

International Comparison and Lessons for Developing the Personal Credit Market

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Abstract: The rapid development of the global personal credit market has been driven by diversification and technological innovation, both of which serve as key catalysts for industry transformation. This paper conducts a comparative analysis of international personal credit markets to examine successful practices and challenges in credit products, credit assessment, and risk management across various countries. In particular, advancements in financial technology, including big data and artificial intelligence, have created new opportunities for enhancing the accessibility and personalization of credit services. Nevertheless, China's personal credit market continues to face significant challenges, such as an underdeveloped credit infrastructure, outdated financial regulations, and limited product innovation. Drawing insights from international experiences, China can enhance its credit evaluation systems, strengthen financial regulations, and foster innovation in financial technology to facilitate healthy market development and advance inclusive finance.

Keywords: Personal credit; Financial technology; Credit assessment; Financial regulation; Product innovation

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1. Introduction

Amid global economic integration and the rapid advancements in financial technology, the personal credit market has experienced unprecedented diversification. This evolution has facilitated the creation of more personalized credit products while enabling cross-border lending and promoting financial inclusion. Despite significant progress worldwide, many countries still grapple with challenges such as underdeveloped credit systems, inadequate financial regulations, and insufficient product innovation. Similarly, China's personal credit market faces numerous developmental obstacles. Addressing these challenges requires drawing lessons from international practices to improve existing systems, enhance the accessibility of financial services, and increase operational efficiency.

2. Diversified development trends in the global personal credit market

The global personal credit market is characterized by diverse structures and evolving development trends, influenced by financial systems, socio-cultural factors, and technological advancements across different economies. With globalization, the market has expanded not only in scale but also in product formats, service models, and risk management strategies.

In developed economies, personal credit markets are relatively mature, dominated by standardized consumer loans and mortgage lending within stable market structures. By contrast, emerging markets and developing countries are experiencing increasing diversification in credit products as shifting consumer demands and evolving credit structures drive innovation. These markets often adapt credit services to align with their stages of economic development and regulatory frameworks, designing personalized credit offerings tailored to local conditions.

Technological innovation, particularly in financial technology (Fintech), is profoundly reshaping the global personal credit landscape. The application of technologies such as blockchain, big data, and artificial intelligence has enhanced the accuracy and efficiency of credit assessment and risk management. In many countries, technology-driven advancements in credit scoring systems enable financial institutions to analyze customers' credit histories, consumption behaviors, and social networks through big data, thereby offering personalized loan products. This approach not only improves the accessibility of small and consumer loans but also fosters inclusivity and transparency in lending services.

Moreover, the proliferation of digital and mobile payment systems has fueled the growth of online credit products, accelerating the development of personal credit markets. Emerging cross-border credit models have also gained traction in response to capital flow liberalization and increasingly interconnected financial markets. These models provide consumers with access to international financial products but face challenges such as complex legal, regulatory, and market entry barriers. Establishing mechanisms for international financial cooperation and information sharing is therefore essential for advancing the personal credit market further.

As countries progressively open their financial markets and reform regulatory frameworks, the trend toward internationalization in personal credit markets is expected to intensify. This progression is likely to foster deeper collaboration in regulation, innovation, and market mechanisms^[1].

3. Institutional deficiencies and development bottlenecks in the personal credit market

Despite significant progress in diversification and innovation, personal credit markets in many countries continue to face substantial institutional deficiencies and developmental bottlenecks. One of the critical issues, particularly in developing countries and emerging markets, is the underdevelopment of credit systems. In these countries, traditional credit evaluation systems often rely on bank credit records and limited financial data, making it challenging for low-income groups or those without bank accounts to access credit. The absence of effective credit information-sharing mechanisms further exacerbates this issue, leaving these groups trapped in an "information silo" during loan applications, as traditional financial institutions struggle to accurately evaluate their repayment capabilities. This situation constrains the development of inclusive finance and deepens financial exclusion.

