

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY**

Karazin Banking Institute

Department: Banking Business and Financial Technologies
Specialty: 072 Finance, Banking, Insurance and Stock Market
Educational program: Financial Technologies and Banking Management
Group: AF-23M full-time mode of study

QUALIFYING MASTER'S THESIS

on the topic:

**BANK STRATEGY IN CONSUMER CREDIT MARKET AND
MECHANISM ON ITS IMPLEMENTATION**

higher education student **JIANG HAI**

The qualifying master's thesis was accepted for
defense by the decision of the Department of
Banking Business and Financial Technologies

Protocol No. 4 dated 25.11.2024.

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Kharkiv - 2024

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. Karazin Kharkiv National University

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Level of higher education **Second (master's) level**
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Educational program **Financial Technologies and Banking Management**

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« 25 « September 2024

TASK
FOR THE QUALIFYING MASTER'S THESIS

of JIANG HAI

1. Topic of the work «**BANK STRATEGY IN CONSUMER CREDIT MARKET AND MECHANISM ON ITS IMPLEMENTATION**»

Scientific adviser Doctors of Economics, Professor Borys Samorodov
(surname, first name, patronymic, academic degree, academic title)

Approved by order of the university dated September 17, 2024 No. 4601-5/1025

2. Deadline for the student to submit the work November 18th

3. List of issues to be developed:

Chapter 1: establishes the conceptual and theoretical framework for corporate credit business in commercial banks, highlighting its critical role in supporting enterprise growth and economic development. The chapter delves into foundational theories such as information asymmetry, credit rationing, product differentiation, and credit risk management, while introducing analytical tools like Porter's Five Forces and SWOT analysis to evaluate market competitiveness and internal efficiency.

Chapter 2: analyzes the current development status and challenges faced by SP Bank Z Branch in its corporate credit business. While the branch benefits from a robust financial position and a wide range of credit products, issues such as complex approval

processes, limited product innovation, and increasing credit risks in specific sectors hinder its potential. The chapter also highlights inefficiencies in customer service, marketing strategies, and internal risk management.

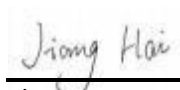
Chapter 3: presents strategic recommendations for SP Bank Z Branch to enhance its corporate credit operations. Key strategies include optimizing customer structures, focusing on emerging and policy-supported industries, and enhancing product innovation. The branch must improve marketing systems, strengthen risk management, and invest in human resources through better training, incentives, and organizational efficiency. Leveraging digital transformation and aligning with national economic policies are critical for long-term growth and competitiveness.

4. Work plan

No.	Name of work stages
1	The choice of the topic of the qualifying master's thesis
2	Approval of the plan and tasks of the qualifying master's thesis
3	Completion of a qualifying master's thesis
4	Submission of the qualifying master's thesis to the scientific adviser
5	Signature of the qualified master's thesis by the scientific adviser
6	Submission of a qualifying master's thesis to the department to check for borrowings from other documents
7	Admission by the head of the department to the defense of a qualifying master's thesis
8	Defense of a qualifying master's thesis

5. Date of the task issue September 25th, 2024

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ABSTRACT
ON QUALIFICATION MASTER' S WORK
« BANK STRATEGY IN CONSUMER CREDIT MARKET AND
MECHANISM ONITS IMPLEMENTATION» OF
Jiang Hai

Total papers contains 78 pages, 80 references, 15 tables, 7 Figures

The Object of Research: Corporate credit business in commercial banks, focusing on SP Bank Z Branch.

The Subject of Research: Development strategy of the corporate credit business at SP Bank Z Branch, analyzing its challenges, environment, and optimization methods.

The Purpose of Qualification Master's Work: To identify key problems and challenges in SP Bank Z Branch's corporate credit business, explore their causes, and propose strategies to improve the quality, efficiency, and sustainability of its credit operations.

The tasks of Qualification Master's Work Are:

- Analyze the current status and issues of SP Bank Z Branch's corporate credit business.
- Assess external environmental factors, such as macroeconomic conditions and industry competition.
- Examine internal factors, including product structures, risk management, and service systems.
- Provide strategic recommendations to optimize the business, improve customer structures, and enhance operational efficiency.

Based on the results of the research: The research identified key challenges in SP Bank Z Branch's corporate credit business, such as complex processes, insufficient innovation, and fierce industry competition. Based on the findings, strategies have been proposed to optimize customer structures, strengthen risk management, and enhance service systems, ensuring sustainable growth and competitiveness.

The Obtained Results Can Be Used: Identified challenges include complex processes, insufficient innovation, and intense competition. Strategies for optimizing customer structures, strengthening risk management, and improving service systems have been proposed to ensure sustainable growth.

Keywords: Corporate Credit, Commercial Banks, SP Bank Z Branch, Credit Risk Management, Strategic Development, Banking Industry Competition, Customer Structure Optimization, Macro-Environmental Analysis.

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INTRODUCTION

Goal of the Study

The primary goal of this study is to develop a comprehensive strategy for the corporate credit business of SP Bank Z Branch, addressing the key challenges and leveraging opportunities in the current economic environment. By analyzing the branch's development trajectory, current status, and external influences, this research aims to propose actionable recommendations that enhance the quality, efficiency, and sustainability of its credit operations.

Objectives

1. **Analyze Current Status and Challenges:** To thoroughly examine the current state of SP Bank Z Branch's corporate credit business, identifying the primary issues and their underlying causes.
2. **Assess External Influences:** To evaluate the macroeconomic, political, and technological environments affecting the branch's credit business.
3. **Propose Strategic Recommendations:** To formulate strategic recommendations that optimize customer structures, strengthen risk management, and improve operational efficiency.

Object and Subject of Research

- **Object of Research:** The corporate credit business in commercial banks, with a specific focus on SP Bank Z Branch.
- **Subject of Research:** The development strategy of the corporate credit business at SP Bank Z Branch, including its challenges, environmental factors, and optimization methods.

Information Base

This study is grounded in a robust information base, incorporating both qualitative and quantitative data. The analysis draws from:

- **Literature Review:** Comprehensive examination of existing theories and models related to corporate credit business, risk management, and strategic

development.

- Survey and Interviews: Detailed surveys and interviews with internal employees and management at SP Bank Z Branch, providing firsthand insights into the branch's operations and challenges.

- Case Study Method: In-depth analysis of SP Bank Z Branch's corporate credit business, tracing its development phases and current operational status.

Practical Value

Practice value

The practical value of this study lies in its ability to provide SP Bank Z Branch with actionable strategies to navigate the complexities of the current economic landscape. By addressing the identified issues and leveraging opportunities, the branch can enhance its competitiveness, ensure sustainable growth, and contribute positively to the regional economy.

CHAPTER 1

RELEVANT CONCEPTS AND THEORETICAL FOUNDATIONS

1.1. Concept and Characteristics of Corporate Credit Business in Commercial Banks

When discussing credit business, it can be analyzed from both a broad and a narrow perspective. Narrowly speaking, credit business involves agreements between lenders and borrowers, covering repayment timeframes and interest rates, with the primary goal of providing funds to the borrower. In the broader sense, credit business refers to the intermediary credit activities of banks, which primarily consist of deposits and loans. This study focuses on the broad sense of corporate credit business [1][2].

Corporate credit business refers to a monetary loan service provided by banks or other financial institutions to meet the financing needs of enterprises. This service is not only a crucial channel for businesses to obtain financing but also a key component that supports the operation of enterprises, facilitates expansion of production capacity, enhances market competitiveness, and meets the funding needs of specific projects.

The primary target of this business consists of companies with a certain scale and credit standing, including state-owned enterprises, private enterprises, and joint ventures[3]. The purpose of these loans is not limited to long-term capital requirements such as capital construction investment but also covers short-term or medium-term working capital needs, such as purchasing raw materials or paying employee salaries[4].

Depending on the loan period, corporate credit business can be classified into short-term loans (less than one year), medium-term loans (one to three years), and long-term loans (more than three years). Based on the usage of the loan, it can further be categorized into working capital loans, fixed asset loans, and project financing loans, each with specific risk assessment standards, conditions, interest rates, and repayment

requirements[5].

When handling corporate credit business, banks first conduct a comprehensive credit evaluation of the borrowing enterprise, which includes assessing its financial situation, repayment capability, assets and liabilities, operating performance, management efficiency, and industry prospects. In addition, the bank evaluates the company's credit record, repayment history, and existing debt. Based on these assessments, the bank determines the loan amount, interest rate, and term, and signs a loan agreement with the enterprise, outlining the rights and responsibilities of both parties[6].

Characteristics of Corporate Credit Business

Corporate credit business possesses several distinct characteristics compared to other banking services. These characteristics primarily include:

1. High Capital Demand:

Corporate credit generally involves large amounts of capital compared to personal credit. The scale of loans required by enterprises is usually considerable, often for supporting large-scale projects, expanding production, or covering operational costs.

