

Research on Financial Fraud and Risk Prevention and Control for the Elderly

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Abstract

The consumption market potential of pension finance and services is huge, attracting different institutions to actively carry out product innovation to seize the market share of the elderly. With the rapid development of multi-pillar pension system and the rapid development of various pension funds, the scale has exceeded CNY 10 trillion. The rapid development of pension finance industry has also brought about the accumulation of risks. In reality, the cases of illegal financing called investment financing have occurred. Based on this, this paper objectively studies the financial fraud of the elderly in China, makes a practical analysis of the negative consequences of different types of financial fraud of the elderly, and finally gives the measures and countermeasures to prevent financial fraud of the elderly.

Keywords

Pension Finance; Financial Fraud; Risk Prevention and Control.

1. Introduction

In recent years, a series of pension fraud cases involving hundreds of millions of dollars from Changsha 'love heart' pension apartment 'thunder' to Nanchang 'nature of heaven and earth' pension mountain ranch reflect a realistic and serious problem, that is, the financial fraud of the elderly seriously exists in the whole society and around us, and poses a great threat to the pension of the elderly.

According to the data of the Seventh National Population Census, 264 million people aged 60 and above in China, accounting for 18.7 % of the total population, and 190 million people aged 65 and above, accounting for 13.5 % of the total population. At present, the phenomenon that the elderly suffer financial fraud occurs frequently, which has caused great negative impact on the harmony and stability of the whole society and economic development. Risk prevention and control is an important part of enterprise production and management, the purpose is to further improve the awareness of risk prevention and control of enterprise executives and employees. At present, most of the research on risk prevention and control focuses on the risk prevention and control of financial institutions (Jingwen, 2021) and enterprises (Wangyu, 2021). Wan Jiang, 2021) and research on risk prevention and control of corporate governance (Yu, 2022). For consumers, experts and scholars pay more attention to the risk prevention of Internet finance (Li, 2020; Liu, 2019). However, for the current large group of the elderly in China, few scholars have studied how to prevent and reduce risks when the elderly suffer financial fraud. At present, the development of China's pension finance is in its infancy. However, from the perspective of the degree of population aging, China is in urgent need of developing pension finance. However, from the perspective of reality, there are still large obstacles to the development of pension finance in China, among which the pension fraud is one of the problems to be solved urgently.

2. Current Situation and Problems of China's Pension Finance Development

At present, at the policy level, China has begun to attach importance to the strategic significance of pension finance, and has issued a number of policies for many years to promote the sustainable and healthy development of pension finance. In this very special year of 2021, the aging of the population, the epidemic of new coronavirus pneumonia and global instability and other factors intertwined, to some extent, on the development of China's pension finance.

China's pension finance has made some achievements under the support of relevant national pension policies. In terms of pension finance, the multi-pillar pension system has developed rapidly, and various pension funds have developed rapidly, and the scale has exceeded 10 trillion yuan. Since 2021, China has obviously accelerated the standardized development of the third pillar of personal commercial pension insurance, one of the important measures is the pilot work of pension financial products.

At present, China has initially formed a diversified pension structure covering the whole population, and is seeking diversified ways to maintain and increase capital; in the field of pension service finance, driven by the huge social potential demand and government support policies, major banks have begun to re-layout, especially focusing on the integration of financial services and pension, and even some traditional Internet institutions and real estate companies have begun to actively explore the development and innovation direction of pension service finance, and developed a large number of new financial products in the field of pension financial services; in the financial field of pension industry, under the background of the cold environment of the whole industry, as an important part of the big health industry, the enthusiasm of the pension financial industry has gradually increased, and a variety of models of pension industry have emerged in the primary and secondary markets. Primary market to insurance and fund companies as the main participants, active mergers and acquisitions industry leading enterprises. The secondary market ushers in new investors, stirring the industry pattern. In addition, domestic capital mergers and acquisitions of foreign assets and projects, and gradually enhance their asset management capabilities. At the same time, China's pension finance has the following problems:

2.1. Top-level Design of Pension Finance in China

There is no authoritative definition of pension finance. At present, the so-called pension finance policies are mainly aimed at the pension service industry, and there is no accurate definition of the concept and deep connotation of pension.

