

# The Ant Empire: Fintech Media and Corporate Convergence within and beyond Alibaba

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## Abstract

Data-driven technologies and platform economies have been widely employed by Chinese companies in a variety of business sectors. In the past decade, these digital applications have profoundly restructured economic development and power relations in Chinese society. This article examines how the promotions of fintech media and communication technologies for transactions, loans, investments and many other financial practices—engender and enlarge Alibaba’s digital financial platform, Ant Financial, the largest digital financial company in China. From a political economy of communication perspective, we consider Ant Financial as a product of data-centric corporate convergence in which fintech media have extracted user data from Alibaba’s e-commerce and digital payment platforms and utilized this data to drive Alibaba’s growth in financial businesses. The consolidation of multiple platforms has transformed financial industries, challenged policy and regulatory regimes, and reshaped the cultures of finance in China. The convergence paradigm underpins the digital, technology-driven logic facilitated by the state in resource allocation and policy-making. The government’s supportive role is a vital condition for the rise of Chinese fintech giants such as Baidu Finance, Ant Financial, Tencent Finance, and Jingdong Finance.

In June 2013, China’s largest e-commerce company, Alibaba, launched an online application, Yu’eobao, which allowed e-shoppers to transfer dormant cash from their payment account on Alipay to an investment account. Through the user-friendly app, the ‘investors’ get higher return rates than their regular deposits at banks and through other sorts of financial investment. In less than a year, Yu’eobao had attracted more than US\$65 million and, by 2017, had accumulated \$165 billion dollars of assets under management to become the world’s largest money market fund (Lucas, 2017). A year after the launch of Yu’eobao, Alibaba integrated its digital payment sector and services into a financial

company called Ant Financial. By April 2018, the business value of Ant Financial was estimated at \$150 billion and the company topped the list of the most anticipated IPOs (Kharpal, 2018).

The development of Alibaba from an e-commerce platform, to a payment platform (Alipay), and then to an investment platform (Ant Financial) has enabled its continuous expansion in multiple business areas. The strategy of corporate convergence involving the expansion into new platform businesses based on the development of existing platforms, has also been taken up by other internet giants in China, including Baidu and Tencent as well as by Google and Amazon. It signals the increasing power of platform businesses in converting and converging user roles for economic and political purposes in China.

Platform businesses reflect a new development model in the commercial and business arena (Choudary, 2015; Evans and Schmalensee, 2016; Parker et al., 2016); they also demonstrate a new organizing logic for the distribution of financial capital, social resources, and political power (Chase, 2015; Choudary, 2015; Evans & Schmalensee, 2016; Gillespie, 2010; Langley and Leyshon, 2016; Parker et al., 2016; Srnicek, 2016). In the formation of platforms, digital technologies have played a pivotal role in relating user data to the creation and promotion of new products and services (Van Dijck, 2013). Among a wide variety of platform businesses, digital financial platforms have experienced rapid growth worldwide (Ahlers et al., 2015; Belleflamme et al., 2015; Heminway, 2013). Yet, the majority of existing research focuses on the operational mechanisms of a singular platform. The relationship between various platforms has been much under-studied, and their social, political, and cultural dimensions have been largely ignored.

Drawing upon convergence theories in the political economy of communication, this article examines how digital technologies have enabled the expansion and consolidation of multiple platform businesses and considers the social and political consequences. Based on the case study of Ant Financial, one of the largest fintech companies in the world, we argue that Alibaba has utilized user data and algorithmic technologies to build on their existing e-business and grow new business (e.g. financial services). The converged platform that has eventuated dominates the digital economy in China and worldwide. The process of corporate convergence enables Alibaba to increase profit and economic power as well as the capacity to re-distribute technological resources and social and human capital.

We identify three key steps through which Alibaba redeveloped its e-commerce platform into financial platforms, first for payment, then for clearance and settlement, and, later on, for investment. In each step, we analyze the key elements enabling platforms to merge. These include interface design, business partnerships and regulatory policy shifts. We conclude by highlighting the social and political consequences of convergence as organized by financial technologies and platform businesses.

