An analysis of risk control in the financial sector using big data technology

Dalong Lin

School of Computer Science, Guangdong University of Petrochemical Technology, Maoming, Guangdong, 525000, China

893245507@qq.com

Abstract. The rapid development of information technology has ushered in a new era of big data in the financial industry, which has provided financial institutions with a plethora of novel tools for risk management, while also playing a pivotal role in the industry's risk control landscape. This paper analyzes the public data of existing financial institutions, combines relevant literature, and employs big data technology to assess and identify risks, which aims to explore how big data technology can improve the risk management ability of the financial industry. In addition, the paper examines the challenges and problems faced by big data technology in the application of financial risk control, including data privacy and security, technology costs, and the demand for specialized talents. The research demonstrates that big data technology improves the speed and accuracy of risk identification, but also points out the challenges of data privacy and security management. Future risk control models need to better integrate big data analytics with traditional risk management methods, thus promoting the further development and application of big data technology in the field of risk control.

Keywords: Big Data, Internet Finance, Risk Challenges, Financial Industry.

1. Introduction

In the 21st century, driven by the trend of informationization, big data technology is reshaping the ecological landscape of the modern financial management industry. Particularly in risk management, the application of big data technology has significantly enhanced risk identification precision and evaluation effectiveness, while also fostering profound innovation and personalized development within financial services. However, alongside the widespread adoption of big data technology, a range of complex and severe challenges have emerged. For instance, issues surrounding data security and privacy protection have become prominent concerns, while talent shortages and skills gaps pose potential threats to the healthy and stable growth of the financial industry. Therefore, it holds immense theoretical and practical significance to thoroughly discuss both the impact and challenges posed by big data technology on risk management within the financial industry. This paper employs a literature review and data analysis to assess and identify risks, with the objective of exploring how big data technology can enhance the risk management capability of the financial industry. Furthermore, this paper examines the challenges and problems encountered by big data technology in the application of financial risk control. The results indicate that big data technology enhances the speed and accuracy of risk identification while also identifying challenges in data privacy and security management. Future

risk control models must integrate big data analytics with traditional risk management methods to further develop and apply big data technologies in the field of risk control.

2. Overview of Big Data Development and Applications

Big data, known for its massive data volume, diverse data types, fast processing speed and profound value potential, is also referred to as 4V. In the financial world, big data has become ubiquitous, giving financial companies unprecedented risk insight and assessment power. These data are not only numerous, but also cover a variety of types, such as transaction records, user behavior, market dynamics, etc., which together constitute a comprehensive risk profile of financial institutions

2.1. Main Application of Big Data

Nowadays, big data technology has permeated various industries and sectors, emerging as a pivotal force driving social progress and development. In the financial domain, the application of big data technology is extensive and profound, offering robust support for risk management, business innovation, and customer service within financial institutions. The manufacturing industry leverages big data to optimize production processes and achieve intelligent manufacturing. Transportation systems employ big data analytics to alleviate congestion and enhance efficiency. The telecom sector optimizes services through customer data analysis [1]. Educational institutions also utilize learning data analysis to enhance teaching quality. As technology advances further, big data will be more deeply integrated into these fields, underscoring the increasing significance of ensuring data security and privacy protection. These applications not only boost industry efficiency but also provide substantial impetus for societal progress [1].

2.2. Impact of Big Data on the Financial Sector

The profound impact of Big Data on the financial industry cannot be overstated. The utilization of big data technology has revolutionized the operations of financial institutions, significantly enhancing their capacity and efficiency in risk management. Furthermore, it empowers these institutions to conduct more precise risk assessments and develop more effective management policies. Additionally, the application of big data technology has fostered innovation in financial services by promoting personalized offerings and products, thereby enabling financial institutions to cater to diverse customer needs and risk appetites effectively. These advancements not only benefit financial institutions but also provide customers with tailored financial solutions.

3. Risk Management in Internet Finance and its Associated Risks

3.1. Definition and Classification of Internet Finance

Internet finance, as a result of the deep integration between finance and technology, is progressively emerging as a pivotal component within the financial industry due to its inherent attributes of convenience, efficiency, and inclusivity. It encompasses various sub-domains such as online lending, Internet payment systems, Internet-based insurance services, and Internet-driven fund sales; thereby presenting novel avenues for the advancement of traditional financial services.