2. High Risk:

Due to the uncertainty and complexity of business operations, corporate credit business carries greater risk than personal credit. The operation of an enterprise may be affected by various factors such as market conditions, management efficiency, industry trends, and external economic environments. Therefore, banks must carefully evaluate and monitor the credit risks involved.

3. Complex Loan Structure:

The structure of corporate loans is often more complex than personal loans. These loans may involve multiple stages, require collateral or guarantees, and have more stringent conditions for approval. Banks may also include covenants or restrictions in loan agreements to ensure the borrower complies with certain financial or operational standards.

4. Long Term Nature:

Corporate credit often has longer repayment periods compared to personal loans, especially for capital investment projects. This requires banks to have a more long-term outlook in terms of managing these loans, including monitoring the business performance and ensuring timely repayments over the years.

5. Diversified Loan Purposes:

Enterprises may seek loans for a wide variety of purposes, such as working capital, project financing, or equipment purchases. Each loan purpose may have different implications for risk assessment, repayment terms, and interest rates[7][8].

1.2 Theoretical Foundations

The Theory of Information Asymmetry in Credit Markets

In the 1970s, distinguished macroeconomists such as Michael Spence, George Akerlof, and Joseph Stiglitz delved deeply into the issue of information asymmetry, proposing a series of insightful theories that gained widespread recognition in academic circles. These theories reveal that in market competition, individuals with more information often hold an advantageous position, while those with less information are at a disadvantage[9].

The phenomenon of information asymmetry also exists in the credit domain. Borrowers have a deep understanding of their financial status, profitability, and repayment ability, while lenders—typically commercial banks—can only evaluate risk based on the financial statements provided by borrowers.

This imbalance of information makes it challenging for banks to assess credit risks, forcing them to rely on limited data and past experience when making decisions. In some cases, banks may even fall victim to fraudulent activities, such as borrowers deliberately concealing their true situation or providing false information.

The lack of accurate insights into corporate financial health, combined with the inefficacy of regulatory oversight, exposes banks to higher risks of loan defaults,

reducing their willingness to lend, which in turn leads to inefficient allocation of credit resources and ultimately harms the economic interests of the banks[10].

Additionally, in modern economies with highly developed market systems and well-established corporate structures, modern enterprises are no longer simple economic entities but complex conglomerates of multiple economic units. This complexity exacerbates the issue of information asymmetry, making it even harder for commercial banks to obtain accurate information about a corporation's financial status and cash flow.

The Theory of Credit Rationing

In the credit market, funds serve as the core element of transactions, with interest rates as their price. Higher interest rates imply higher costs of capital usage. However, the supply curve in the credit market does not always exhibit stable growth with rising interest rates, nor does the demand curve consistently decrease as interest rates increase. As a result, the equilibrium point in the credit market is not solely determined by rational decisions of supply and demand parties[11].

When market demand for funds significantly exceeds supply, a phenomenon of credit rationing arises. In China's market economy, the issue of loan allocation is widespread, particularly in the disparity between private and state-owned enterprises. Despite the limited loan amounts banks can provide, market demand for funds far surpasses supply, causing a mismatch that adversely impacts economic growth. Financial institutions often prefer injecting funds into large state-owned enterprises with relatively low debt levels, further restricting private enterprises' access to financing and diminishing their market competitiveness[12].

In essence, credit rationing reflects the banks' tendency to prioritize enterprises with stable operations, high efficiency, and sound financial status during loan approval processes, granting them greater support. Small and micro enterprises, constrained by factors such as financial liabilities, market share, and financial transparency, often find it difficult to benefit from such preferential treatment.

Consequently, these enterprises face higher credit risks and struggle to obtain sufficient loans from financial institutions. In contrast, governments and other social

institutions are more likely to receive financial support to navigate economic difficulties[13].

The Theory of Product Differentiation

Harvard University professor Michael Porter introduced the concept of product differentiation, which emphasizes altering products to distinguish them from similar offerings. To gain a larger market share, enterprises must differentiate their products from those of competitors. Establishing competitive advantages and maintaining a degree of market control require unique products that ensure a favorable position in the market competition[14].

Therefore, in a homogenous market, enterprises need to invest substantial capital to influence customer loyalty and consumption preferences, allowing them to build and sustain their core market competitiveness.

The Theory of Credit Risk Management

Before the 1960s, Western banks and financial institutions primarily focused on asset management, exploring methods such as the expected return theory, transformation theory, and commercial loan theory to optimize asset allocation and enhance profitability and market competitiveness. During the economic crises of the 1970s, however, traditional liability-centric management methods faced challenges, as they proved inadequate under volatile market conditions and sometimes even exacerbated credit risks[15].

In response, Asset-Liability Management (ALM) theory emerged as a mainstream approach. This innovative theory emphasizes a holistic perspective, balancing the structure of assets and liabilities to ensure liquidity, safety, and profitability are harmonized. According to ALM, banks should implement comprehensive planning, leveraging precise data analysis and scientific statistical methods to effectively coordinate loan and deposit operations, thereby expanding business, attracting customers, reducing operational risks, and enhancing capital utilization efficiency[16].



Figure 1.1 Credit risk Management

The application of ALM not only helps banks adapt to market changes but also strengthens their stability and sustainability in competitive markets. Since the 1980s, particularly with the introduction of the Basel Accords, the banking industry has placed greater emphasis on managing risk assets. The Basel Accords have established clear frameworks and standards for credit risk management, encouraging banks to systematically enhance their oversight and management of credit operations. This shift has enabled banks to more effectively identify, evaluate, and control credit risks, ultimately improving overall risk management capabilities and ensuring the health and stability of the banking sector[17].

1.3 Analytical Tools

Porter's Five Forces Analysis

Porter's Five Forces model is a framework for analyzing the competitive environment of an industry. It identifies five critical forces that influence the

competitive position of an enterprise. These forces represent various participants in the industry and are divided into two dimensions: vertical and horizontal. The vertical dimension includes upstream suppliers and downstream buyers in the supply chain, while the horizontal dimension involves potential new entrants, substitute products, and existing competitors within the industry[18].



Figure 1.2 Porter's Five Forces Analysis

1. Bargaining Power of Suppliers

The bargaining power of suppliers depends on their control over critical resources and their influence in the market. If there are only a few suppliers and they control key resources, they can significantly impact the quality and pricing of products, thus enjoying strong bargaining power. High supplier bargaining power can put pressure on businesses, limiting their ability to negotiate favorable terms for raw materials or components[19].

2. Bargaining Power of Buyers

Buyers' bargaining power reflects their influence in the market. When the buyer base is large and concentrated, they tend to demand higher quality products at lower prices, strengthening their negotiating position. Companies operating in such environments must align their strategies to meet customer demands while maintaining

profitability, often by innovating or improving cost-efficiency[20].

3. Threat of New Entrants

The threat posed by potential new entrants depends on how easily new competitors can enter the market and disrupt existing players. Industries with low barriers to entry, such as minimal regulatory requirements or low capital investment needs, are particularly vulnerable to this threat. New entrants can quickly capture market share by offering competitive pricing, innovative solutions, or superior customer service, compelling incumbents to defend their positions aggressively[21].

4. Threat of Substitute Products

Substitutes pose a significant threat when they can fulfill the same need as the original product at a lower cost or with higher quality. For instance, technological advancements can create alternatives that render existing products obsolete. Companies must monitor developments in related industries to anticipate and address the risk of substitution effectively[22].

5. Rivalry Among Existing Competitors

Intense competition among established players within the same industry is a critical force in the Five Forces model. Companies compete for market share and profitability through pricing wars, product differentiation, marketing strategies, and customer retention efforts. This rivalry can erode margins and reduce overall industry profitability, making it crucial for businesses to devise strategies that create sustainable competitive advantages.

By systematically analyzing these forces, organizations can better understand their competitive landscape, identify potential threats and opportunities, and develop strategies to strengthen their market position.

SWOT Analysis

SWOT analysis, introduced by Michael Porter in 1980, is a strategic planning tool that helps organizations align their internal resources with external environmental factors. It provides a comprehensive assessment of an organization's strengths, weaknesses, opportunities, and threats, enabling managers to formulate strategies that leverage internal capabilities while addressing external challenges[23][24].

1. Strengths

This dimension focuses on internal attributes that provide a competitive advantage. These may include proprietary technology, skilled workforce, strong brand reputation, financial stability, or operational efficiency. By identifying strengths, organizations can capitalize on their core competencies to enhance market performance.

2. Weaknesses

Weaknesses represent internal limitations or areas where the organization falls short compared to competitors. These might include outdated technology, insufficient resources, poor supply chain management, or low brand recognition. Identifying weaknesses helps organizations address vulnerabilities and improve overall competitiveness.