In the main source of pension areas, China's current pension 'three pillars' construction is not perfect. The World Bank suggests that a reasonable pension arrangement is the correct combination of social security, enterprise security and personal pension security. In China, the 'three pillars' pension system combining the national basic pension insurance, enterprise pension insurance and personal pension insurance has also been established. Accordingly, the study points out that the structure of China's aging financial market is out of balance, and over-reliance on the first pillar of the basic old-age insurance causes 'priority over'. However, the analysis shows that the average wage replacement rate of China's pension is low and the level of protection is very limited. In addition, we should also pay attention to the Confucian thought of filial piety deeply rooted; abnormal development of pension institutions; the proportion of low-income elderly is too large to support a variety of lifestyles and many other issues, and the current pension mode is still family pension.

2.2. The Knowledge Level of Pension Finance Needs to Be Improved

Driven by the popularization of quality education and the rapid development of network science and technology, the public's basic knowledge and the level of pension knowledge have been greatly improved. They have certain financial knowledge literacy, and the financial fraud has also been reduced. However, according to the results of the investigation and study, some people still suffer from pension-related fraud, because of the psychology of seeking small prices and the lack of relevant financial management knowledge. Some people are still unable to correctly distinguish between single interest and compound interest, and there is still much room for the improvement of the overall financial literacy of the public. The public's pension financial knowledge level is only around the pass line, and even there is a certain overestimate. The public's pension financial knowledge level needs to be improved. In addition, with the gradual increase in the demand for pension finance, the public has a strong demand for pension-related financial investment knowledge and concepts. However, the existing training and education channels for pension finance knowledge are lacking, which is difficult to meet some citizens who hold funds but do not know how to invest.

2.3. Increasing Financial Fraud for the Aged

At present, the number of '4: 2: 1' family structure in China is gradually increasing, and family pension has become a prominent social pension problem. Many integrated older communities are favoured because they can adapt to the needs of older persons at all ages and physical health conditions by providing a wealth of diverse lifestyles and healthy care, as well as by providing residential, social and medical services to older persons. In recent years, there have been a series of cases of fraud in pension institutions, involving a large amount. After the analysis, we found that the means of fraud in pension institutions are the following: First, under the guise of providing pension services, luring the elderly to invest in pension apartments and some other related pension projects, committing to give high returns and providing pension services as bait, luring the elderly to make large 'joint investment'; second, to pay membership fees, 'margin' as the name, promised to pay interest due, the proposed interest returns far higher than the bank interest at the same time, illegal absorption of public funds; third, the elderly are regularly organized to participate in health seminars by issuing eggs and other small gifts. In fact, these lectures are used to sell health products and health care products, and illegally defraud the pension of the elderly.

These illegal organizations, enterprises frequently responsible for the phenomenon of 'running with money'. The reason, mostly because these enterprises from the establishment to bankruptcy are not included in all aspects of strict financial regulation, resulting in chaos.

2.4. Limited Products for Long Tail Consumers

Although the overall income level of Chinese residents has been steadily increasing, for different income groups, the scope and extent of the increase in average per capita income are significantly different. Therefore, the law of "the poor are poorer, and the rich are richer" also objectively exists as the law of social nature. At present, most of the existing pension financial products are for the well-off groups with good family economic conditions. However, for the long-tailed consumers in the pension consumption, that is, the elderly with general or below family economic conditions, there are few pension financial products available for them to choose. Therefore, as the main provider of pension financial products, financial institutions must fully realize that the pension financial needs of Chinese residents are not consistent with the pace of development, and for the consumer behavior habits and psychological preferences of different types of consumers at all levels, financial institutions must conduct in-depth exploration, so as to achieve differentiated satisfaction of consumers through differentiated service practices. Only in this way can we stand out on the competitive track.

