

How Does Fin-Tech Affect the Profitability Growth of Securities Firms?: Take Brokerage Investment Consulting Business as An Example

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Abstract

With the maturity of China's capital market, securities investment consulting business combined with the rapid development of Fin-Tech has brought profit growth to securities firms. Based on the SWOT method, this paper first describes the current situation of China's securities investment consulting industry, starts with the intelligent investment consultant under Fin-Tech to improve the traditional business dilemma, and finally analyzes the specific case of Guangfa Securities Beta Niu Intelligent consultant. Analyze the profit of securities firms by Fin-Tech and draw the conclusion: Fin-Tech have positive externalities for society and enterprises, improve the management efficiency of securities firms, stabilize market sentiment, and affect the growth of profitability of securities firms.

Key words: Fin-Tech; Brokerage; Profit; Investment advisory business

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1. INTRODUCTION

With the maturity of China's capital market and securities industry, the value of securities investment consulting is becoming more and more prominent. In recent years, with the rapid development of science and technology, thanks

to the use of big data and artificial intelligence technology, the global wealth management model has undergone substantial changes. The open Internet platform extends investment advisory services to more and more investors. In China, the development of national economy also gave birth to the demand for wealth management. However, the traditional Chinese wealth management industry has not been fully developed because of the problems of limited investors, high threshold and expensive investment consultants. (Ji & Ye, 2015)

Thus, the development of Fin-Tech is imminent, so in 2015, domestic securities companies will also come from the United States of intelligent investment advisory business. The goal of social and personal wealth accumulation and investor profit maximization is that investment advisers develop into the driving force of innovative technology and technological means (Wang Yu, 2020). Intelligent investment consultant is a new financial model after the deep integration of Fin-Tech and securities investment consulting industry. Intelligent investment advisory service through big data analysis, the risk tolerance of investors, income objectives, investment scope, capital volume and other investment information comprehensive evaluation, combined with financial institutions for their own interests, Through intelligent algorithm to calculate the asset allocation portfolio in line with customer investment concept, will assist customers to fully obtain β income in the investment market as a service goal (Dong & Yu, 2021), to provide them with artificial intelligence-based personalized investment advisory services.

2. SWOT ANALYSIS OF CHINA SECURITIES INVESTMENT CONSULTING INDUSTRY

In the establishment of the securities market, China's securities investment consulting industry also emerged.

After nearly two decades of perfect development, securities investment consulting industry has developed into the core component of China's securities market. With the increasing variety of investment instruments and the gradual widening of investment channels, investors' requirements for the timeliness, professionalism and accuracy of investment information are becoming higher and higher, which further accelerates the development of securities investment consulting industry.

2.1 Strengths Analysis

As the frontier application of artificial intelligence in finance, intelligent investment advisory service will present blowout growth under the two-way traction of scientific and technological reasoning and wealth management. Investment advisory services open a new chapter in the era of financial science and technology. China's economy has stabilized and recovered steadily under the leadership of the Communist Party. Under the background of the effective combination of domestic macro-control and market economy, the household wealth of Chinese residents continues to accumulate, and the increase of asset scale provides an open space for the anti-war of securities investment consulting industry.

2.2 Weakness Analysis

At present, China's investment consulting business is not clear enough, investment consulting business is often mixed with other business, it is difficult to give play to its advantages. The deviation of investment consultant orientation leads to the fact that many investment consultants in business department are equivalent to customer service and marketing personnel. There are only external forms and no substantive differences between them and other business. It is difficult to have deep service. Secondly, the profit situation of the industry is easy to be affected by the market. Because the investment consulting business has the characteristics of limited business scope, there are disadvantages of insufficient competitiveness of the industry.

2.3 Opportunities Analysis

Under the background of rapid innovation in financial market, the implementation of national financial encouragement policy and the approaching globalization of capital market, the securities investment consulting industry has ushered in new opportunities. First of all, the era of large capital management is coming, securities, insurance, banks, funds and other major financial institutions began to transform to mixed operations, China, agriculture, industry, construction, traffic five banks have set up independent financial companies, the financial market is about to enter the era of cross-border operations. Meanwhile, China's stock market is gradually opening up to the outside world. After A shares were included

in the MSCI and FTSE Russell bond index, Shanghai Stock Connect also accelerated its pace. After the implementation of the new QFII, RQFII regulations, foreign funds began to pour into the Chinese market. Accelerate financial market demand for securities research and analysis and investment advisory services.

2.4. Treats Analysis

Investment consulting business is faced with the threat of alternatives such as bank financial products, agent funds and so on. At the same time, securities companies are facing the pressure of a large number of R & D innovative products such as counterparties, and they have to increase their R & D situation. This increases financial risk and may hurt the investment consulting business (Wang, 2015).