## **Corporate convergence and fintech platforms**

The idea of convergence has distinctive implications in various disciplinary and historical contexts (e.g. Bormann, 1985; Goode, 1992; Grinn and Korotayev, 2015; Miller and Kraidy, 2016). This article understands convergence as arising from the technical blurring of discrete media systems and business models (Fitzgerald and Winseck, 2018). For example, Netflix is a digital platform but provides mass media content. In practice, convergence is often driven by capital acquisition and crosses the boundaries which demarcate different media or business categories (Winseck, 2002).

In one sense, the platform business model can be seen as a technology-oriented convergence of market processes. According to van Dijck, Poell, and de Waal (2018), a platform “is a programmable digital architecture designed to organize interactions between users – not just end users but also corporate entities and public bodies. It is geared toward the systematic collection, algorithmic processing, circulation, and monetization of user data” (3). As such, platform business exemplifies a highly liberalized economy since it brings two aspects of the market, along with their constituents, together online. According to Lobo (2014), “[the platforms] are economic ecosystems that make money by enabling others to make money”. This business model, where idle resources are mobilized from the mass to provide for various business and household needs is often known as the collaborative/sharing/peer/platform economy. Platforms create business ecosystems and act as intermediaries between different groups, typically buyers - sellers, consumers - advertisers, fund-seekers and fundraisers etc. (Tiwana, 2014; van Dijck et al., 2018)

On the other hand, platform business is an embodiment of economic planning whereby algorithms and big data determine the creation and promotion of products and services. Platform companies are ultimate planners who maintain the rights to design the use of such digital technologies so that they can interact with other entities. In Choudary’s terms, this design takes the form of an architectural framework, or ecosystem that consists of three layers: network-marketplace-community, infrastructure, and data. Depending on the type of core interaction, these layers will have different thicknesses. Airbnb or Facebook will have the thick community layer as “the network is the source of value”, WordPress or Android develop a strong infrastructure layer while healthcare platforms mine data extensively (Choudary, 2015). The thickness of each layer within the platform ecosystem varies as businesses adjust their model over time to improve the capacity to attract participants, facilitate interactions among them, and match their needs. The adjustability of platforms has been accomplished through the construction of platform ecosystems (van Dijck et al., 2018). They can be defined as “an assemblage of networked platforms, governed by a particular set of mechanisms that shapes everyday practice” (van Dijck et al., 2018: 4). Each assemblage contains three elements: technological infrastructure, the business model, and user practices. While the technological infrastructure allows the platform to capture all users and user interactions as data, and then circulate them internally or externally, the business model decides how to monetize attention, data and users (Van Dijck, 2013; van Dijck et al., 2018).

The post-2008 recovery of financial industries features the rise of fintech, the portmanteau of finance and digital technologies. Increasingly more fintech companies adopt the platform model for business growth and the construction of a platform ecosystem has become their imperative. Digital financial platforms have thus become a significant topic in economics and financial studies. However, most of the literature takes the functional approach and focuses on investor profile, campaign success factors and performance (McKenny et al., 2017). Introducing the communication studies perspective helps to shift the focus onto the broader socio-political contexts around digital financial platforms. Fintech companies often use social media, mobile apps, and other individual-user-based software to reach new users or sustain the existing users (Wang, 2018a). Fintech media has been vital in sustaining the ecosystems of fintech platforms since the individual users and lay investors (as opposed to institutional users or investors) comprise the majority of the fintech market.

## Method

This study combines policy analyses, field observations, a sample of business news and financial reports, plus in-depth interviews. The goal was to identify the role of digital technologies and digital communicative practices in the development of Ant Financial, the largest digital financial platform in China. Accordingly, the research sources were divided into three categories: histories of Ant Financial (AF) reflecting the internal logics of AF's development; government policies providing the political conditions for AF's development; and users' experiences which projected the market dynamic of AF's expansion.