3. Analysis of the Negative Consequences of Financial Fraud for the Aged

3.1. Disruption of Social and Financial Order

Pension finance is an economic phenomenon that has only appeared in recent years, and the resulting regulatory problems of pension financial fraud will also become a special situation encountered in the government policy supervision. So far, the financial regulatory authorities have few regulatory policies on pension fraud, so that there are gaps and difficulties in the management of this special financial sector, and there are many problems. Financial supervision departments lack of understanding of the nature of financial fraud for the aged. Everything has its birth and growth process, and our cognition of these things also has this process. The important role of pension financial fraud in the social security system and China ' s financial market is also a process that we recognize. Especially when its problems or negative content has not yet produced or erupted, it is often not easy to get our attention. Of course, this also shows that China ' s regulatory authorities are not very keen on the perception of financial risks, and they are not clear about regulatory subjects. By whom to supervise, the scope of its supervision has become an unresolved issue. On the premise that the regulatory body is not clear, the so-called regulatory principles and methods cannot be mentioned. The existing financial supervision technology is backward, it is difficult to adapt to the regulatory requirements of pension financial fraud. Pension financial fraud enterprises at any time may use the high and new technology of the Internet to ' package ', conceal their financial business to avoid financial supervision, and the lack of information technology financial supervision departments in the specific supervision, often inadequate, these pension financial fraud events greatly disturbed the social and financial order.

3.2. Increasing Family Financial Burden

The main form of financial fraud for the elderly is usually based on pension service fraud, and the amount involved is often large. As is known to all, the elderly have often experienced a relatively poor era, and well inherited the fine tradition of " thrift and thrift " of the Chinese nation. They are frugal in their subtle life, and hesitate in some large consumption. They are eager to increase the value of the saved pension. These fraud groups suspected of pension fraud often use the mentality of the elderly that they want to add value to their pensions to implement fraud. Due to the huge amount of money involved, they often have a huge impact on family finance. For a common working-class family, a fraud will bring a relatively large burden on the finance of the whole family.

3.3. Psychological Injury to the Elderly

After suffering financial fraud for the aged, on the one hand, the elderly may blame themselves and have a bad emotional response to their own situation; on the other hand, after suffering a large loss of money, family and friends around them may also unconsciously blame them, causing secondary psychological harm. In the era of big data, the problem of personal information leakage is serious. From the casually thrown express boxes to the Internet operators, it is the source of our information leakage. In real life, we find through investigation that as the closest family member of the elderly, there is little time in daily life to help the elderly to contact the society, and there are certain misunderstandings in thoughts and actions. For example, many families believe that " as long as the elderly are healthy and not ill, there is no problem ". The family usually instills little knowledge of the elderly in the prevention of fraud, and ignores the prevention of financial fraud advocated by the society. The elderly are generally more childish, have the feeling of " returning to old age and children, " and are closer to children in terms of stress resistance and psychological endurance. The occurrence of pension financial fraud is likely to cause psychological harm to the elderly.

4. Suggestions on the Prevention and Control of Financial Risks for the Aged

In the face of the reality of “ getting old before getting rich, ” and the future trend that the population aging level will continue to increase rapidly and the proportion of the elderly will maintain a high level for a long time, in order to effectively deal with the population aging, it is necessary to fully understand the objective needs of the prevention and control of financial risks for the elderly. Therefore, this paper gives the following suggestions.

4.1. Government Establishing Credit Risk Management System of Pension Finance

Since pension finance has both the concept of “ pension ” and the concept of “ finance, ” its definition is not easy to be divided. Due to its particularity, it is greatly different from other economic activities. The existing separate supervision system is increasingly unable to meet the development of pension finance. Therefore, the future pension financial services will inevitably enter a new track of comprehensive operation. However, at present, due to China 's pension financial supervision system has not been fully constructed, and people have not fully understood and mastered the risk of pension finance, so the supervision role of local government departments is particularly important. We should pay attention to major issues in key areas, focus on major social and financial risks and major issues behind the failure of financial supervision, especially focus on the CBRC department and regions with more active financial markets such as Beijing, Shanghai, Guangzhou and Shenzhen, as well as pension financial institutions carry out pilot work on the construction of credit risk management system of pension finance in several major cities with active finance. As ' visible hand ', the government should not only play its role in market failure, but also play a role before ' failure '. Before problems arise, a good credit risk management system of pension finance should be established, which can effectively avoid the occurrence of risks. The government and relevant business supervision departments are required to jointly deal with various problems that may arise in the pension financial industry. By coordinating with relevant departments, actively exploring the innovation of pension financial supervision methods, making good use of cloud computing and big data analysis, gradually forming a more in line with social needs of the pension industry risk management mechanism system.