3.2. Role of Internet Finance in Society

Internet finance plays a pivotal role in contemporary society, exerting profound influence on economic development, social progress, and individuals' lives with its distinctive advantages and innovative approach. Firstly, Internet finance offers more convenient and cost-effective financing channels for small and medium-sized enterprises (SMEs) as well as individuals. Traditional financial institutions often exhibit caution towards the financing needs of SMEs and individuals due to factors such as cost and risk [2]. Leveraging big data, cloud computing, and other technological means, internet financial platforms can swiftly and accurately assess borrowers' credit status and repayment capacity, thereby providing more flexible and personalized financing services [2]. Secondly, the development of inclusive

finance has been aided by online financing. Internet finance is a vital tool in accomplishing the goal of inclusive finance, which is to make financial services more accessible to a larger segment of society. The accessibility gap to financial services can be closed by providing low-income and remote communities with the same financial services options as metropolitan populations using online financial platforms. Additionally, internet finance has stimulated innovation within the financial market's development. By introducing novel business models, technical approaches, and service concepts; internet-based financial platforms have disrupted traditional financial institutions' monopoly position while promoting competition within the market along with reform initiatives. This transformation not only enhances efficiency levels alongside service quality but also infuses new vigor into the overall landscape of the financial market.

3.3. Risk Control Strategies for Internet Finance

However, the rapid development of Internet finance has brought about increasingly prominent risks and challenges. In order to effectively address these risks, Internet financial enterprises have implemented a series of risk control strategies. To cope with diversified risks, comprehensive risk control strategies have been adopted by these enterprises. These encompass various dimensions such as legal compliance, technical security, user education, and the utilization of big data technology for user behavior analysis and transaction monitoring. Through the implementation of real-name authentication, credit scoring systems, black-gray list management, and other measures, multi-level risk management systems have been established [3]. Additionally, regular strategy monitoring and review ensure that risk control measures are updated in response to market changes to safeguard business operations' robustness and client asset safety. This comprehensive risk control framework not only ensures the healthy development of Internet finance but also enhances trustworthiness and reliability within the entire industry.

4. Emerging Trends in Risk Control

In today's digital age, the rapid development of Internet finance has made risk control one of the important challenges faced by financial institutions. In order to meet the increasingly complex and changeable risk environment, the integration of deep algorithms, big data and machine learning technology has become a new trend in the field of risk control. The combined application of these techniques in risk control and the changes they bring are discussed in detail below.

4.1. Advanced Applications of Depth Algorithms in Risk Control

The advent of powerful learning and processing capabilities, coupled with the advent of deep algorithms, has brought a novel perspective to the field of risk control. The construction of deep neural network models enables financial institutions to conduct in-depth analysis of complex features and patterns in user data, thereby facilitating more accurate risk identification and prediction. In the field of credit assessment, traditional scoring models frequently rely on credit data and simple statistical methods. However, with the advent of big data technology, financial institutions have gained access to a greater variety of user data, including social network data and consumer behavior data. Credit scoring models are constructed using deep neural networks (e.g., CNNs or RNNs), which are trained with voluminous data to discern intricate interrelationships between user information profiles.

4.2. Deep Integration of Big Data and Machine Learning

Big data provides rich data resources for machine learning, and machine learning algorithms can dig out potential risk rules from massive data. In the field of risk control, the deep integration of big data and machine learning has realized real-time monitoring, automatic identification and early warning of risks. Fraud is a common risk in payment platforms. In order to effectively identify fraud, a payment platform has adopted a fraud detection system based on machine learning. By monitoring users' transaction data and behavior patterns in real time, the system uses support vector machine (SVM), Random Forest and other algorithms to build fraud prediction models. Once the system identifies an abnormal transaction or

behavior pattern, it will immediately trigger an early warning mechanism and take appropriate risk control measures. In addition, the system can dynamically adjust risk management strategies according to market changes and risk challenges to ensure the safety of funds.

4.3. Integrated Applications of Deep Algorithms, Big Data and Machine Learning
In the field of risk control, the integrated application of deep algorithms, big data and machine learning can achieve more accurate and efficient risk control. By building deep learning models, financial institutions can deeply mine complex features and patterns in user data; Big data provides rich data resources for machine learning, enabling machine learning algorithms to identify and predict risks more accurately. At the same time, big data and machine learning technology can also realize real-time monitoring and dynamic adjustment of risks, ensuring that financial institutions can timely respond to market changes and risk challenges [4].