For historical analyses, we collected published books, journal articles, and financial news covering the history of AF. We also interviewed three employees at Alibaba headquarters in Hangzhou, and two of them have worked at Alibaba since year 2005. We utilized research materials and interview transcripts in order to ask two pivotal questions: what are the innovative/emerging technologies enabling AF to offer cutting-edge products and services? And, what are the administrative, operational, or cultural factors from within AF that have facilitated new product or market strategies?

For policy analyses, we first conducted policy research through the official websites of the China Bank Regulatory Commission (CBRC), as well as the archive of industrial journal *China Finance*. This fortnightly magazine was established in 1950 and managed by the Central Bank of China. In addition, we interviewed officials of the National Internet Finance Association, the semi-official association in charge of policy application and self-discipline of the digital financial industries. Overall, our research focused on three questions: which individuals and departments oversee governance and regulations of the emerging digital financial platforms? What are the cognitive and regulatory norms underpinning policy-making in the digital financial area? How have these policies been implemented?

We also interviewed 12 users in Hangzhou, Shanghai, and Beijing with a focus on how they interact with and comment on the Yu'e bao app provided by AF. We also video recorded how these interviewees used the app on smart phones. From the structured questions we wanted to find out: when did these users start to use digital financial services? What media forms or communicative equipment did they use? What made them choose the preferred services or media forms over others? We also asked about their understandings of 'risks' and 'uncertainties' in their digital financial practices. In addition to the structured questions, we welcomed the interviewees' comments and narratives.

## From Alibaba to Ant Financial

In 1999, Jack Ma founded Alibaba.com in Hangzhou, China. The e-commerce site had focused on facilitating online transactions between companies (so-called B2B businesses). In 2003, Alibaba Company established Taobao.com and embarked on consumer-to-consumer (C2C) commerce. When the world's largest e-commerce corporation, eBay, entered the Chinese market in 2005, Alibaba started to spare technological and human resources from its B2B sector to develop Taobao (You, 2017). In three years, Taobao completely defeated eBay thanks to its 'glocal strategies' which integrated global technological trends with the interface designs and in response to local demand (Ou and Davidson, 2009). eBay quit its C2C market in China and shut down its China site (Vara and Chao, 2006). Meanwhile, Taobao continued growing its market share by learning the global e-

commerce standards and adapting them to local user preferences. These included no transaction fees and embedding an Instant Messenger in the C2C platform to enable pre-transactional buyer-seller communication (Ou and Davidson, 2009). By 2005, Taobao was the top C2C site in China, and its total transaction volume accounted for 70% of the e-commerce market share in the consumer sector. New entrants in 2005 such as Tencent and Dangdang only developed niche markets and could not easily compete with Taobao in the early years (Li et al., 2008).

In October 2003, Taobao got its first payment through the digital escrow service, Alipay, which allowed buyers to wire money from their bank accounts to Alibaba. This method was perceived by many Chinese customers as an effective means to reduce the settlement risk; it ensured payments between sellers and buyers after goods were delivered. By 2005, more than 70% of transactions on Taobao were through Alipay, which had been a key driver of Taobao's exponential growth (Shim and Shin, 2016). Alipay was founded as a service organ for Taobao but very soon ran as an independent business in the digital payment market. In December 2004, Alipay was separated from Taobao and registered as a company that provides third-party-payment (TPP) services through digital technologies. Unlike the traditional escrow services provided by banks or underwriting companies, TPP's are mostly provided by technology companies through digital instruments which focus on minute but frequent transactions. In 2005, the central bank identified TPP as a new category of financial services provided by non-banking companies, including payment, clearance, and settlement services (in collaboration with banks).