3. Opportunities

Opportunities are external factors that an organization can exploit to its advantage. These might include emerging markets, technological advancements, favorable regulatory changes, or shifts in consumer preferences. Recognizing opportunities allows businesses to innovate, expand, and capture new market segments.

4. Threats

Threats are external challenges that could adversely impact an organization's performance. These could stem from economic downturns, market saturation, increased competition, or disruptive innovations by competitors. By proactively identifying threats, businesses can develop contingency plans to mitigate risks.

SWOT Analysis Process

The basic process of SWOT analysis involves three main steps:

1. Internal Analysis

Evaluate the organization's internal strengths and weaknesses by comparing them with those of industry peers. This step identifies areas where the organization excels relative to competitors and highlights areas that need improvement.

2. External Environment Assessment

Analyze the external environment to identify opportunities and threats. This

involves examining industry trends, market dynamics, competitive landscapes, and regulatory conditions to uncover potential growth opportunities and risks.

3. Comprehensive Integration

Combine the insights from internal and external analyses to create a holistic strategic framework. For example, organizations can devise strategies that leverage strengths to capitalize on opportunities while addressing weaknesses to mitigate threats.

Strategic Application of SWOT

The insights gained from SWOT analysis guide the development of targeted strategies that align with an organization's goals and market realities. For example:

- SO Strategies (Strengths-Opportunities): Leverage internal strengths to seize external opportunities.
- WO Strategies (Weaknesses-Opportunities): Address internal weaknesses to take advantage of external opportunities.
- ST Strategies (Strengths-Threats): Use internal strengths to counter external threats.
- WT Strategies (Weaknesses-Threats): Develop defensive strategies to minimize vulnerabilities and reduce exposure to risks.

Through systematic evaluation and integration, SWOT analysis enables organizations to make informed decisions, allocate resources effectively, and achieve sustainable growth[25][26].

CHAPTER 2

ANALYSIS OF THE CURRENT DEVELOPMENT STATUS AND PROBLEMS OF CORPORATE CREDIT BUSINESS AT SP BANK Z BRANCH

2.1 Overview of Z Branch Development at SP Bank

The Z Branch of SP Bank, established in 2001, marked a significant step in SP Bank's expansion into mainland China's financial market. Since its inception, Z Branch has adhered to SP Bank's operating principles, striving to provide comprehensive financial services for Z City and surrounding regions. These services include, but are not limited to, RMB business, foreign exchange transactions, credit services, and funds clearing[27].

Z City, as the central region's political, economic, and cultural hub, has unique geographical advantages and considerable economic growth potential. The establishment of SP Bank's Z Branch is not only a part of the bank's strategic expansion plan but also a recognition of the economic potential of the central region. The branch's business scope covers corporate banking, retail banking, and international business, aiming to fulfill the diverse needs of various customer groups through a broad range of financial products and services[28].

In terms of corporate business, SP Bank's Z Branch prioritizes supporting local economic growth and industrial upgrading, providing services such as loans, settlement, and financial advisory to assist enterprises in business expansion and optimizing capital structures. On the retail banking side, the branch focuses on innovative products and services to meet the diverse needs of individual customers in savings, investment, and consumption.

With the rapid economic development of Z City and its surrounding areas, SP Bank's Z Branch faces increasingly intense market competition and evolving customer needs. To address these challenges, the branch continually optimizes its internal

management, improves service efficiency and quality, and increases its investment in and application of financial technology to enhance its competitiveness. Additionally, the branch actively participates in key projects and initiatives led by local governments and enterprises, using innovative financial services to support the region's sustainable economic development.

Scale and Organizational Structure of SP Bank Z Branch

As of the end of 2023, SP Bank's Z Branch employed over 1,700 people and operated 55 comprehensive service outlets, with 27 in the same city and 28 in other locations. The branch had total assets of RMB 213.2 billion and total loans of RMB 241.1 billion, with both assets and loans showing significant growth compared to the previous year[29][30].

As shown in Figure 2.1, the organizational structure of SP Bank Z Branch includes the following main departments and responsibilities:

1. Board of Directors (DR): The highest decision-making body, responsible for setting the bank's strategic direction and major decisions.
2. Senior Management: Overseeing daily operations and management, including the Risk Management, Compliance, and Audit departments.
3. Business Departments: Handling various business operations, such as Corporate Business, Retail Business, and International Business.
4. Support Departments: Providing operational support, including the IT, Human Resources, and Finance departments.
5. Strategic and Operations Departments: Focusing on strategic planning and daily operational management, including Strategic Management and Operations Management departments.
6. Branch Management: Overseeing the operations of branch offices to ensure alignment with the bank's strategic objectives.

Development Phases of Corporate Credit Business at SP Bank Z Branch

(1) Initial Exploration Phase (2001-2008)

In its early stages, Z Branch's credit business primarily aimed to meet the basic needs of the local economy and residents, offering foundational financial services such

as mortgage loans, corporate working capital loans, and consumer loans. The phrase feeling the stones as you cross the river best describes the cautious approach taken during this period. Many business processes and products, designed by the headquarters, were directly implemented, though many branch outlets had only recently opened.

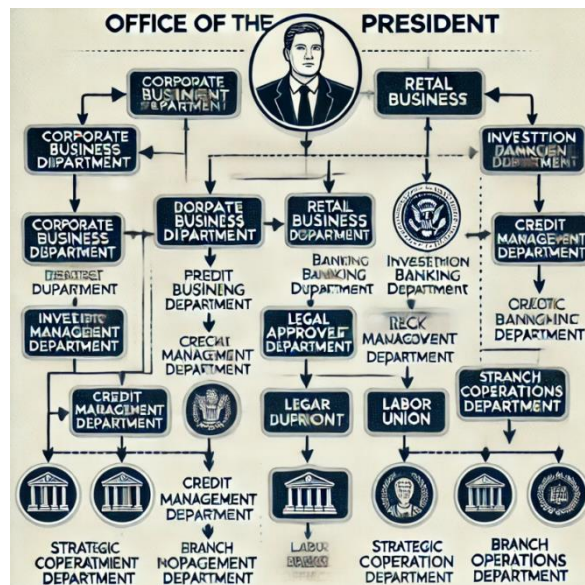


Figure 2-1 Organizational Structure of SP Bank Z Branch

A large proportion of employees were new graduates with limited understanding of business logic and product design intentions, while mid-level staff largely came from other industries, making it challenging to quickly integrate the headquarters' products with the local economic and regulatory context[31].

During this period, most processes were still in the trial-and-error stage; handling one business transaction often required consulting various departments to understand the steps involved, resulting in low efficiency. However, the Z Branch team, embodying SP Bank's spirit of unity, perseverance, and dedication, regularly sent core personnel to the Shanghai headquarters for training to learn about product structures and business fundamentals, gradually raising the branch's overall competency and helping it transition past the challenging startup phase. The branch's operating standards reached a stable level, and corporate credit business volume gradually gained visibility. Nevertheless, this exploratory phase also exposed a range

of issues, including immature management and insufficient regulatory oversight of risk control and compliance in business procedures. Numerous credit approval flaws emerged, such as unauthorized signatures, blank credit agreements, and instances of disbursement prior to approval. In extreme cases, fraudulent contracts arose, which sowed potential risks for post-loan management[32].

(2) Steady Development Phase (2008-2018)

During this period, Z Branch not only significantly expanded its range of credit products to meet diverse customer needs but also made notable progress in internal management and regulatory oversight, particularly in credit approval processes and risk control.

① Diversification of Credit Products

In response to the evolving economic environment and increasingly diverse market demands, SP Bank's Z Branch actively expanded its credit product line to cater to different client financing needs. In addition to basic corporate and personal loans, the branch introduced specialized loan products such as supply chain finance, project finance, and green credit. These products aimed to support specific areas of the local economy, including environmental protection, infrastructure development, and high-tech industries. Through product innovation, Z Branch was better able to serve the economic development of the region and meet the diverse needs of local businesses[33].

② Expansion of Customer Base

With a wider variety of credit products and improved service capabilities, SP Bank's Z Branch significantly broadened its customer base. From initially serving mainly local small and micro-enterprises and individual customers, the branch gradually developed the capability to meet the complex financial needs of medium- to large-sized enterprises and clients from specific industries. By continually optimizing customer service and enhancing the client experience, Z Branch successfully attracted and retained a substantial loyal customer base, which not only ensured stable business growth for the bank but also strengthened its competitive position in the local market[34].

