conditions, this paper describes the current situation of the credit reporting system by using relevant chart data, and points out some problems existing in the construction of the current credit reporting system under the Internet finance.

The fourth part is a case study of sesame credit, which describes sesame credit, sesame credit score, sesame credit score model and its rationality analysis, and the

advantages of sesame credit, so as to provide some reference for the construction of China's credit reporting system.

The fifth part is the countermeasures and suggestions for the construction of China's credit reporting system under the Internet finance. According to the problems in the construction of credit reporting system under the Internet Finance mentioned in the fourth part, this paper gives some views, and provides some ideas for its construction and improvement.

The sixth part is the conclusion and research prospects.

### *1.3.2 Research methods*

(1) Literature research method. Actively accumulate the relevant data of the paper, and for the part of the research status at home and abroad, seek inspiration from other people's papers and works, and apply it flexibly to their own papers through induction and summary. Understand and master the current research on the construction of credit reporting system under Internet finance, and draw some experience for further analysis and research.

(2) Comparative analysis. Compare the situation of credit reporting system under foreign Internet finance, and learn from the advanced experience of foreign credit reporting.

## **1.4 Research Innovation and Deficiency**

### *1.4.1 Research innovation*

Based on the analysis of domestic and foreign scholars' research on the construction of credit reporting system, and based on the background of the rapid development of Internet finance, this paper proposes that the personal credit reporting system should be further developed and improved to meet the requirements of the healthy development of Internet finance. This paper compares and analyzes the characteristics, similarities and differences of three representative personal credit reporting systems in developed countries, and draws lessons from them. Then use chart data to show some situations of credit reporting system construction under Internet finance. This paper analyzes the current problems in the construction of the credit reporting system, provides reference with the case study of sesame credit, and puts forward countermeasures and suggestions to help improve the construction of the credit reporting system under the Internet finance.

### *1.4.2 Insufficient research*

The first deficiency of this paper is that although the construction of the Internet financial credit reporting

system has been discussed in theory, it has not carried out a detailed investigation, lacks practical investigation, and has deficiencies in science; Second, my knowledge level is limited, and some views or measures proposed in the paper will not be considered in place and profound enough. Third, it is difficult to obtain some data through open official channels, and there will be some deviations in the accuracy of the data. Fourth, due to the late start of the construction of credit reporting system under Internet finance, domestic and foreign scholars' research in this field is relatively few, and the place taken into account is limited.

## **2 COMPARISON BETWEEN RELEVANT THEORIES AND MAJOR FOREIGN CREDIT REPORTING MODELS**

### **2.1 Relevant Theories**

#### *2.1.1 Information asymmetry theory*

The theory of information asymmetry refers to that in the activities of market economy, the amount of information held by various types of personnel in the transaction is different. Those who have more comprehensive information are usually in a favorable position, while those who have less information are often at a disadvantage in the transaction. In the transaction, the kind of people who have information advantages can obtain more benefits through the part of information they have. The theory of information asymmetry reveals that information plays an extremely important role in the market economy. In the activities of market economy, due to information asymmetry, many problems have been caused. The two most common are adverse selection and moral hazard. Adverse selection is the phenomenon that the inferior products caused by the information asymmetry between the two sides and the decline of market price drive out the high-quality products, and then the average quality of products traded in the market decreases. Moral hazard is that individuals in market economic activities will make behaviors that are not beneficial to others due to the asymmetry between the two sides of the transaction, so as to maximize profits for themselves.

#### *2.1.2 "5C" criterion theory*

The "5C" standard includes five connotations: morality, capital, ability, mortgage guarantee and conditions. As an evaluation theory for evaluating personal credit risk, it is

widely used. The "5C" risk analysis standard can improve the borrower's repayment ability and willingness. The "5C" standard is widely used in quantifying personal credit status and is the basic standard for evaluating credit risk.

**2.2 Three major foreign credit reporting modes**

The rapid development of Internet finance has exposed the problems of imperfect credit reporting system in China. The development of Internet financial credit reporting system in western countries is earlier than that in China, and there is more research in this area. Influenced by the different history, economy and other aspects of various countries, these three main credit reporting modes have been formed abroad. These three modes have their own advantages and disadvantages, and there are differences in data sources, operating agencies, etc., as shown in table 1. Through the study of these three credit reporting modes, China can draw some experience from them.