Lagging and inadequate financial regulation represent another bottleneck impeding the healthy growth of personal credit markets. In some countries, financial regulatory frameworks have failed to adapt to the

rapid transformations within the personal credit market, leading to challenges such as excessive lending and the accumulation of debt risks. The emergence of internet finance and peer-to-peer (P2P) lending platforms has further highlighted these regulatory gaps. The lack of clear regulatory standards and legal protections in this domain has contributed to financial disorder and, in some cases, systemic risks. Moreover, some financial regulatory systems suffer from information asymmetry and poor cross-departmental coordination, limiting the ability of regulators to promptly and effectively address non-compliant behavior and exacerbating potential risks in the credit market.

A further constraint is the lag in innovation and the design of financial products. In certain countries, particularly developing ones, personal credit products have not evolved in line with societal demands. Current offerings often lack flexibility and diversity, making them inadequate for addressing the personalized needs of various consumers. This issue is particularly evident during unexpected public events or periods of economic fluctuation when existing credit products fail to adapt to consumers' urgent needs or changes in repayment capacity. Consequently, the market's ability to manage risks and respond effectively to crises is weakened.

These institutional deficiencies and developmental bottlenecks not only hinder the normal operation of personal credit markets but also limit their potential for growth. Addressing these challenges through the development of improved credit systems, the enhancement of financial regulatory frameworks, and the promotion of financial innovation has become an urgent priority for many countries ^[2].

4. Lessons from international experience and innovative pathways for China's personal credit market

Drawing lessons from international experience, China's personal credit market can be optimized and innovated in several key areas.

First, enhancing the credit evaluation system is essential. Many countries have developed advanced credit scoring models that leverage technologies such as big data and artificial intelligence to conduct comprehensive and precise credit evaluations. These models improve the efficiency of financial institutions' credit decision-making processes and reduce credit risks through effective information-sharing mechanisms. China can adopt similar approaches by establishing a more robust social credit system, particularly targeting the development of credit evaluation frameworks for non-traditional credit groups. This would help address the financing challenges faced by small and micro-enterprises as well as low-income groups. Through multi-dimensional data collection and analysis, more accurate consumer credit assessments can be achieved, enabling the provision of personalized loan products tailored to diverse consumer needs and fostering the growth of inclusive finance.

In the area of financial regulation, international experience underscores the importance of a sound regulatory framework and effective policy implementation for ensuring the stability of personal credit markets. China can learn from successful regulatory practices in other countries, particularly in managing Internet finance and P2P lending platforms. Establishing a comprehensive legal framework to oversee the operations of online lending platforms and mitigate financial risks is crucial. Strengthened financial regulation and enhanced policy guidance can facilitate the integration of financial technology with traditional financial systems, ensuring fairness, transparency, and equity in financial markets. Moreover, the protection of financial consumers, especially vulnerable groups and high-risk borrowers, should be prioritized to prevent adverse outcomes stemming from information asymmetry or unethical market practices.

In terms of product innovation, international markets demonstrate that aligning financial product development with evolving consumer needs is vital. China can introduce more flexible and diverse credit products, such as instant loans tailored to specific consumption scenarios and green finance loans designed to support environmentally sustainable activities. Furthermore, the application of technologies like mobile payments and blockchain offers new opportunities for innovation in the personal credit market. These technologies can enhance transparency and efficiency, reduce operational costs, and improve the borrowing experience for consumers.

By drawing on international experience and adapting it to China's national context, the innovative pathways for China's personal credit market should prioritize the collaborative development of technology and regulation. Continuous efforts to improve market inclusivity and efficiency while promoting sustainable and healthy market growth are necessary for fostering a resilient personal credit ecosystem ^[3].

5. Conclusion

The diversification and technological innovation in the global personal credit market offer valuable insights for the innovation and optimization of China's personal credit market. International experiences in credit evaluation, financial regulation, and product innovation provide clear pathways for addressing the challenges facing China's market.

By establishing a robust credit system, strengthening financial regulation, and advancing the application of financial technology, China can overcome existing market deficiencies and developmental bottlenecks. These measures will enhance the inclusivity and transparency of financial services. Furthermore, the design of innovative financial products tailored to the diverse needs of consumers will contribute to the sustainable and healthy growth of the personal credit market in China.

In the future, with greater financial market openness and deeper international cooperation, China's personal credit market is expected to seize more development opportunities and achieve substantial progress.

Disclosure statement

The author declares no conflict of interest.

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