From 2005 to 2014, Alipay has sustained itself as one of the oligopolies in the Chinese digital payment market through three key strategies: convergence with existing financial networks; boosting active users; and sensitivity to regulatory shifts (You, 2017). Digital payment was in its infancy around the year 2000 and Alipay had to set up a technological infrastructure that could adapt to existing systems at the mainstream banks. Since 2005, Alipay has been working with the Industrial and Commercial Bank of China and the China Construction Bank for express payment services and authentication procedures. As one of our interviewees recalled [1], it was an extremely painstaking yet rewarding process. Alipay took two years to develop new digital infrastructure and connect it to the mainstream banks' operational systems. Since the Chinese commercial banks had been networked and committed to the same set of transaction codes (Wang, 2018b), the convergence between Alipay and the two mainstream banks allowed the former to be the universal TPP provider for Chinese consumers no matter which banks they were using.

In addition, Alipay has boosted the number of active users through 'free service' strategies. Assuring their users that Alipay is convenient, the company does not charge any transaction fees. Compared to the traditional payment services from the banks or credit card services from Visa or Masters, Alipay's charge-free policy has been very attractive. The rapidly growing users' group has helped Alipay to matriculate an expanding database. By 2011, it had accumulated a platform of more than 600 million users and constructed a database with all their information concerning demographics, bank accounts, and purchase records. The data enabled Alipay to create and customize financial services (such as consumer loans) or investment products (such as money market funds) [2]. Borrowers or investors could also conveniently manage their payoffs or investment returns since their Alipay accounts had been connected with their bank accounts.

In June 2013, Alibaba launched the investment application, Yu'eobao. At the promotional stage, it offered a much higher return (usually 6–8%) than most other ordinary bank investment products. Further, while banks have a threshold for minimum investment (usually above US \$800), Yu'eobao users could start from just one Chinese yuan (about 15 cents). By this time, the accumulated database

from Taobao and Alipay users had prepared for Yu'eobao a large investor base. The e-shoppers and payers were encouraged to invest their dormant cash with Yu'eobao. In less than a year, this investment app had attracted more than 200 million Chinese people of all social strata who enjoyed being lay investors without technical or financial constraints. By 2015, Yu'eobao had exceeded the total size of assets under the management of any other fund in China. In the same year, Alibaba initiated the ALL-IN-Wireless strategy (You, 2017) whereby its financial products and services became available on mobile internet and smart phones.

In the process of Yu'eobao's expansion, the e-consumer data collected from the Taobao and Alipay services were used to promote Yu'eobao's investment opportunities. At the same time, the user-friendly online investment apps helped to obscure the complexity and riskiness of the financial activities that were being promoted to users. The e-commerce platform and payment platform have constituted the infrastructure which has generated consumer data for the investment businesses, and the three business platforms collectively built from Alibaba's financial complex. As Choudary (2015) describes it, this is networked marketing.

Our interviews with Yu'eobao users show that the Chinese users preferred these digital financial technologies over traditional bank services because of their flexibility, convenience and higher investment returns. Many interviewees checked stock markets and managed other financial products on personal computers. However, most of them have now migrated to using mobile devices. This reflects changing lifestyles and the introduction of workplace rules that forbid financial software on computers. Using their smart phones without any professional financial assistance, they could transfer cash from their bank accounts to investment accounts. They could also search for third-party information, rather than relying on financial advisors' opinions. In general, they prefer such digital and mobile investment experiences over those available at banks.

In 2014, Jack Ma integrated Alipay and Yu'eobao and formally registered Ant Financial, a Chinese domestic corporation which he fully controlled with his kernel executives. Ant Financial uses digital technologies to collect data from more than 800 million users. This giant company provides investment products, loans, online banking, and wealth management services to small-and-medium enterprises (SMEs), Chinese small investors, and the growing population of e-consumers. In June 2017, Ant Financial Services announced that it would allow third-party financial institutions to set up virtual shops through an indigenous app, as Amazon had done when it introduced its Marketplace (Galloway, 2017). More than a business development strategy, this announcement indicates that corporate convergence has occurred within Alibaba, while also incorporating other smaller digital platforms.