③ Enhancement of Credit Approval Process and Risk Control

During the steady development phase, Z Branch reinforced its risk management and internal controls for credit business. With the gradual improvement of financial regulations, Z Branch actively responded to regulatory requirements by standardizing and formalizing credit approval processes. By introducing more scientific credit evaluation models and risk control mechanisms, such as credit scoring systems and risk warning models, Z Branch significantly improved the accuracy and efficiency of credit approvals. Regular risk assessments and credit audits enabled the branch to identify and address potential credit risks promptly, safeguarding the quality of credit assets and ensuring stable bank operations[35].

In summary, during the steady development phase, SP Bank's Z Branch achieved substantial expansion in both products and market coverage while reaching new heights in internal management and risk control. Through continuous innovation and refinement, Z Branch laid a solid foundation for future sustainable development.

(3) Business Transformation Phase (2018-present)

In the business transformation phase, SP Bank's Z Branch closely aligns with the national strategy of promoting innovation-driven growth, actively adjusting and optimizing its corporate credit business direction and service model. This phase, beginning around 2018, signifies a significant transformation and upgrade of the branch's credit business[36].

① Introduction of Technology-Driven Loan Products

In response to the national emphasis on technological innovation, Z Branch launched a series of innovative loan products targeting small and medium-sized enterprises, including Tech Innovation Loan, Tax-Linked Loan, Credit-Linked Loan, Ten-Thousand Household Loan, and Specialized and New Enterprise Loan. These products are specifically designed to meet the financing needs of technology-based SMEs, offering more flexible loan conditions and favorable interest rate policies, which significantly lowered the financing threshold for SMEs and supported local technological innovation and industrial upgrading[37].

② Launch of Standardized Products

To enhance the efficiency and convenience of loan approvals, Z Branch implemented a digital transformation of its loan approval processes for SMEs, introducing standardized online approval services. Through an online loan application platform, corporate clients can apply for loans at any time and place, with pre-set approval workflows enabling swift approval and disbursement. This reform greatly reduced loan approval times, improving customer satisfaction and operational efficiency.

③ Development of Technology-Enhanced Branches

In parallel with business transformation, Z Branch also focused on establishing technology-enhanced branches, represented by P Branches, which utilize advanced information technology and smart devices to offer clients more intelligent and personalized financial services. In these technology-enhanced branches, customers can experience integrated online-to-offline financial services, including self-service loan applications, self-service account opening, intelligent risk assessments, and personalized financial consulting, enhancing the convenience and customer experience of financial services[38].

④ Specialized Support for Low-Carbon and Carbon-Neutral Projects

Aligned with the national goals of low-carbon development and carbon neutrality, Z Branch established a specialized 7+3 Marketing View initiative, dedicated to providing targeted loans and policy support for clean energy and environmental projects, such as photovoltaic, hydroelectric, and wind power. Through these measures, Z Branch not only provided financial support for green energy and environmental industries but also demonstrated the bank's commitment to social responsibility and sustainable development.

For SP Bank's Z Branch, the business transformation phase has been a period of actively responding to national strategies, proactively adapting to market changes, and continuously innovating service models. Through the introduction of a series of innovative loan products, optimization of loan approval processes, establishment of technology-enhanced branches, and support for green projects, Z Branch has successfully transformed and upgraded its credit business, making a positive

contribution to local economic development and fulfilling its social responsibilities[39].

Scale of Corporate Credit Business at SP Bank Z Branch

Since 2008, SP Bank's Z Branch has undertaken significant strategic adjustments and growth in its corporate credit business. Based on an in-depth analysis of market trends and corporate client needs, the branch has established corporate credit as a strategic focus, achieving sustained growth in business scale and a notable increase in market share through precise market positioning and flexible credit strategies. As shown in Figure 3-2, the scale of credit business consistently expanded until 2022, with especially pronounced growth prior to 2021. This expansion was driven in part by favorable national development policies and regional economic conditions, with Z region's economy on an upward trajectory and notable growth in property values. Additionally, the branch's continued product innovation and strategic foresight allowed it to capture market opportunities[40].

However, under the dual impact of the COVID-19 pandemic and the downturn in the real estate sector, 2022 marked the first decline in overall credit scale. This drop was primarily due to a series of defaults in the real estate sector, which led to an increase in the bank's non-performing loan (NPL) rate, severely impacting Z Branch's profits. In response, the branch adjusted its policies, allocating significant resources towards reducing NPLs. Meanwhile, the increase in NPLs also led to more stringent credit approval processes, resulting in a considerable decrease in project approval rates. In the second half of 2023, the branch carried out a strategic realignment to address the insufficient loan issuance, which enabled the credit scale to gradually return to previous levels[41].

Types of Corporate Credit Products at SP Bank Z Branch

From a product perspective, SP Bank's corporate credit products are primarily divided into loans for medium and large enterprises and loans for small and micro-enterprises (inclusive financing). The credit approval process, approved amounts, and targeted industries differ significantly between these two types. Loans for medium and large enterprises include working capital loans, project loans, and urban-rural

integration loans. These loans are generally secured by real estate or guaranteed by corporate groups, feature long terms, and involve large amounts, constituting the bulk of the corporate lending portfolio[42][43].

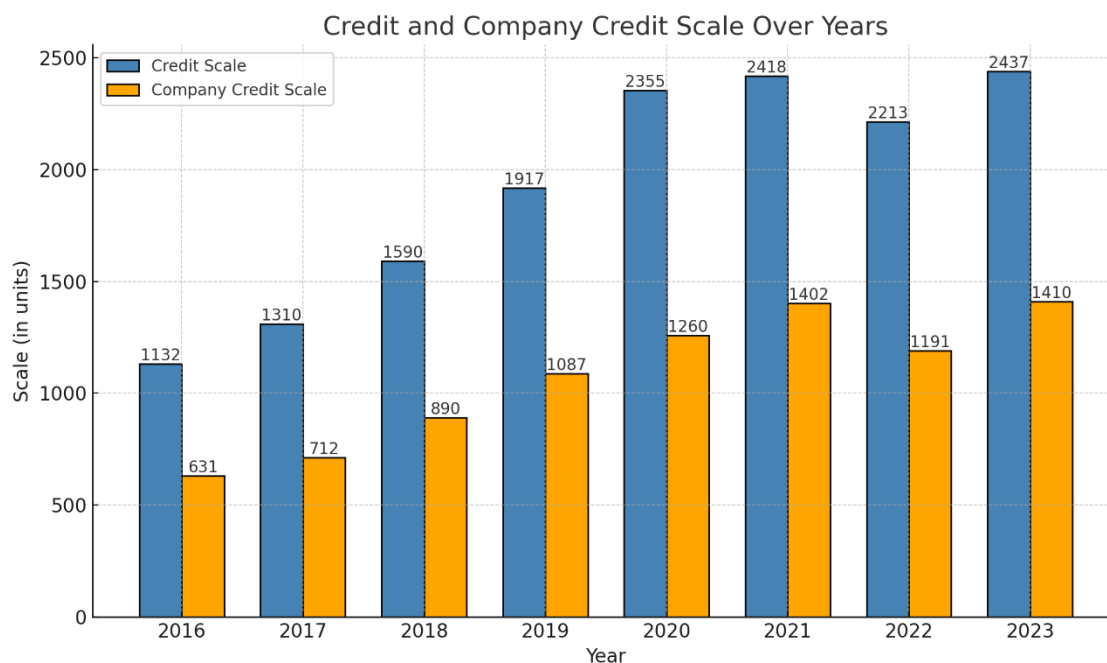


Figure 2-2 Growth of Credit Scale at SP Bank Z Branch (Unit: Billion Yuan)

Representative products in the inclusive loan category include tax-based loans, credit loans, specialized loans for technology-focused enterprises (such as R&D loans and technology loans). These loans are characterized by smaller amounts, shorter terms, and are typically unsecured, relying on credit guarantees. Most are standardized products dependent on companies' financial indicators and often receive policy support, reflecting the bank's commitment to social responsibility[44].

In terms of targeted industries, loans for medium and large enterprises are primarily issued to traditional industries like manufacturing and heavy industry. In contrast, inclusive loans are often extended to technology-oriented companies and small manufacturing enterprises, which usually meet certain patent and qualification requirements. Over the past two years, policy incentives have led to a gradual increase in the share of inclusive financing in the bank's loan portfolio[45].

Target Industries for Corporate Credit at SP Bank Z Branch

As illustrated in Figure 2.3, SP Bank's Z Branch credit business in 2023 mainly served clients in manufacturing, power and heat production and supply, and wholesale and retail sectors, which together accounted for 70% of the total loan portfolio.