**Table 1** Comparison of three personal credit reporting systems

	Government led	Market leading type	Industry Association oriented
Representative country	EU	United States	Japan
Operating mechanism	Government or central bank	Market oriented credit reporting agency	Industry Association
Purpose of establishment	credit rating	Risk prevention and financial supervision	credit rating
Openness	Low, only for financial institutions	High, facing the whole society	Medium, for members
data sources	bank	Various types of credit institutions	Member of Industry Association

characteristic	Mandatory, non-profit	Voluntary and profitable	Voluntary, non-profit
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*2.2.1 Government led*

The government led personal credit reporting system is represented by the European Union. This credit reporting system is dominated by the credit reporting system of central banks in various countries and supplemented by market-oriented credit reporting institutions. The central bank occupies a dominant position and undertakes major regulatory functions to strengthen the management of Internet finance. Because it is led by the government, this credit reporting system is mainly used to serve the society, so it is not for profit. The degree of openness of this credit reporting system is not high, and it is only for financial institutions. In this mode, the requirements for the relevant content of credit reporting data are very strict. For example, there are clear provisions on how to collect credit data and to what extent the accuracy of credit data should be.

*2.2.2 Market leading*

The countries with market-oriented personal credit reporting system are represented by the United States. Under this mode, individuals and institutions follow the law of market economy, collect and integrate and analyze personal and enterprise credit information, and provide the evaluation results to the demanders on a paid basis. Because it is profitable, the formation of this credit reporting system is the independent development of private credit reporting institutions for the purpose of profit. The credit reporting industry is highly competitive, and the information collected by these credit reporting service agencies is relatively comprehensive. Under this mode, the credit reporting service is open to the whole society, with a high degree of openness. Under this mode, the market dominates the credit reporting industry, and the government will not directly intervene, but only regulate it through legislative supervision.

*2.2.3 Industry association oriented*

Japan's trade associations play an important role in Japan's economy, so the credit reporting system has developed into a membership based credit reporting model. After decades of development, this industry association led model has been relatively mature and

gradually integrated into the daily life of the Japanese people. In this mode, the industry association establishes a platform for the exchange of credit information. The credit information is provided by the members of the association and is not open to other members of the association. The purpose of exchanging and using user credit information is achieved among the members of the industry association. All members can voluntarily choose whether to join or not. This industry association led model is not for profit. Because it is dominated by industry associations, which are responsible for the collected user information, the government only regulates and controls this model in the macro aspect, and will not directly intervene.

**3 ANALYSIS ON THE CURRENT SITUATION OF CREDIT REPORTING SYSTEM CONSTRUCTION UNDER INTERNET FINANCE IN CHINA**

**3.1 Current Situation Of Credit Reporting System Construction Under INTERNET FINANCE In CHINA**

*3.1.1 Development history of China's credit reporting system*

By sorting out some important events and time of occurrence in the construction of credit reporting system, this paper roughly divides the development process of China's credit reporting system construction into four stages: exploration stage, starting stage, development stage and innovation stage, as shown in table 2.

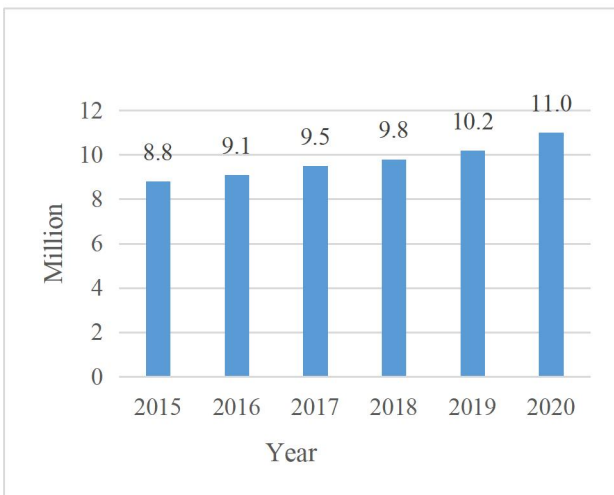
**Table 2** Important events and time of credit reporting system construction

stage	Important events and occurrence time of credit reporting system construction
exploratory stage	In the late 1980s, the central bank approved the establishment of the first credit rating company.
Initial stage	In 1997, Shanghai launched enterprise credit rating. With the approval of the central bank, Shanghai carried out a pilot project of personal credit reporting. At the end of 1999, the bank credit registration and consulting system went online and realized nationwide online query in 2002.