## **The diverging discourses of "risks"**

With the rapid development of Ant Financial platforms, there are different types of discourse concerning the idea of 'risks'. These in turn have been advocated or promoted by three groups of actors: regulatory agencies, traditional banking industries, Ant Financial (along with many other digital financial companies and digital financial investors). In the regulatory realm, financial risks have been defined and evaluated according to economic criteria or through financial terms such as 'cash pooling' – the holding and transferring of money between companies within a group and 'money laundering' – the concealment of illegal money. The ultimate purpose of a regulatory agency is to prevent systemic risks, or in other words, to minimize the impact of a potential default or failure of an entity on the whole system. The central bank regulatory agencies, such as the Chinese Banking

Regulatory Commission, together with the banking industries, stress the rationality and legitimacy of these rules.

However, in marketing and promoting their risk-proof technologies, major digital financial companies including Ant Financial have framed risk in an alternative way. One primary selling point is “we will keep your money safe” (Alipay.com). User account details are doubly encrypted and go through a two-step verification before any transactions occur. Such companies also offer higher returns compared to interest-bearing wealth management products provided by traditional banks (as the Yu’eobao case has shown). The other selling point is flexibility, specifically, the speed of the loan process and user-friendly apps. According to Ant Financial’s 2015 Operation Report on the Payment System (You, 2017), the company has issued a total of more than 700 billion RMB (or more than US\$100 billion) in loans to small and medium enterprises (SMEs) between 2010 and 2014. These loans are without guarantee or collateral and boast a “310” experience – it takes three minutes to apply, one second to receive the money, and zero personnel to interfere (Wang, 2018b). Like many other digital financial companies, most of the business development people involved have technical expertise in computer and data science but no financial background. Alibaba had seldom incorporated the risk dimension within the early design and development of financial platforms (You, 2017).

The users’ understanding about risk is two-fold. Since the debut of Ant Financial, digital investors have seldom lost money in digital investment, although the returns have been decreasing in the last two years (JRJ.com, 2018). This seemingly stable trend has made those with low financial literacy believe that digital investment is entirely risk-proven. More financially educated investors know that the risk of loss is part of their investment, and that the higher return is tied to higher risk. However, their digital investments have also been powerfully driven by opportunistic thinking; digital finance has provided them the flexibility to get in and come out the market quickly, especially in response to market volatilities.

The emergence of political, technological, and public discourses of risk could be intrinsic to the development of digital finance in China. All of the financial executives and officials interviewed stressed that finance is a highly professional and exclusive domain. Professionally trained elites and high-level Party officials are in charge of regulatory policy-making. In this domain, risk management is primarily for the stability of the overall financial system in China. This systemic view conflicts with the partial view favored by digital financial companies to advance innovative businesses and by public investors to maximize individual returns. The Chinese financial market features millions of enthusiastic small lay investors (in contrast to institutional actors in the Western financial market) who have been seeking rags-to-riches opportunities. Higher returns and technical flexibility often encourage them to take unnecessary risks. As exemplified in the Ant Financial case, digital financial companies’ aggressive promotion of digital finance enlarges and reinforces the persistent gap between the political and public understanding of financial risk.

## **Risk and regulatory challenges**

China’s financial sector embarked on marketization in the 1990s and started to merge into the global financial system after the Fourth National Financial Work Conference in 2012 (Zhou, 2015). Chinese banks, insurance companies, and securities agencies were urged to employ information and communication technologies for efficient transactions in network-based financial systems at the domestic and global level. In 1991, the central bank established the Department of Financial Science

and Technology to meet this requirement. Since then, the central bank has been the designer, promoter, and regulator of financial technologies for Chinese financial industries (Zhou, 2015).

The spread of digital platforms has created a new financial domain which co-exists with mainstream financial industries (Wang, 2018a). This poses new challenges for financial governance and the regulatory regime. If traditional financial industries have been primarily owned or controlled by the state through the central bank, the new financial domain signifies the rise of non-financial companies, especially the large internet corporations who run financial businesses with the government's endorsement. Although they did not recognize these fintech companies as financial companies or assign them financial business licenses, they are formally registered informational intermediaries for financial businesses. In 2012, the government's think tank employed the term 'internet finance' and supported the development of digital finance (Xie et al., 2016). The regulatory authorities have since been tolerant of digital finance as it promotes marketization and breaks through financial restraints (Hu and Zheng, 2016). For example, the use of big data in assessing, evaluating and refining the creditworthiness of potential borrowers may significantly expedite financing processes and reduce transaction costs (Kshetri, 2016).