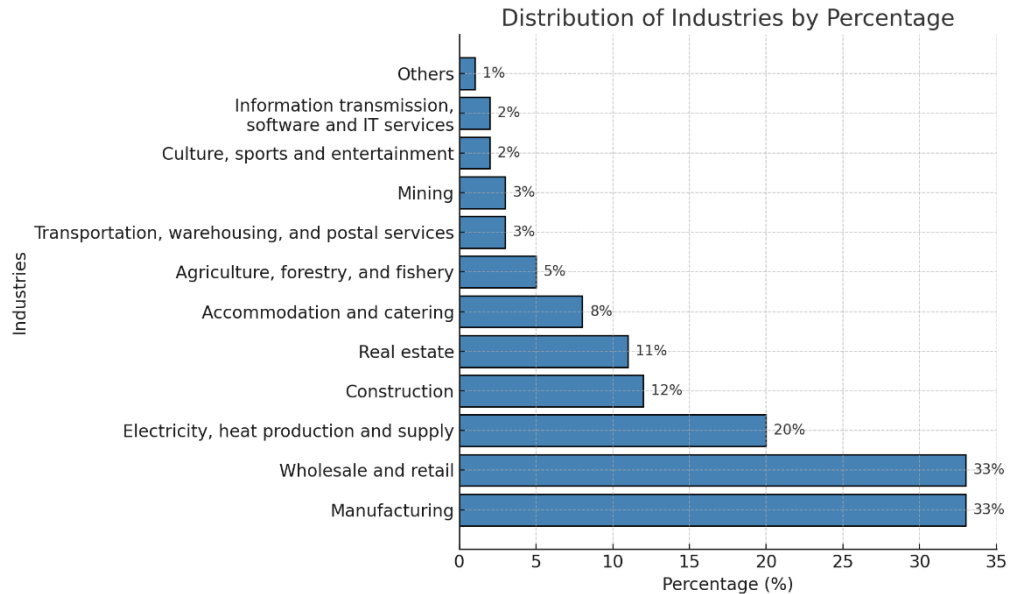


Figure 2-3 Industry Proportion of Corporate Credit Issuance at SP Bank Z Branch

This indicates high financing demand within these industries. In recent years, credit allocation to the real estate sector, which previously held a significant share, has been gradually reduced, and in response to regulatory policies, most credit activities in real estate have been suspended. This shift suggests that the business structure of SP Bank's Z Branch is relatively healthy, with substantial potential for growth[46][47].

2.2 Survey and Analysis of the Current State of Corporate Credit Business at SP Bank Z Branch

Background of Internal Interviews and Questionnaire Survey

Since the economic reform and opening-up, China's domestic economy has

experienced significant growth due to favorable policies, benefitting the banking industry substantially. This expansion has seen banks achieve gradual increases in various business areas, though underlying developmental issues have been masked. In recent years, however, with economic fluctuations both domestically and internationally, China's growth rate has slowed, and the problems within many banks have surfaced—SP Bank Z Branch included. The tightened domestic real estate sector has had a major impact on the overall economic environment, specifically creating financial strain and financing difficulties in the construction sector and related upstream and downstream industries, leading to defaults and high unpaid receivables. Demand in related manufacturing sectors has also declined, affecting overall production growth. These sectors are major areas of credit issuance for banks, leading to reduced lending opportunities due to the tightened real estate credit and decreased manufacturing financing needs. To maintain scale, banks face intensified competition, necessitating strategic adjustments, product structure optimization, and enhanced marketing efficacy.

Purpose of the Questionnaire Survey

Given the above background, this study designed a series of interview outlines and questionnaires to deeply understand the development status of corporate credit business at SP Bank Z Branch. By conducting in-depth interviews and surveys with the branch's corporate credit staff and management, the study aimed to gather detailed data and insights on the branch's corporate credit business development. This first-hand information serves as a primary source for comprehensively understanding SP Bank Z Branch's corporate credit business.

Interview Design

(1) Interview Subjects

The interview invited 11 individuals, including two junior staff members from the Credit Department, one mid-level manager from the Corporate Business Department, two sub-branch managers, and six corporate account managers, as shown in Table 2.1.

Table 2.1

Details of Interviewees

Serial No.	Position Level	Position Title	Number of People
1	Mid-level Manager	Corporate Business Director	1
2	Mid-level Manager	Sub-branch Manager	2
3	Junior Staff	Credit Department Officer	2
4	Account Manager	Corporate Account Manager	6

(2) Interview Content Design

The interviews were conducted face-to-face, focusing on obtaining feedback and suggestions from key personnel on the current status of corporate credit business at Z Branch to guide further in-depth research. Specific interview topics are outlined in Table 2.2.

Table 2.2

Contents of the Interviews

Serial No.	Interview Question
1	How do you view the development of SP Bank Z Branch over the past three years? What changes have occurred?
2	How competitive is the banking industry in Z Branch's area? What advantages does the branch have?
3	What is your view on the competition for corporate credit products in the current market?
4	Do you think Z Branch's staffing structure is reasonable? Any suggestions?
5	Do you think Z Branch's credit product structure is reasonable?
6	How do you assess Z Branch's credit business costs compared to peers?

Questionnaire Design and Collection

(1) Questionnaire Design Principles

The survey, designed specifically for the corporate credit business of SP Bank Z Branch, was conducted anonymously to protect participant privacy. The questionnaire covered multiple key aspects of the corporate credit process to capture comprehensive information.

(2) Questionnaire Distribution and Collection Process

The survey was distributed to corporate credit departments and relevant personnel within SP Bank Z Branch from December 1 to December 15, 2023. A total of 203 questionnaires were distributed, and 190 were returned, with 188 valid responses, yielding a 92.6% effective response rate, meeting research requirements.

(3) Reliability Verification of the Questionnaire

To ensure data reliability, a retest method was applied to 100 respondents, with a 15-day interval between tests. The correlation coefficient ($R=0.9$) indicated high consistency between the two sets of results, confirming data reliability for the study.

(4) Basic Information of Survey Respondents

Table 2.3

Basic Information of Survey Respondents

Characteristic	Category	Number of People	Percentage (%)
Gender	Male	101	53.72
	Female	87	46.27
Age	Under 25	20	10.63
	25–30	64	34.04
	31–40	73	38.82
	40–50	23	12.23
	51–60	8	4.20
Years of Service	Less than 1	5	2.6
	1–5	32	17.02
	6–10	30	15.95
	11–15	68	36.17
	More than 15	53	28.19
Education	Below Bachelor's	39	20.74
	Bachelor's	101	53.72
	Master's	45	23.94
	Above Master's	3	1.60
Position	Marketing	63	33.51
	Service Support	58	30.85
	Business Support	56	29.79
	Management	11	5.85

The sample distribution in Table 2.3 generally represents the overall composition of the Z Branch. The male-to-female ratio is balanced, with males slightly more prevalent at 53.72%. The majority (72.86%) are between 25 and 40 years old, with over half having over 10 years of experience (64.36%), indicating a stable workforce. Most respondents hold a bachelor's degree (53.72%), and the distribution of non-managerial roles is balanced, with marketing positions accounting for 33.51%.

Analysis of Survey Results on Corporate Credit Business at SP Bank Z Branch

(1) Personnel Quality and Management

Personnel management is crucial in credit business development, directly affecting the quality and efficiency of credit services. Effective personnel management ensures that employees have the necessary expertise and skills to handle complex credit transactions. Below is an analysis of Z Branch's personnel management issues based on survey findings.

Table 2.4

Understanding of Business Philosophy

Level of Understanding	Number of People	Percentage (%)
Very Familiar	32	17.02
Familiar	21	11.17
Moderate	54	28.72
Not Very Familiar	71	37.77
Not Familiar at All	10	5.32

Business philosophy is foundational to management activities, guiding the bank's operations. A clear business strategy must be established and effectively implemented to positively influence business activities. At SP Bank Z Branch, 37% of employees indicated insufficient understanding of the bank's business philosophy, while only 17% reported a thorough understanding.

Understanding of Corporate Credit Products

Level of Understanding	Number of People	Percentage (%)
Very Familiar	65	34.57
Familiar	20	10.64
Moderate	78	41.49
Not Very Familiar	15	7.98
Not Familiar at All	10	5.32

Understanding credit products is equally crucial. Employees' familiarity with credit products enhances efficiency and accuracy in operations and improves customer service. Table 2-5 data indicates that 34.57% of respondents have a thorough understanding of credit products, while 41.49% have a general understanding. Interviews revealed that mid-level support staff, who mainly conduct product analysis, generally understand products well, though junior marketing staff need additional product training.

Table 2.6

Sufficiency of Credit Service Staffing

Staffing Level	Number of People	Percentage (%)
Very Sufficient	32	17.02
Sufficient	28	14.89
Moderate	45	23.94
Insufficient	78	41.49
Very Insufficient	5	2.66

Table 2.6 shows that approximately 44% of employees believe staffing is insufficient for credit services, while 31% consider it adequate. Interviews revealed that with the challenging business environment, demand for credit services has decreased, while stricter requirements for marketing performance have increased pressure on staffing

Professionalism of Staff Related to Credit Services

Professionalism Level	Number of People	Percentage (%)
Very Professional	56	29.79
Professional	73	38.83
Moderate	41	21.81
Not Very Professional	13	6.91
Not Professional at All	5	2.66

Table 2.7 indicates that 67% of respondents rated their colleagues' professionalism as high, showing general satisfaction with staff expertise. Interviews suggest that internal assessments and pressures have increased, with employees effectively performing their roles and actively engaging in marketing.