4.3.1. Comprehensive Risk Control Platform. To improve the risk control ability, a comprehensive risk control platform can be built, which integrates a variety of technologies such as deep learning, big data, and machine learning, and realizes the comprehensive monitoring and management of various types of risks. Through deep learning models, the platform can automatically learn and extract complex features from user data; At the same time, big data provides platforms with rich data sources that allow machine learning algorithms to identify and predict risks more accurately. In addition, the platform also has real-time monitoring and dynamic adjustment capabilities, which can adjust risk management strategies in a timely manner according to market changes and risk challenges. This comprehensive application not only improves the accuracy and efficiency of risk control, but also realizes the intelligence and individuation of risk management. In summary, the integration of deep algorithms, big data and machine learning in the field of risk control provides a new solution for financial institutions.

4.3.2. Innovative Practice of Data mining and Transmission in Risk Control. Data mining and transmission play a crucial role in the risk control of Internet finance. Through in-depth mining and analysis of user data, financial institutions can find valuable information hidden behind the data, such as the user's credit status, consumption habits, investment preferences, etc. This information not only helps financial institutions to develop more accurate risk management strategies, but also provides decision-making support for financial institutions. At the same time, efficient data transmission mechanisms ensure that risk control measures can be implemented in a timely and effective manner. By establishing a sound data sharing and exchange platform, financial institutions can realize real-time data sharing and collaborative work, and improve the efficiency and accuracy of risk control work.

4.3.3. Core Role of data Processing and Analysis in Risk Control. Data processing and analysis is one of the core applications of big data technology in Internet financial risk control. In the face of massive user data, financial institutions need to extract valuable information through efficient data processing and analysis technology, which includes data cleaning, integration, analysis and visualization. Through data processing and analysis, financial institutions can more comprehensively understand the user's behavior characteristics, credit status and risk level, and provide strong support for risk decision-making. At the same time, data processing and analysis technology can also help financial institutions find potential risk points and trends, formulate risk response strategies in advance, and reduce risk losses.

5. Challenges of Big Data Technologies for Risk Control and Management

5.1. Data Security and Privacy Protection
With the wide application of big data technology in risk control and management, data security and privacy protection issues have become increasingly prominent. Given the substantial volume of sensitive data involved in risk control management, including user identity information and transaction records, ensuring the security and privacy of these data sets has become a significant challenge for

financial institutions. Once the data is leaked or abused, it may lead to serious consequences, such as damage to the rights and interests of users and damage to the reputation of financial institutions. Therefore, financial institutions need to strengthen the research and development and application of data security management and privacy protection technology to ensure data security in the process of risk control management.

5.2. Technology Update and Talent Shortage

The rapid development of big data technology has placed higher requirements for technical update and talent training of financial institutions. However, there is a relative shortage of professionals in the field of big data in the market at present, which makes financial institutions face certain difficulties in introducing and applying big data technology. In order to meet this challenge, financial institutions need to increase personnel training and introduction efforts to improve the level of big data technology and application capabilities of employees. Meanwhile, financial institutions should also strengthen cooperation with universities and research institutions to jointly promote the development and application of big data technology. [5].

5.3. Regulatory and Compliance Challenges

The application of big data technology in risk control and management is becoming more and more extensive, and relevant regulatory and compliance requirements are becoming increasingly stringent. Financial institutions need to carry out risk control management under the premise of complying with laws and regulations to ensure data compliance and legitimacy. At the same time, financial institutions also need to strengthen communication and cooperation with regulators to jointly promote the healthy development of big data technology in the field of risk control and management. In addition, financial institutions need to be aware of international data protection regulations and standards to ensure compliance when doing business globally [6].

6. Conclusion

To sum up, big data technology has brought far-reaching impacts and challenges to the risk control and management of the financial industry. Through the deep integration and innovative practice of deep algorithms, big data, machine learning and other technologies, financial institutions can better cope with risk challenges and improve risk management. However, issues such as data security and privacy protection, technological updates and talent shortages, and regulatory and compliance challenges cannot be ignored.

Looking ahead, with the continuous progress of technology and the improvement of regulations, the application of big data technology in the risk control management of the financial industry will be more extensive and in-depth. Financial institutions will be able to use more advanced data mining and analysis techniques to achieve more accurate identification and assessment of risks. At the same time, with the continuous development of emerging technologies such as artificial intelligence and blockchain, big data technology will integrate with these technologies to jointly promote the innovation and upgrade of risk control management in the financial industry. with the acceleration of globalization and digital transformation, financial institutions also need to strengthen international cooperation to jointly address cross-border risk challenges and achieve globalization and synergy in risk management and control. And Internet financial enterprises should make full use of big data software systems to conduct comprehensive and accurate analysis of various investment portfolios, so as to improve the quality of Internet financial investment. Furthermore, Internet financial enterprises should employ a comprehensive range of view-based and automated models to effectively identify and predict Internet financial risks, and implement targeted risk prevention measures on this basis.

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