3. ANALYSIS OF INTELLIGENT INVESTMENT CONSULTANTS TO IMPROVE THE BUSINESS DILEMMA OF INVESTMENT CONSULTANTS

3.1. Traditional Investment Advisory Business is Difficult to Cover Long-tail Clients

China's securities market is still retail as the main market, and the proportion of non-high net worth is large. The securities investment consulting business mainly provides the service for the high net worth customer, carries on the customized wealth management for the customer, realizes the consultant fee, the commission collection and the investment income share, thus becomes one of the securities company's profit sources. But overall, service costs are high, and less than 500000 non-high net worth customers are hard to accept such high hiring costs. Therefore, traditional artificial investment consultants can not cover long tail customers.

Intelligent investment advisers make up for this defect, because they adopt the "one-to-many" service model, effectively solve the problem of limited number of investment advisers, so fundamentally solve the problem of increasing marginal cost with the increase of customers. The marginal service cost is greatly reduced. After reducing the service charge, the entry threshold of the service object is also reduced, thus covering the broad long tail customer.

The traditional inclusive finance often has the problems of high cost, lack of credit and difficult to control the risk. The addition of financial science and technology can improve the speed of business operation, improve efficiency, further reduce the cost, reduce the risk of information asymmetry, improve the trust between institutions and customers, and realize the improvement of inclusive financial risk control model and the optimization of service model. At the same time, the addition of Fin-Tech can not only obtain broader financial resources, but also achieve sustainable development in business model

and profit model, and promote inclusive finance.

For securities firms, it reduces the marginal cost, includes more service objects, and increases more profit sources, which is beneficial to the development of securities investment consulting industry.

3.2 Low Efficiency in Processing Customer Information in Traditional Investment Advisory Business

In the past, the investment advisory business was limited to the lack of investment advisers, inefficient and lack of transparency in handling customer information. The addition of Fin-Tech changes the original information system of securities firms and forms an efficient and smooth way of information processing.

Cloud computing uses its characteristics of large storage capacity and fast computing speed to speed up the upper data operation and storage ability, and then speed up the clearing and settlement, risk management, customer service and other business, change the disadvantages of traditional business relying on network, greatly reduce the operating costs of securities companies.

Secondly, cloud computing and big data technology use their efficient computing advantages and massive data storage space to provide investors with matching asset allocation strategies according to the current needs of investors and the results of historical data. It not only saves manpower but also improves service efficiency. Finally, investors can dynamically monitor the asset allocation, review the results and expected returns of the portfolio in time, and provide real-time data disclosure and investment dynamic update to provide investors with highly transparent account dynamics.

3.3 Traditional Investment Advisory Business is Not Profitable Due To Market Volatility

In the past, the traditional investment advisory business was stubbornly profit-oriented, lack of characteristics, single form, and most of them lack of competitiveness. It is difficult to form a stable and sustained growth profit model.

The intelligent investment consultant is based on the theoretical guidance, at the same time intelligently summarizes the practical experience, matches the

appropriate quantitative investment model, and then provides the individualized investment suggestion for the customer, the whole process is basically not affected by the investor's emotion.

At the same time, the development of intelligent investment also provides help for individual investors to cultivate the correct investment concept. Retail investors usually pay too much attention to the information circulated in the market, rarely take into account the nature and planning of funds and market characteristics such as volatility of underlying securities prices, blindly operate, and only focus on immediate small interests for profitable stocks. For floating losses of stocks often like to hold long-term waiting back. The characteristics of intelligent investment make up for the above drawbacks. While allocating more optimized portfolio schemes for investors, the dynamic management of portfolio risk will help investors gradually establish correct asset allocation and risk management concepts. Create a good financial market investment atmosphere.

4. CASE STUDY — TAKING BETA CATTLE CONSULTANT OF GUANGFA SECURITIES AS AN EXAMPLE TO ANALYZE THE IMPACT OF FIN-TECH

Beta Bull is an intelligent financial investment product based on Internet technology and financial engineering theory, which is based on the diversification of strategy, portfolio, clear operation instructions and one-click single as the bright spot. Using the latest Internet technology and Fin-Tech to provide customers with intelligent, personalized investment and financial services. The main functions of Beta Bull include “I stock” and “I allocation”, using technology to measure investors’ personal information, investment preferences, risk preferences and risk tolerance, to form accurate customer portraits, and to provide customers with stock strategy and large asset allocation strategy to meet their different financial needs (Jiang, 2016). Beta cattle stock selection strategy model quantification is shown in Figure 1.