Table 2.8

Assessment Mechanism for Constraints in Credit Services

Assessment Completeness	Number of People	Percentage (%)
Very Complete	22	11.70
Complete	28	14.89
Moderate	57	30.32
Incomplete	68	36.17
Very Incomplete	13	6.91

Data in Table 2.8 show that 42% of respondents perceive inadequacies in the constraints and assessment mechanisms for corporate credit, while only 29% view these mechanisms as comprehensive. Interviews revealed that assessments focus mainly on growth and asset quality but are lacking in operational risk, ethical risk, and incentive mechanisms.

(2) Product Management and Innovation

Table 2.9

Degree of Innovation in Corporate Credit Products

Innovation Level	Number of People	Percentage (%)
Very High	15	7.98
High	18	9.57
Moderate	55	29.26
Low	89	47.34
Very Low	11	5.85

Table 2.9 shows that 53% of respondents consider product innovation to be low. Interviews indicated that the bank's recent conservative product design aimed to minimize credit risk, while frequent personnel changes in headquarters and branches have slowed product updates. However, the branch has increased its innovation pace recently, achieving notable progress.

Table 2.10

Efficiency of Corporate Credit Services

Efficiency Level	Number of People	Percentage (%)
Very High	18	9.57
High	20	10.64
Moderate	40	21.28
Low	89	47.34
Very Low	21	11.17

According to Table 2.10, 58% of employees believe that the efficiency of corporate credit processing is low. Interviews suggest that only tax-based loans have fully moved online, while other services remain offline, requiring time coordination

among various departments, which lowers overall efficiency.

Table 2.11

Situation of the Approval Process for Corporate Credit Services

Complexity Level	Number of People	Percentage (%)
Very Simple	11	5.85
Simple	23	12.23
Moderate	48	25.53
Complex	88	46.81
Very Complex	18	9.57

Table 2.11 shows that 56% of respondents view the credit approval process as complex. Interviews confirm that the traditional process remains with multiple approval layers and repeat feedback, impacting efficiency.

Table 2.12

Pricing Strategy of Corporate Credit Products

Pricing Strategy Completeness	Number of People	Percentage (%)
Very Comprehensive	10	5.32
Comprehensive	28	14.89
Moderate	74	39.36
Limited	67	35.64
Very Limited	9	4.79

Table 2.12 indicates that 40% of employees find credit product pricing overly simplified, with limited flexibility based on specific client conditions. Interviews reveal that pricing often relies on limited criteria, without enough consideration of clients'

specific circumstances.

(3) Marketing Management

Table 2.13

Enthusiasm of Corporate Credit Marketing Personnel

Enthusiasm Level	Number of People	Percentage (%)
Very Enthusiastic	57	30.32
Enthusiastic	71	37.77
Moderate	13	6.91
Somewhat Unmotivated	38	20.21
Very Unmotivated	9	4.79

Table 2.13 shows that 68% of respondents rate the enthusiasm of marketing personnel as high. Interviews indicate that corporate credit staff motivation is closely tied to performance-linked incentives, and as market competition grows, enthusiasm for business expansion is rising.

Table 2-14

Attractiveness of Marketing Activities Related to Corporate Credit

Attractiveness Level	Number of People	Percentage (%)
Very Attractive	19	10.11
Attractive	33	17.55
Moderate	49	26.06
Less Attractive	65	34.57
Not Attractive	22	11.70

Table 2.14 shows that 46% of respondents find the attractiveness of marketing activities insufficient. The survey suggests that marketing events lack strength and

innovation, reducing overall appeal.

Table 2.15

Coordination between Corporate and Retail Departments

Coordination Level	Number of People	Percentage (%)
Very Good	20	10.64
Good	31	16.49
Moderate	93	49.47
Poor	33	17.55
Very Poor	11	5.85

Table 2.15 shows that 49.47% of employees rate inter-departmental cooperation as average. Interviews reveal that the heavy workload in each department limits interaction for joint marketing efforts.

(4) Risk Management

Table 2.16

Rationality of Corporate Credit Standards

Rationality Level	Number of People	Percentage (%)
Very Rational	19	10.11
Rational	28	14.89
Moderate	73	38.83
Less Rational	56	29.79
Not Rational	12	6.38

Table 2.16 shows that 36% of respondents find the credit standards unreasonable. Interviews suggest that SP Bank Z Branch's credit standards need further refinement to improve overall effectiveness.

Flexibility of the Corporate Loan Approval Process

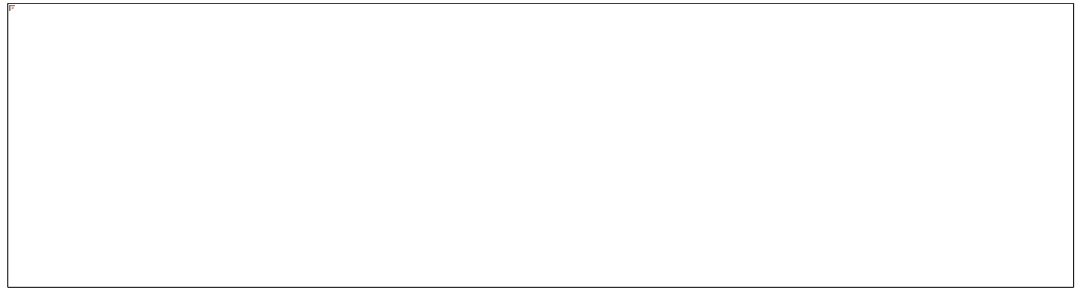


Table 2.17 shows that 51% of respondents find the credit approval process lacks flexibility. Interviews reveal that the current system model relies on fixed financial indicators, with limited options for exceptions, thereby reducing flexibility.

2.3 Issues In The Development Of Corporate Credit Business At SP Bank Z Branch

Since the reform and opening-up, the domestic economy has flourished, and the banking industry's scale has gradually expanded. Many developmental issues have been overshadowed by the tide of the times. In recent years, with the tightening of credit allocation in several domestic industries, the banking sector is no longer a field of unlimited opportunities. To maintain their current scale, competition among banks has intensified, exposing various problems. SP Bank Z Branch is no exception. Based on survey findings, the corporate credit business at this branch faces issues such as low efficiency in financial services, weak product competitiveness, low customer contribution, and increasing credit risks. These issues may become stumbling blocks for SP Bank Z Branch during critical periods, putting it at a disadvantage in the competitive industry landscape[48][49].

Low Efficiency in Credit Business

1. Complex Approval Process for Credit Business

Although this is the era of technology and the internet, where many daily services are conducted online, corporate credit business remains relatively complex. Corporate credit business typically involves large amounts and hidden risks, requiring flexible handling rather than a one-size-fits-all approach. Consequently, traditional corporate credit business is still primarily conducted offline in most banks to gain a comprehensive understanding of the companies and mitigate credit risks. However, SP Bank Z Branch's credit approval process is notably complex. Based on the aforementioned surveys and interviews, most employees believe the current credit design is unreasonable, the approval process lacks flexibility, and the overall processing time is lengthy. This complexity not only demotivates marketing staff but also negatively affects customer experience, potentially resulting in lost business opportunities.

2. Lack of Online Products

Many banks, following the technological trend, have launched micro and small enterprise loans such as tax loans, technology loans, and small-scale credit loans. These loans exhibit notable characteristics:

- Standardization: These products are primarily driven by financial indicators, tax data, and transaction records processed through the bank's risk control model with minimal manual intervention.
- Online Access: Standardized processes ensure convenience, with loan services integrated into mobile apps.
- Convenience: From limit assessment to loan approval and disbursement, the process can be completed online without cumbersome procedures.
- Small Amounts: These products are designed for micro and small businesses with credit limits usually capped at 3 million RMB.

Despite these advantages, SP Bank Z Branch has fewer such products and lags behind in their development. Furthermore, its products are not fully online; document reviews and contract signing still occur offline, and approval efficiency falls short of truly online offerings.

3. Low Productivity of Marketing Staff

Although SP Bank Z Branch has a large workforce and numerous marketing personnel, its credit issuance growth has significantly declined in recent years. As shown in Chart 3-2, the growth rate plummeted from 22.85% in 2020 to 2.68%, -8.48%, and 10.12% in subsequent years, much lower than previous periods. This indicates a lack of productivity per employee, with some cases even showing declines.[50]

Weak Product Competitiveness

The competitiveness of products is critical for the development of credit business, directly influencing a bank's position in the fiercely competitive financial market. Product competitiveness includes diversity, innovation, flexibility, pricing competitiveness, and alignment with customer needs.