As a mass investment vehicle, financial platforms absorb various risks from all participants: the investors, the platform, and the investment orientation of the money market fund. Online investors are often known for their herd behavior. They tend to listen and act on the opinions and actions of others rather than thinking and acting rationally (Agrawal et al., 2013; Zhang & Liu, 2012). Although Zhang and Liu (2012) found that investors usually follow rational herding behavior, it is worth noting that these mass online investors usually have low financial literacy, limited access to information, and little experience (Hu, 2015). In addition, in the case of Yu'eobao, investors did not necessarily have the intention of acquiring financial gains from the beginning; they joined Alibaba first and foremost for shopping purposes. It was the "growing piles of cash in its customers' accounts" (Lucas, 2017) that prompted Alibaba to establish Yu'eobao – the money market fund managed by Ant Financial.

The size of the fund makes it easy to negotiate better deals with banks. However, the huge size also bears the risk of collective withdrawal caused by herd behavior, which could put the fund as well as banks in difficult liquidity situations (Lucas, 2017; Mu, 2014). Money market funds are often considered a safe investment option because, according to Kacperczyk and Schnabl (2013), they could serve as a short term equalizer against fluctuations in the monetary market. Nevertheless, the changing context after the global financial crisis has caused money market funds to take more risks in their investments (Kacperczyk and Schnabl, 2013), which could add instability to the whole financial system. In fact, as already reported in the *Financial Times* (Flood, 2016), many Chinese money market funds in 2013 could not guarantee that investors would get their principal back, let alone interest. Not only did it hurt investors, it also restricted the short-term funds available to businesses.

Risks are aggregated in the digital spaces where regulations lag behind, especially in digital financials (Wendenburg, 2016; World Bank, 2013). The World Bank, for example, advised governments to balance financial development and investor protection (2013). Against this suggestion, financial regulators have adopted a more relaxed attitude towards online, or alternative, financial initiatives in order to build growth in the sector. For example, equity crowd funding, an online form of investment where the public could invest as little as £10 into a start-up in exchange for shares, disclosure requirements are not stringent (Freedman and Nutting, 2015). In China, there has been some criticism of risk management in market funds. Yu'eobao, for example, was not subject



to the same mandatory reserves (in terms of the minimum amount commercial banks can lend out, compared to traditional banks) (Mu, 2014). Although the Chinese government has introduced stricter regulations since then, such as the reduction of the leverage ratio from 40 to 20 %, to reduce lending beyond company assets, concerns still remain over investor protection and level of risk (Flood, 2016). Overall, the Chinese government takes a two-pronged approach to regulating digital finance. The broad position is to support various forms of it, while applying “moderately loose regulatory policies” (Zhang et al., 2016: 65). However, in the last few years, the Chinese government has tightened their policy in such areas as P2P lending (Lee, 2015). They introduced new types of license for internet finance businesses and required companies to renew the license regularly. According to Wang (2018a), this serves to re-define state control of the country’s alternative finance.

In other places, Parker et al. (2016) took note of the “regulatory capture” trend. Regulatory capture happens when key players influence regulators, often in ways that could cause potential harm to the overall market. This causes challenges for regulators. In response, Parker et al. (2016) have suggested that governments retain some of the “permission-based regulatory apparatus” while using big data to monitor market movements for maximum corporate effectiveness (256).