Development stage	In 2004, the central bank established a national centralized and unified basic database of personal credit information. In 2005, the bank credit registration and consulting system was upgraded to a national centralized and unified basic database of enterprise credit information. At the beginning of 2006, the credit reference center of the people's Bank of China was officially established in China.
Innovation stage	At the beginning of 2015, the people's Bank of China officially established eight private enterprises as pilot institutions for personal credit reporting business. In 2018, baihang credit obtained the first personal credit reporting business license in China.

*3.1.2 Construction status of China's personal credit reporting system's coverage of natural persons*

With the development of Internet finance, big data and cloud computing are gradually popularized, which further expands the coverage of natural persons in the personal credit reporting system. At the end of 2015, the scale of natural persons included in the credit reference center of the people's Bank of China was 880million, and by the end of 2018, this scale had reached 980million. The number of people with credit records also increased from 380million to 450million. By the end of December 2020, more than 1.1 billion natural persons had been included in the credit reporting system, and 60.92 million enterprises and other organizations had been included. As shown in Figure 1, over the years, the coverage of natural persons in the credit reference center of the central bank has shown an increasing trend year by year, indicating that China is in the process of building a credit reference system in an orderly manner. However, the credit reporting system still lacks a part of the credit reporting data of the information subject, which needs to be strengthened in China. In terms of the coverage rate of natural persons, there is still a big gap between China and the United States, and there is still a long way to go for the coverage of central bank credit data.

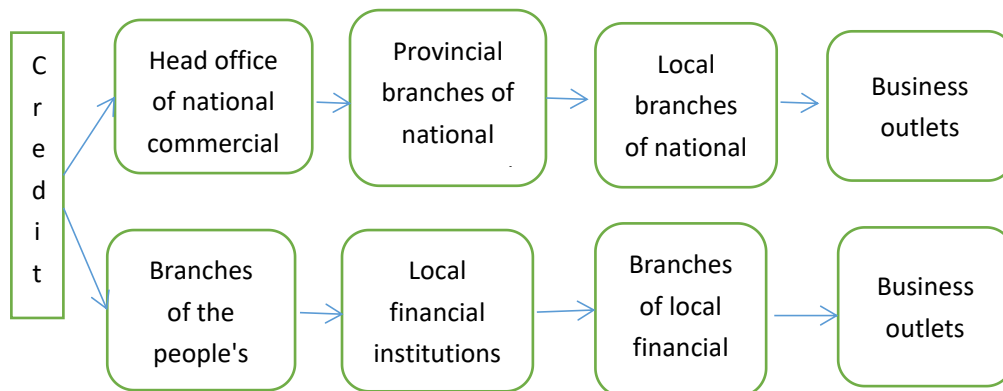


**Figure 1** Changes in the number of natural persons included in the credit reporting system of the Central Bank of China from 2015 to 2020

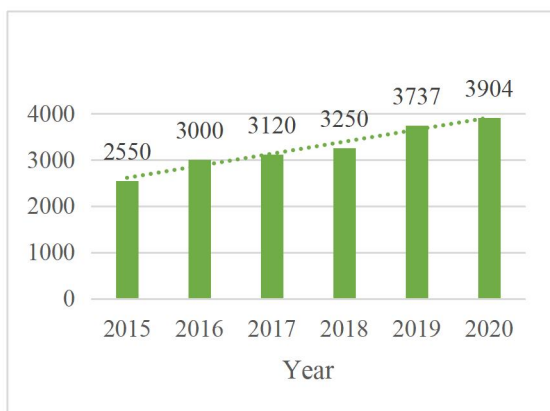
3.1.3 Construction of credit reporting institutions of China's personal credit reporting system

At present, the number and types of credit reporting institutions in China have changed a lot. For example,

there are public and private credit reporting institutions at home and abroad. Their market positioning and service objects are different, so their businesses are also different. In our country, public credit reporting plays a leading role. At present, China's personal credit reporting system is mainly composed of the central bank's personal credit reporting system and market-oriented listing institutions. The connection between the credit reporting system and financial institutions is shown in Figure 2 below. There are more and more credit reporting system access institutions in China. As shown in Figure 3, in 2015, more than 2550 credit reporting institutions were connected to credit reporting centers, and by 2020, the number had reached 3904, a significant increase compared with that in 2015. With the access of more and more institutions, the credit data covered by the credit reporting system will become more comprehensive, and the construction of the credit reporting system will be gradually improved.