4.2. Promotion of Social Participation of Older Persons

Encourage older persons to continue to play a role. The role of young elderly people can be played by combining the elderly with the elderly and improving employment, volunteer service, community management and other policy measures. In schools, hospitals and other institutions as well as social domestic services, public places management and other fields, to explore ways to help the elderly flexible employment. Encourage the construction of the elderly talent database around the country, the elderly with the ability to work for vocational introduction, vocational skills education and innovative employment training. Solidly promote the " silver age action, " guide the elderly to volunteer to actively participate in grassroots units of democratic supervision, change customs, civil affairs coordination, cultural education and other social welfare activities. Give full play to the positive role of the elderly in ideological education and family tradition. Carefully do a good job in the construction of retired cadres and grassroots party organizations of workers, and actively guide the old party members to turn the organizational relationship into the regular residence in time, guide the old party members to play an active role according to their actual situation, and seriously do a good job in the spiritual care education and ideological guidance of the elderly. Completely eliminate the unreasonable provisions restricting the elderly to continue to play a role.

4.3. Innovative Pension Financial Products

In addition to the basic old-age insurance, enterprise annuity and occupational annuity, vigorously develop the third pillar of old-age insurance, actively promote the innovation of old-age financial products, and promote financial companies' good money to expel bad money. At the same time, promote the diversified development of pension financial products and flexible supply, help middle-aged and elderly investors to establish a scientific and long-term health financing concept, according to their own situation to convert the long-term investment into pension financial assets. Secondly, commercial banks and their investment and financing business personnel need to improve the decision-making level of macro research and investment in major industries, the long-term management and risk control level of bonds and non-standard investment, and the level of screening and integration of institutional funds to provide long-term stable yields for pension assets. The regulatory authorities should timely summarize the successful experience of pension financing in the past, and issue more creative pension financing products after improvement, so as to play a positive role in meeting the needs of public life and improving the third pillar pension insurance system. Moreover, China is a big savings country. Commercial banks should also carry out pension savings pilot, combined with the public demand for deposits, and constantly innovate financial products and business, thereby increasing the supply of pension financial services and pension financial products.

4.4. Strengthening Risk Prevention Awareness and Improving Anti-financial Fraud Ability

In the mechanism analysis of the impact of financial literacy on financial fraud risk, Li Ruixue and Yan Zhengxin (2019) believe that the elimination of fraud in digital inclusive finance can be dealt with by improving the level of financial knowledge of users. Liu Yang and Zhang Yuhan (2020) found that improving residents' financial literacy level can effectively reduce the possibility of fraud. In the impact of financial literacy on family financial fraud losses, family income level plays a negative moderating role. The regulatory authorities should continuously increase the relevant requirements for information intermediaries and financial institutions, encourage financial institutions to carry out targeted training for customers in fraud prevention, and expand the publicity of typical financial fraud cases.

For typical cases of financial fraud, the public should attach great importance to the dissemination of financial anti-fraud knowledge. Citizens should learn financial knowledge and anti-fraud knowledge through various channels, and improve the level of anti-fraud knowledge in the whole society to effectively reduce the risk of financial fraud.

The elderly should maintain a reasonable risk preference, accept the basic investment risk concept of "not knowing but not doing", prudently purchase risky financial assets, and keep vigilant about new and old products by understanding the relevant information of pension investment to commercial banks and specialized formal institutions. They should be cautious about falling into pension fraud cases because of the pursuit of interests, and constantly improve the risk awareness and enhance the awareness of anti-fraud. Family members should also regularly publicize some of the current typical means of pension fraud with the elderly, guard against unidentified website links and strange calls, and beware of being cheated.

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