While digital financial businesses have a certain autonomy in the nascent stage, there is still no agreement on what ought to be the appropriate business divisions of digital finance given that its rapid development has involved mixed and innovative models. For this reason, no grand regulatory framework for digital finance has taken shape in China; the existing regulatory system regulates institutionally different businesses separately (Hu and Zheng, 2016). Ant Financial provides digital payment services, investment, consumer and business loans, and is also a digital platform for crowdfunding. The wide capacities of digital financial platforms allow Ant Financial to cross over the business divisions that the central bank has identified. Having no regulations for the platform businesses, the central bank is dealing with Ant Financial through a distributive strategy; each business sector has to apply for a sector-specific license. Financial innovations are often a response to regulatory regimes, and often intended to circumvent restrictions on risk or accumulation potential. In June 2015, the central bank introduced the Guidance on Promoting the Healthy Development of Internet Finance which signifies the state’s hands-on approach to digital financial platforms. Yet, in practice, huge numbers of lay investors still encounter the uncertainty of whether legal disclosures are sufficient to inform them about the nature and degree of investment risk.

Alibaba did not self-identify as a financial company at the beginning, although it had started collecting information and data related to financial practices, such as online payment records, purchase records and credit information for e-commerce businesses. Moreover, Yu’ebao’s businesses feature small and micro financial investment which did not draw the governments’ attention. Meanwhile, there had been no clear definition of digital finance prior to the 2015 Guidance. The early development therefore took advantage of the policy vacuum. After 2015, strong growth and the potential risk surprised the central bank and so the government initiated increasingly strict controls on digital financial companies. However, the overall regulation system for digital financial platforms is still in a nascent stage due to the complexity of digital financial businesses.

## Conclusion

The political-economic approach to the concept of convergence reveals how the pursuit of business interest has led to a combination of free market operations and centralized command/administration by platform businesses and the government. Fintech media have been effective instruments for

supervisors to design an overall infrastructure and fulfil their mandate to control. In the digital age, the application of big data, new algorithms, and cloud computing will change the nature of work and the structure of the economy, as has been reflected in the rise of platform enterprises. Yet, the exact nature of that change will be determined by the social, political, and business choices of government, corporations, and the public (Kenny and Zysman, 2016).

From the Ant Financial case, harnessing the existing database and involving other businesses to offer additional financial products seems the logical development for platform businesses within and beyond Alibaba. The construction of a credible, convenient e-commerce platform has been fundamental. Then, the payment platform effectively commutes e-consumers between the purchase platform and the investment platform. The three platforms collectively form a new digital financial domain in which the state, corporations, and the online public interact with each other and engender a set of new socio-economic and political relations in Chinese society.

Specifically, the convergence at Alibaba can be divided into three stages. As a start-up founded in Hangzhou, China in 1999, Alibaba in its first-decade development focused on accumulating e-purchasers on its trading platform, Taobao (later on TMall) and promoted the enlargement of the e-consumer base in Chinese society. Alipay was originally the escrow for TaoBao purchasers only, but it can now be used for any online or mobile payment. The policy shift allowed Alibaba to integrate e-payers from beyond the TaoBao platform into the former's growing central database of e-consumers. In the third stage, the online investment app, Yu'e bao effectively turned e-consumers and e-payers' dormant cash in their online payment accounts into online financial investment. More than 300 million Chinese people have enjoyed their e-life supported by digital financial technologies constituting an immense long-tail financial market which has drawn global attention.

In addition to digital technologies engineered by Alibaba itself, the policy environment has also been indispensable for the convergence of Ali's platform businesses. The central bank coined the term TPP in 2005 but did not formally establish the TPP licensing system until 2011. On one hand, the central bank has shown a liberalizing tendency allowing IT companies to run financial business, thus further marketizing and expanding the financial sector. On the other, the central bank had been working on specific regulatory policies without formally legitimizing these technology companies as financial service providers (Wang, 2018b). In this sense, the state's ambiguous attitude in the early stage of digital financial development was also 'the sword of Damocles' for the emerging digital payment business, particularly leading companies such as Alipay.

