

China pushes Alipay to spin off loans business as it tightens grip on payments space

Article

The news: The Chinese government reportedly ordered **Ant Group** to break off its loans businesses—including short-term loan product **Jiebei** and virtual credit card **Huabei**—from

subsidiary Alipay, per the Financial Times.

The government wants to make the loans business its own app. Alipay will also need to turn over customer information used to underwrite loans to a credit-scoring joint venture shared with state-owned companies to help bring more transparency to Alipay's business.

Some key context: To mitigate a rise of household debt, China's central bank pushed Alipay in April to break up its loan business from the back end—or as the government described it, to cut “improper linkages” between financial services and payments. Now, the government wants to create a sharper divide between Alipay and its loan businesses.

The bigger picture: In the last year, the Chinese government has stepped up its control over Big Tech to rein in what it considers to be monopolistic behavior.

- In November, Alibaba's IPO—slated to raise more than \$34 billion—was suspended by authorities, which may have been a direct result of heightened antitrust scrutiny.
- The next month, Chinese finance regulators created a five-point compliance agenda for Ant Group. It included reverting the firm's focus to payments and making transactions more transparent, which is what may be taking place now. This could hurt **Alipay's market share, which stood at 55% of China's mobile payments as of Q1 2020**, per iResearch.
- In April, the Chinese government slapped Alibaba with a \$2.75 billion fine, the culmination of mounting regulatory scrutiny and a monthslong investigation into the conglomerate's business.

The big takeaway: Alipay's online credit offering is its biggest business by revenues, with an estimated consumer lending balance of \$260 billion as of June, per Reuters—and spinning these solutions into a separate app might hinder the firm's growth.

Alipay may have benefited from promoting and offering its online credit solutions to its **more than 1 billion app users**. Offering them as a standalone app—and sharing key data that powers the business with the state—could hinder Alipay's product discovery and hamper cross-selling opportunities, potentially increasing business for competitors.

Related content: We've just scratched the surface of Alibaba and Ant Group's scale—for a deeper dive into the firms and how they fit into China's wider retail ecosystem, check out the [China Ecommerce Forecast 2021](#) report.