**Figure 2** Connection diagram between credit reporting system and financial institutions

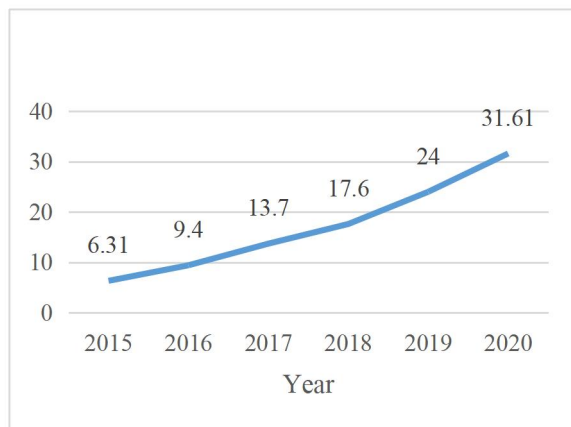


**Figure 3** Trend chart of the number of access institutions of the central bank credit reporting system over the years

3.1.4 current situation of accumulated times of personal credit inquiry in China

With the development of the personal credit reporting industry and the construction of the personal credit reporting system, the use of personal credit reporting scenarios are all over every aspect of life, ranging from the use of credit reporting when applying for housing loans, car loans and credit cards to the use of credit reporting, to the use of deposit free charging bank leasing, rental travel and so on. The use frequency of personal credit reporting is increasing, and the cumulative number of queries of personal credit

reporting is growing rapidly. According to the data of the people's Bank of China's credit reference center on the cumulative number of individual credit inquiries, as shown in Figure 4, the cumulative number of individual credit inquiries in China showed a high-speed growth trend from 2015 to 2020. The cumulative number of personal credit inquiries in China has increased from 631million in 2015 to 3.161 billion in 2020, a year-on-year increase of 401%. More and more people have a deeper understanding of the importance of personal credit to themselves, and this number of inquiries will continue to rise in the future. The public has increased their attention to personal credit reporting and increased the use of personal credit reporting, which is conducive to the further development and improvement of the credit reporting system.



**Figure 4** Changes in the cumulative number of Chinese personal credit inquiries from 2015 to 2020

### 3.2 Problems in the Construction of China's Credit Reporting System Under Internet Finance

#### 3.2.1 Risk of user information disclosure

With the rapid development of Internet technology, the mode of information and data transmission is also changing with each passing day. In today's society, the dissemination and access of information is easier than before. However, easier access to information is also a double-edged sword, which not only creates favorable conditions for the construction and improvement of the credit reporting system, but also greatly increases the risk of information and data leakage. On the one hand, in the process of building the credit reporting system, the development of credit reporting activities and information are inseparable. Easier access to information facilitates the business of credit reporting institutions. On

the other hand, in today's era, people's information security is greatly threatened by the easy access to information. Users may have exposed their personal privacy information unconsciously. Even if users have realized that the privacy information has been leaked, they do not know where it is going. Personal information may be stolen by some people with ulterior motives for profit. There are many reasons for the leakage of personal information. For one thing, some internal staff of credit reporting institutions may use the obtained user information for other places to obtain improper profits. Moreover, the penetration of viruses and the invasion of hackers are also threatening the personal information security of the information subject, and the wanton use of these information has seriously infringed on the interests of the information subject. In addition, many people are not fully aware of the importance of their personal information. For example, they click on unknown websites at will, and only confirm the terms of service related to their personal privacy rather than check them in detail, which also increases the risk of personal information disclosure.