The Alipay executives led by Jack Ma have been very sensitive to regulatory changes and often react promptly to secure the legitimacy of their businesses. For instance, upon its TPP license application in 2010, Alipay adjusted its shareholder structure and turned the company from a sino-foreign joint venture to a purely domestic company. The central banks' licensing policy left much uncertainty for foreign companies applying for TPP licenses. These had to be approved by the State Council (Hu, 2015). Jack Ma negotiated with Yahoo and Softbank who held more than 60% of Alibaba shares and indirectly controlled its subsidiary Alipay. By August, he had taken back their holdings in Alipay. Also due to regulatory concern, Alipay altered its company registration from a 'financial service company' to a 'network technology company' in 2016 (National Enterprise Credit Information Publicity System). The central bank had started to crack down on internet finance industries after some fraud issues had emerged. In this vein, the company has obtained full financial licenses in securities, banks, funds, payment and clearance, and insurance.

Alibaba's corporate convergence transformed the structure of the Chinese financial sector and stimulated new modes of financial culture. Just as Van Dijck (2013); van Dijck et al. (2018) stated,

the ubiquitous platforms gradually shape our culture since they have penetrated all aspects of our everyday life. The younger generation of Chinese internet users is increasingly open to internet-mediated loans and investment. They pay much more attention to the liberalization and convenience of digital finance than the comparably higher potential financial risks tied to it. In addition, digital financial investors, such as Yu'e Bao users have formed routines to check their investment returns on a daily basis. They are also quick to transfer savings between their bank accounts and investment accounts to increase the liquidity of their dormant cash. Digital financial technologies have turned them into enthusiastic individual calculators who constitute an emerging group of financial subjects in the digital era (Fridman, 2016). At the same time, digital financial technologies have also individualized these investors and integrated them into the growing platform.

The development of Ant Financial embodies the process of corporate convergence in which digital technologies are embraced to re-consolidate the data resources generated from existing platform businesses. These resources are then re-utilized for the creation and expansion of new platform businesses. Corporate convergence aims at an all-inclusive business regime providing a wide variety of products and services. Algorithms and data-driven technologies are employed to turn an internet company into a monopolizing corporation. For example, Ant Financial and its affiliates cover wealth management, credit reporting, private banking, payments and cloud computing. Its business value was estimated at \$75 billion in 2016. Ant Financial tops the list of the most anticipated IPOs (Bajipai, 2017).

At the same time, corporate convergence is an exclusive process. The development of Ant Financial signifies the deepening concentration of technological resources, financial capital, as well as human intelligence, planned and managed by Alibaba and its subsidiaries. Digital technologies seem to contribute to innovations but when they occur along with the creation of new platforms, large singular corporations benefit. Further, the concentration of technological resources also attracts growing investment capital and IT professionals, which expands the company further.

While the growing convergence in China's financial sector has challenged existing financial policies and regulations, the Chinese government chose to give adequate space for the early development of digital finance, particularly to the oligopoly internet corporations, such as Alibaba. At the macro level, such a strategy is in line with the Party's supply-side reform inscribed in the 13th Five-Year Plan (2016–2020) for Economic and Social Development announced in year 2015. Resource allocations and policy supports should lean to those industries and companies which utilize technologies, innovation, and high-efficiency productions to increase the quality of supplies (Xu, 2017). However, it is noteworthy that the interactions between corporate actors and regulatory agencies are an on-going process and may have reached a critical point. As indicated in the announcement from the Fifth Conference of National Financial Work in 2017, the Party is posing increasingly stringent control on digital finance to avoid systemic financial risks.

Digital financial platforms owned and operated by internet giants such as Alibaba reflect new modes of development in the Chinese platform economy. Digital technologies, particularly big data, enable and strengthen the "plan-oriented market economy system" (Wang and Li, 2017) collectively managed by the state and oligopoly internet corporations. Digital finance in China, an emerging business sector drawing global attention for its rapid growth, has emerged from the interplay between unprecedented financial marketization and technology-driven centralized control. Digital financial companies, such as Baidu Finance, Ant Financial, Tencent Finance, and Jingdong Finance, are flagships of liberalization yet they are attached to the traditional state-controlled financial industries.

## Author bios

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## Endnotes

[1] Author interview in July 2017 in Hangzhou, China.

[2] Author interview in July 2017 in Hangzhou, China.

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