According to Table 2.9 from the survey, most employees believe SP Bank Z Branch lacks innovation in its credit products. Interviews revealed that the majority of its offerings are traditional credit products aimed at meeting regular credit needs, making it hard to stand out in today's diverse financial market[51].

According to Table 2.12, employees believe SP Bank Z Branch's pricing for credit products is overly uniform and lacks competitiveness. Rigid pricing models can make products less appealing, as the financial market requires flexible and diverse pricing mechanisms.

Table 2.14 shows that employees also believe the branch's credit product marketing lacks appeal. Interviews suggest that promotional activities mainly consist of placing posters, distributing brochures, and hosting small-scale events like salons. There is little focus on large-scale promotional activities such as industrial park presentations or joint marketing events with commercial centers. Without effective marketing strategies and product designs, the bank will face significant obstacles in future business development.

Increasing Credit Risks

1. Rising Risks for Micro and Small Enterprises

SP Bank Z Branch faces increasing risks in its corporate credit business as the scale of micro and small enterprise loans grows. While the branch promotes inclusive

finance to support micro and small enterprises, these businesses often have weak risk resistance and limited operational scales, affecting their sustainability.

The COVID-19 pandemic in 2020 posed unprecedented challenges to micro and small enterprises, causing economic contraction, reduced consumption, operational difficulties, cash flow issues, and even the suspension of business activities. These challenges directly threaten the safety of SP Bank Z Branch's corporate credit business, increasing the likelihood of credit losses and negatively impacting the bank's asset quality and profitability[52][53].

2. Increasing Risks in Construction and Manufacturing Industries

SP Bank Z Branch also faces significant risks in its credit allocation, with 11% of loans in the construction industry and 33% in traditional manufacturing (as shown in Figure 2.3).

The construction industry, a vital part of the national economy, has been heavily influenced by real estate market fluctuations. Regulatory policies and changing market demand have affected the development of the construction sector, posing risks to the bank's credit business. Characteristics such as long project cycles, large funding requirements, and uncertain repayment periods exacerbate these risks, especially in the context of tightened real estate market regulations and reduced demand. Stalled projects caused by market downturns or funding chain disruptions can lead to increased non-performing loans and adversely affect the bank's financial health[54].

In manufacturing, overcapacity in certain industries and homogeneity of low-end products pose significant operational risks. Additionally, rapid technological advancements and fierce competition mean that traditional manufacturing companies unable to keep pace may face quick obsolescence. Loans in these sectors, typically medium to long-term, are challenging to manage and susceptible to becoming bad debts.

Analysis of Issues in the Development of Corporate Credit Business at SP Bank Z Branch

Insufficient Credit Personnel Team

1. Insufficient Knowledge of Products Among Corporate Credit Marketing Staff

Due to the variety and complexity of corporate credit products, and the fact that many challenging products are rarely handled by some employees, only back-office support staff and experienced account managers are well-informed about the products. Inexperienced account managers may face the following issues:

- **Inadequate Training:** Marketing staff may not receive sufficient, targeted training to fully understand the features, advantages, and appropriate customer types for corporate credit products. This lack of training hinders their ability to communicate product information effectively to clients.
- **Outdated Information:** As market conditions and regulations change, credit products are adjusted accordingly. If marketing staff lacks access to updated information or if the update mechanism is insufficient, they may struggle to stay informed about the latest product details.
- **Excessive Product Lines:** If the bank offers a wide variety of credit products, marketing staff may find it difficult to gain an in-depth understanding of every product, especially as new products are frequently added or updated.

2. Inadequate Allocation of Corporate Credit Staff

SP Bank Z Branch faces challenges in human resource allocation, particularly in the corporate credit business. The number of employees is insufficient, leading to an excessive number of clients and asset portfolios managed by individual employees compared to industry averages. This situation hampers detailed investigations before loan approvals and effective management after loan issuance, reducing efficiency and service quality, increasing operational risks, and ultimately impacting overall business performance.

3. Incomplete Credit Constraints Mechanism

The performance evaluation of corporate credit staff at SP Bank Z Branch primarily focuses on two aspects: asset allocation scale and efficiency, and the ratio of non-performing assets. Constraints include deducting risk deposits and quarterly performance bonuses. This approach may lead staff to overemphasize business volume expansion and performance outcomes while neglecting professional ethics and risk control. Additionally, the lack of a comprehensive evaluation and incentive system

may cause employee fatigue and a lack of motivation.

Ineffective Management and Innovation in Credit Products

1. Lack of Product Innovation

One of the main challenges in SP Bank Z Branch's corporate credit business is insufficient product innovation. While domestic micro and small enterprise loan balances have steadily increased since 2018, the differentiation of corporate credit products in the market remains low. Many products lack innovation, limiting SP Bank Z Branch's ability to meet diverse market demands. In the technology innovation sector, the branch has been slow to update its products. For instance, technology loans were introduced late, and competitors had already captured significant market share. Additionally, project-based loans are relatively uniform, lacking tailored products for specific fields. With the rapid development of the financial market, the branch urgently needs to update its product line to attract a broader customer base.

2. Inefficient Business Processes

Many credit operations still rely on traditional offline methods, such as credit evaluation and document collection, with limited online application and approval processes. This delays business processing and reduces customer experience. While some products, such as tax-based loans, support online applications and rapid approval, online channels have not been widely implemented.

3. Complex Approval Process

The multi-level approval system at SP Bank Z Branch involves multiple departments and stages of review, with each stage requiring strict document verification and approval. This leads to lengthy approval cycles, consuming significant human and material resources. Delays or errors in information transmission may occur during this complex process. Customers face long waits and complicated procedures, reducing satisfaction and increasing the risk of losing business. This approval model struggles to adapt to rapidly changing markets and customer demands, undermining the bank's agility and competitiveness.

4. Challenges in Pricing Management

SP Bank Z Branch faces pricing-related challenges, including a lack of diversity

in pricing standards, limited pricing authority, and single-dimensional pricing strategies. The current pricing mechanism overly focuses on collateral value and customer ratings, neglecting comprehensive customer evaluations and business characteristics. Additionally, strict control from the head office over pricing limits branch-level flexibility and competitiveness. While market-driven pricing strategies help address competition, they may fail to meet customer needs or achieve higher profitability.

Unhealthy Asset Allocation Structure in Corporate Credit

1. Overconcentration in Asset Allocation

According to Chart 3.3, four industries dominate over 10% of the corporate credit business at SP Bank Z Branch: manufacturing, wholesale and retail, electricity and heat production and supply, and construction. Together, these industries account for over 70% of credit allocation, leading to high risk concentration. Significant policy, economic, or technological shifts in these industries could amplify asset risks, threatening the sustainable development of the corporate credit business.

2. High Proportion of Declining Industries, Limited Investment in High-End Fields

Declining industries, due to technological and policy factors, include low-end manufacturing, coal, petroleum, and other traditional energy sectors, as well as medium- and high-pollution industries. In SP Bank Z Branch's current credit structure, high-end manufacturing accounts for less than 10% of the manufacturing sector, while low-end manufacturing exceeds 25%. Construction accounts for over 11%, and coal and steel industries exceed 3%. The high proportion of declining industries and low investment in emerging sectors hinder sustainable growth.

3. Low Investment in Policy-Supported Sectors

With the introduction of concepts like carbon neutrality and green finance, policies increasingly favor clean energy industries such as hydropower, photovoltaics, and wind power. Support for technology innovation sectors is also growing. However, SP Bank Z Branch's current investment in these areas is limited. Electricity and heat production account for 12%, but wind and photovoltaic projects are underrepresented.

The bank's technology innovation investments remain in the early stages, with insufficient product design and asset allocation. Low investment in policy-supported sectors risks hindering sustainable corporate credit growth.

Outdated Corporate Credit Marketing System

1. Lack of Marketing Attractiveness

SP Bank Z Branch's marketing efforts lack sufficient appeal. The bank has not fully grasped customer needs and overly relies on price competition to promote credit products. While this strategy may temporarily increase market share, it can harm long-term customer relationships. Customers value loan amounts and costs, and frequent adjustments to credit policies create uncertainty. Intense market competition further risks losing customers to competitors offering more stable terms. Additionally, despite combining online and offline promotion, the lack of innovation in marketing activities makes it difficult to differentiate from competitors, reducing promotional effectiveness.

2. Insufficient Department Collaboration

Poor collaboration among departments is a significant issue. Each department, such as corporate and retail divisions, focuses on its performance indicators and tasks, which are often independent and poorly interconnected. This leads to limited interaction between departments, reducing overall synergy and competitiveness in the market.