#### 3.2.2 Data sharing is difficult

In recent years, with the development of marketization of personal credit reporting, some marketized personal credit reporting institutions have begun to emerge. However, these credit reporting institutions use different credit reporting methods when evaluating personal credit, and the information collection and transmission standards are not unified. If the same piece of credit information is recorded with different credit reporting methods and standards, there will be errors in accuracy, and the displayed results may be very different. Such recorded information is difficult to be used by other credit reporting institutions. The lack of certain norms in data sharing among credit reporting institutions has led to confusion in evaluation results and different standards, and the value of credit reporting data has been greatly damaged. Although Internet technology has developed rapidly in China, the collection and transmission standards of credit reporting data are not unified, which makes the credit reporting institutions still need to spend a lot of time in the processing of information, and its operation efficiency is reduced, which is extremely unfavorable to the development of information sharing. This also hinders the construction and improvement of

China's credit reporting system under the Internet finance.

### 3.2.3 Relevant legislation and supervision are not in place

The development of China's Internet financial credit reporting system is relatively late, the relevant laws and regulations are not perfect enough, and there are still gaps in the introduction of some systems in the field of Internet financial credit reporting. For example, the illegal use of personal privacy by some credit reporting agencies has something to do with the unsound legal system in the protection of users' credit information privacy. It is necessary to optimize the details of legal system construction for some credit reporting problems under Internet finance. In terms of regulation, the current Internet credit reporting environment in China is increasingly complex, and the current regulation mode is more targeted at the traditional credit reporting industry. Although some regulatory measures have been taken in the regulation of the Internet credit reporting industry, it still can not be fully grasped. The existing regulatory policies do not match the development progress of the Internet financial market, and the effect is low.

## 4 SESAME CREDIT CASE ANALYSIS

In view of the current situation and problems in the development of China's credit reporting system under the Internet Finance shown above, this paper takes sesame credit as a case study to provide some reference for the construction of credit reporting system.

### 4.1 Introduction to Sesame Credit

Sesame credit is a legitimate and independent third-party credit information evaluation institution under Alibaba. Its development is not unrelated to the rise of Internet finance. It objectively displays users' credit status with the help of cloud computing, big data and other technologies. It is widely used in various scenarios, such as travel and consumer finance, and has brought great convenience to people's lives.

#### 4.1.1 Sesame credit score

Sesame credit score is a personal credit score based on China's national conditions, referring to FICO scoring model, and relying on big data and cloud computing processing. The score ranges from 350 to 950. The higher the score, the better the credit status of the person.

See the table 3 for details.

**Table 3** Sesame credit score table

Sesame credit score range	credit rating
350-550 points	range
550-600 points	secondary
600-650 points	good
650-700 points	excellent
700-950 points	Excellent

#### 4.1.2 Sesame credit scoring model

The construction of sesame credit scoring model, to a certain extent, draws lessons from the FICO scoring model commonly used in the international community, and divides the composition of sesame score from low to high into five dimensions: interpersonal relationship, identity traits, performance ability, behavior preference and credit history, as shown in Table 4 below.

**Table 4** Contents of sesame credit scoring model

dimension	data sources
Contacts (5%)	Characteristics and interpersonal influence of good friends
Identity traits (15%)	Education background, position, etc
Behavior preference (25%)	Investment preference, consumption preference, etc
Performance capacity (20%)	Whether there is a garage, Alipay account balance, etc
Credit history (35%)	Credit card repayment records, ant flower credit records, etc

### 4.2 Rationality Analysis of Sesame Credit Score

The scoring rules of sesame credit score have not been released to the public. The calculation of sesame's credit score takes into account the proportion of the following five dimensions, from low to high: interpersonal relationship 5%, identity traits 15%, performance ability 20%, behavior preference 25% and credit history 35%. According to the market share of Alibaba's brand enterprises in these five dimensions and the proportion of



each dimension, this paper makes a simple analysis of the rationality of sesame's credit scoring model.

In order to facilitate the analysis, this paper makes the following two assumptions: (1) it is assumed that different behaviors of users in a certain dimension have the same impact on the score; (2) Suppose that the market share of Internet behavior in a certain dimension represents the authenticity of users' credit information in that dimension.

Based on the above two assumptions, this paper selects one or two representative Internet behaviors from these five dimensions to analyze how these five dimensions and Internet behaviors play a role in the formation of sesame credit score. The specific selected indicators and market share are shown in the table 5.