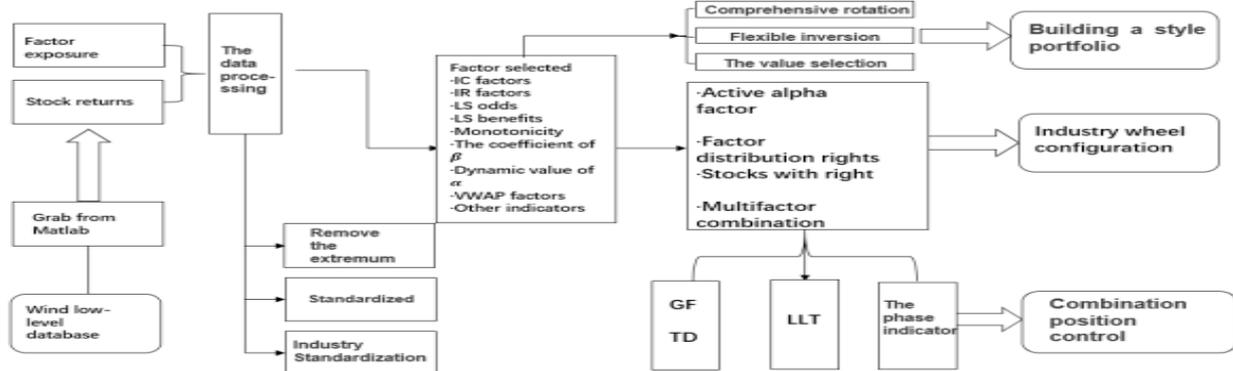


Figure 1
Quantification of Beta Bull Stock Selection Strategy

Since 2016, since the introduction of smart investment, Guangfa Securities mobile phone securities users have been growing, Fin-Tech has a positive impact on the investment consulting business of Guangfa Securities, investment consulting business more intelligent, diversified, personalized, At the same time, it has increased the number of consulting and visits to Guangfa Securities, promoting the development of Guangfa Securities (Fang, 2019).

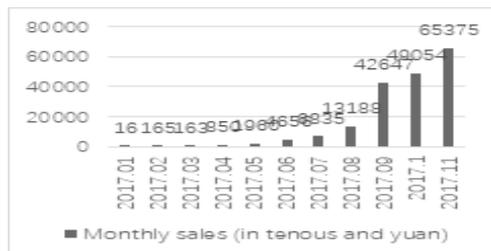


Figure 2
Growth of Mobile Securities Users

Beta cattle online, in sales also to the brokerage to bring a considerable part of the profit.

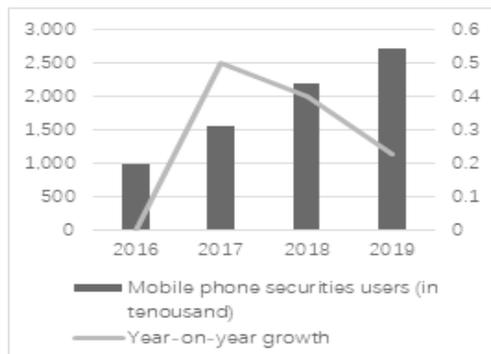


Figure 3
Monthly sales

Table 1
Comparison of Smart Care Benefits

The product name	The yield	The biggest gain	Retreat rate	T urnover rate
Beta I stock	4.09%	15.13%	-102%.0	33 times
Financial industry intelligent investment	-15.03%	12.92%	-24.81%	32 times
Investors with easy	-15.03%	11.48%	-16.06%	42 times
Baidu Stock Connect	-2.06%	1.52%	-2.37%	15 times
The odds are in charge	1.19%	4.28%	-0.51%	17 times

Table 1 compares beta cattle with the yields of other smart products on the market to test their market utility and value. Select the current mainstream of China's financial market several smart products, count the average

rate of return, withdrawal ratio, maximum increase, turnover rate of all its strategies four key indicators, compared with Beta cattle, the operation cycle is January 1,2016 to June 30,2016. Beta cattle still made positive returns in the extreme market of A stocks, such as fuse and stock crash in 2016, and the turnover data is also on the middle side.

Beta cattle i stock in order to meet the needs of small and medium-sized customers to invest in the function of the premise, improve customer account turnover, basically achieve the company's customers below 500000 to provide customer service requirements, At the same time, it improves customer account turnover to increase commission income, positive market utility and market value.

5. CONCLUSIONS

The development of science and technology and the growth of national economy pull the demand of financial science and technology to grow rapidly, and investment consulting business, as one of the main business of securities companies, should also cater to the development of this trend. The traditional securities investment consulting industry has a series of problems, such as high marginal cost, high investment threshold, low professional and technical level of personnel, and the inability of artificial investment consultants to meet the market demand. These problems hinder the development of securities investment consulting industry, and the participation of financial science and technology has largely solved the above difficulties.

Fin-Tech reduces information asymmetry, reduces marginal costs, and introduces more low net worth investors. From an economic point of view, there is positive externalities for society and enterprises. For securities firms, simplifying more processes, improving management efficiency and stabilizing market sentiment are the reasons why their profits have been growing.

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