**Table 5** Internet behaviors and market share of sesame credit

Evaluation dimension	Internet behavior	Market share and description
Interpersonal relationships (5%)	Social contacts	7.5%, market share of social software point bugs
	Microblog communication	87.8%, the market share of sina Weibo in the microblog Market
Identity traits (15%)	identity authentication	100%, and all users have been authenticated by their real names
	Search platform	14.61%, the market share of Shenma search in Chinese search engines
Performance capacity (20%)	Internet Finance	17%, market share of Alibaba wealth in Internet Finance
	Credit repayment	28.8%, the market share of ant flower in Internet Payment Finance
Behavior preference (25%)	Third party payment	54.3%, market share of Alipay in third-party payment
	Online shopping	59.6%, the market share of tmall in B2C

online retail market

Credit history (35%)	Credit loan	12%, the proportion of ant loan in the transaction volume of P2P network loan
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According to the table above, we can know the proportion of various Internet behaviors in the market share. The influence multiplier is obtained by using the formula market share \* proportion of this dimension \* (1 / number of behaviors under this dimension). In this paper, the identity authentication behavior with the largest multiplier is assigned a value of 100, and other behaviors are assigned a corresponding value according to proportion. The influence of various behaviors is shown in the table 6.

**Table 6** Table of influence and influence multiplier corresponding to each Internet behavior of sesame credit

Internet behavior	Influence multiplier	impact
Social contacts	0.002	2.5
Search platform	0.011	14.6
Internet Finance	0.017	22.7
Microblog communication	0.022	29.3
Credit loan	0.042	56
Credit repayment	0.029	38.4
Third party payment	0.0679	90.5
Online shopping	0.0745	99.3
identity authentication	0.075	100

From the table data above, we can see that the degree of influence on the scoring model from small to large is social intercourse, search platform, Internet finance, microblog communication, credit loan, credit repayment third-party payment, online shopping and identity authentication. Among them, the influence of social contacts accounts for only about 2% of the total influence, indicating that its influence on Sesame's credit score is minimal, which is consistent with the fact that the weight of interpersonal relationship in the five

dimensions is only 5%. This conclusion is basically consistent with the weight distribution of the current sesame credit score model, so it is considered that the five dimensions of sesame credit score and the corresponding reference indicators are relatively reasonable.

#### **4.3 Analysis of Advantages of Sesame Credit**

After the vast amount of Internet behavior data of users is collected by sesame credit and processed by advanced models, big data, cloud computing platforms and other scientific methods, the sesame credit score of users is finally calculated, and the relevant credit products are given. The following will analyze the advantages of sesame credit individual credit reporting. Sesame has a wide range of credit information sources. It not only collects credit information, but also covers users' social networking, Internet browsing data and other Internet behaviors. And it belongs to Alibaba group, which has a huge amount of user data. Data processing also has a unified standard, so its cost of obtaining information is also low. Sesame credit uses advanced science and technology such as artificial intelligence and cloud computing to analyze data. The amount of data collected is huge, which is more than ten million levels, and the way of processing data is very advanced. Sesame credit is very convenient to use. You can check it through Alipay. With more than 1 billion active users of Alipay, sesame credit has been popularized very quickly. And sesame credit has cooperated with many other third-party institutions, covering various fields such as credit car rental, credit visa, etc., which makes many people intuitively feel the value and convenience of credit.

### **5 COUNTERMEASURES AND SUGGESTIONS ON THE CONSTRUCTION OF CHINA'S CREDIT REPORTING SYSTEM UNDER THE INTERNET FINANCE**

#### **5.1 Improve Laws and Regulations Related to Internet Financial Credit Reporting**

With the rapid development of consumer credit and the continuous development of Internet Finance in China, China needs to further improve the relevant laws and regulations in line with the current development status and future development trend of the Internet finance credit reporting industry, so as to provide the necessary legal basis for guiding the standardized development of

the Internet finance credit reporting industry. The Chinese government should improve the level of credit reporting legislation as soon as possible to protect the construction of credit reporting system under Internet finance. Improve the corresponding laws, standardize the credit reporting behavior of credit reporting agencies, and make more detailed provisions on the content and scope of personal credit information collection, so that both parties in the credit reporting industry can protect their legitimate rights and interests of information privacy and security from infringement in the information transaction. At the legislative level, we should strengthen the protection of credit information. For violations of personal credit information disclosure, we should introduce corresponding punishment measures according to the severity of the circumstances, so that those who obtain credit information dare not cross the red line. At the same time, we should also follow up the construction of the protection system for the rights and interests of the information subject, so that the information subject can have a legal way to protect their rights when discovering information leakage.

#### **5.2 Establish Unified Standards for Credit Data Processing**

At present, the collection and dissemination standards of credit data of various credit reporting institutions in China are not unified, which has become a stumbling block before sharing credit data. To solve this stumbling block and realize the intercommunication of credit data among institutions, it is necessary to formulate a unified credit data processing standard. By improving the laws and regulations on credit information sharing and building a unified information management platform, we can standardize the use and dissemination of personal credit data, so that user credit data between different institutions can be effectively exchanged, so as to reduce the cost of credit data exchange. At the same time, this unified standard should allow certain differences, make reasonable supplements and improvements for it, and make it more suitable for the development of various credit reporting industry institutions.

#### **5.3 Strengthen the Publicity and Education of Credit Investigation**

In the Internet era, we can not only rely on television, newspapers, text messages and other channels, but also use QQ, wechat, dithering and other methods to publicize the people's credit information, make people aware of the importance of personal credit information, guide them to actively cooperate with the credit work, and avoid the dishonesty of providing false information in the process of collecting personal credit information.

Help them learn to protect their legitimate rights and interests in credit reporting and develop good credit reporting. Improve their initiative to independently query personal credit information, let the missing part of the credit data be included in the credit reporting system, and promote the construction and improvement of the credit reporting system under Internet finance.

## 6 CONCLUSIONS AND RESEARCH PROSPECTS

### 6.1 Conclusion

Through the construction and improvement of the credit reporting system in line with the current development of Internet finance, it can effectively reduce the credit risk brought to the financial market by the rapid development of Internet finance, so as to promote the healthy and stable development of Internet finance. China's credit reporting system has a short start time, but the development of Internet finance is extremely rapid, and the development speed of the credit reporting system is difficult to match the development speed of Internet finance. Therefore, it is necessary to further supplement the credit reporting system according to the current development of Internet finance. This paper mainly discusses the construction and improvement of credit reporting system under Internet finance, and summarizes the theories and practices of scholars at home and abroad in Internet Finance and credit reporting system. This paper compares and analyzes three representative personal credit reporting systems abroad. Using table data to analyze the development status of credit reporting system under Internet finance. This paper analyzes the problems and causes of the credit reporting system under the Internet finance, provides reference with the case study of sesame credit, and finally draws the following conclusions: first, improve the laws and regulations related to Internet finance credit reporting, keep pace with the times, so that the legal construction of the credit reporting system can keep up with the development trend of Internet finance. Timely fill the legal loopholes in the credit reporting system under the Internet finance, and do not let interested people exploit loopholes. The second is to establish a unified standard for credit data processing. Let credit data be shared among different enterprises and institutions under unified standards. Third, we should strengthen the publicity and education of credit reporting. By strengthening the publicity and education of credit

reporting, we will strengthen the public's awareness of the importance of personal information and help them develop good credit reporting.

### 6.2 Outlook

Under the Internet finance, the construction and improvement of the current credit reporting system will help China build a credit society and promote the healthy development of Internet finance. Scholars at home and abroad have carried out some research on the construction of the Internet financial credit reporting system, and have made achievements. However, some existing research results are difficult to solve the new problems in the development of Internet finance. Therefore, how to build a good credit reporting system to reduce the resistance encountered in the development of Internet finance is necessary to carry out research in this area, and should continue. This paper puts forward the Countermeasures of building and improving China's current credit reporting system from three aspects: perfecting the laws and regulations related to Internet financial credit reporting, establishing unified standards for credit reporting data processing, and strengthening credit reporting publicity and education, which can add some new colors to the existing research, provide some help for China's construction of credit society, and is conducive to the healthy and stable development of Internet finance. Of course, some of the views and countermeasures put forward in this paper may be a little immature and not deep enough, and need to be further improved. I will strengthen the research on this topic in the future, and provide more ideas for the construction of credit reporting system under Internet finance.

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