Backward Corporate Credit Risk Management

1. Inflexibility in Approval Process

The approval process at SP Bank Z Branch needs optimization. Current procedures involve complex steps requiring multiple departmental approvals, which are time-consuming. While this model suits large corporate clients with complex needs, it is inefficient for micro and small enterprises or individual clients requiring quick and simple credit services. Over-reliance on financial reports and quantitative data further reduces flexibility, failing to capture the true credit needs and repayment capacity of businesses.

2. Ineffective Credit Standards

Credit risk management relies heavily on standardized models and scoring systems, which, while improving efficiency, overlook the unique circumstances of borrowers. This standardized approach struggles to assess the needs and challenges of micro and small enterprises, which often lack traditional financial records. As a result, SP Bank Z Branch risks misjudging creditworthiness, increasing risks, and missing opportunities to support promising borrowers.

CHAPTER 3

RECOMMENDATIONS FOR IMPLEMENTING SP BANK Z BRANCH'S CORPORATE CREDIT BUSINESS DEVELOPMENT STRATEGIES

3.1 Analysis of the Development Environment and Strategy Selection for Corporate Credit Business at SP Bank Z Branch

In the current global economic situation, the close relationship between the banking sector and the real economy is particularly evident. Faced with multiple challenges such as the COVID-19 pandemic, international conflicts, and economic downturns, the pace of global economic recovery has slowed. Although China enjoys political stability, its economy is grappling with reduced demand, supply pressures, and downward adjustments in expectations. This requires commercial banks to adjust their strategies to respond to external changes, strengthen their support for the real economy, and enhance risk management to ensure the stability of the financial system. In particular, banks need to innovate their services to address the financing difficulties of small and medium-sized enterprises (SMEs), improve the accessibility of financial services, promote comprehensive economic development, and balance financial growth with safety to address a series of critical challenges[55].

Political Environment Analysis

China's political situation has remained consistently stable. At the 20th National Congress of the Communist Party of China held in October 2022, five key strategic directions for the country's high-quality economic development were proposed. These directions are closely linked to the financial sector, such as advancing the development of a high-level socialist market economy system and modernizing industrial systems. These strategies include continuous improvement in areas such as transportation, aerospace, networks, manufacturing, quality management, and digitalization, focusing on enhancing economic quality. They also emphasize accelerating the development of

new growth drivers such as artificial intelligence, biotechnology, new energy, new materials, high-end equipment, and green development while aiming for higher-quality and more efficient modern services. These strategic plans have a direct impact on the credit business of banks. In the implementation of major national strategies and high-quality economic development, commercial banks' credit businesses will continue to play an indispensable role, providing solid support and protection for their stability and safe development[56].

Recently, regulations on commercial banks have been strengthened. The People's Bank of China has continuously introduced regulatory policies to improve the financial regulatory framework and has intensified supervision in areas such as compliance, anti-money laundering, customer information protection, and financial risk management in commercial banks. These measures have significantly increased the cost of illegal and non-compliant operations. According to a 2023 report by the China Banking and Insurance Regulatory Commission, 4,750 penalties were imposed on banking and insurance institutions throughout the year, involving 8,552 responsible individuals and fines totaling 7.838 billion yuan. The number of penalties, individuals held accountable, and the total amount of fines in 2023 saw significant increases compared to the previous two years, with fines being 2.7 times higher than in 2022 and 2.9 times higher than in 2021. While strengthening regulation, regulatory authorities have also focused on balancing the need to support sustained economic growth with ensuring the stability of the banking system. They have encouraged commercial banks to operate in compliance with laws and regulations while emphasizing critical areas and weak links in the national economy. Policies aim to guide banks to enhance their service capabilities for the real economy and promote high-quality development[57][58].

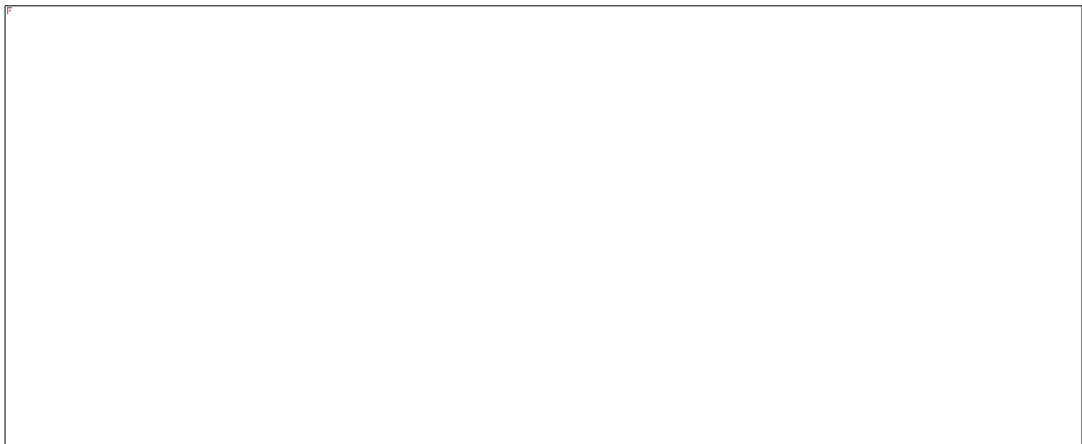
The country is also actively promoting the development of green finance. The Carbon Peak and Carbon Neutrality goals appear to involve the growth of low-carbon industries and the transformation of high-carbon industries but, in essence, represent significant shifts in the structure and flow of funds. These shifts leverage capital to support the realization of these dual goals. Green finance has become a key force in

achieving the Carbon Peak and Carbon Neutrality objectives. Its role in China's sustainable development and environmental governance has grown significantly, and the country's green finance system continues to improve. By the end of 2022, China's green credit scale reached 27.2 trillion yuan, ranking first globally, with a year-on-year increase of 31.7%. These figures highlight the enormous market potential for green credit business. Commercial banks need to innovate green credit products and actively promote ecological product-based credit businesses such as energy use rights, carbon emission rights, franchise rights, and pollution discharge rights to accelerate the development of green finance. However, banks with significant credit exposure to high-energy consumption, high-pollution, and high-emission industries face considerable pressure to reduce their credit scale[59].

Economic Environment Analysis. In recent years, China's economy has continued to grow. In 2023, the annual gross domestic product (GDP) reached 12,605.82 billion yuan, an increase of 5.2% over the previous year at constant prices. As shown in Table 4-1, over the past 20 years, both the gross national income and GDP have been on a steady upward trend, reflecting the stability of China's domestic economic situation, which benefits the development of banking business[60].

Table 3.1

Domestic Economic Development Status



While the overall trend has been positive, analyzing annual GDP growth rates in Table 3.1 reveals significant fluctuations. Particularly in 2020, the growth rate was only

2.7%, far below the initially projected 5.5%. Moreover, the growth rate has shown an overall downward trend in the past five years, reflecting the challenges facing China's economy in the new era. In recent years, the global economy has been severely impacted by the unprecedented pandemic and large-scale transformations. Geopolitical instability has further exacerbated the situation. Domestically, repeated blows from multiple uncertainties have weakened growth expectations, disrupted supply chains, and reduced consumer demand. These pressures continue to evolve. Additionally, China's economy is undergoing a painful adjustment period characterized by slower growth, structural optimization, and the digestion of previous economic stimulus measures. The convergence of these three overlapping periods has heightened economic uncertainty, leaving the foundation for economic recovery fragile. Under such economic conditions, the challenges facing the banking sector's credit business are particularly significant[61][62].

Socio-Cultural Environment Analysis

1. The Social Credit System is Still in Development

As China progresses toward a more complete socialist market economy system, the integration of credit concepts, systems, and tools with various aspects and links of the national economy is becoming increasingly profound. In the long term, a mature social credit system can reduce costs, improve efficiency, and fundamentally transform every aspect of economic and social operations. However, at present, some small and micro enterprises and individual businesses still lack sufficient credit awareness. Combined with relatively low default costs, default events occur frequently. These incidents may lead to negative credit records for businesses or individuals, hindering their ability to apply for loans from commercial banks. In some cases, companies or individuals even deliberately default, posing a threat to the safety of bank loan funds[63].

2. High Savings and Low Consumption Tendencies Among Residents

Factors such as income inequality, an underdeveloped social security system, and a deeply ingrained culture of thrift have contributed to a trend of high savings and low consumption among Chinese residents. In recent years, on one hand, consumption

willingness and opportunities have been limited by the downturn in the real estate market, unstable returns on financial products, and fluctuations in equity assets, leading to reduced risk tolerance among residents. On the other hand, domestic and international uncertainties have increased concerns about future income, prompting a rise in precautionary savings. In 2022, despite declining savings interest rates, household deposits in the banking system surged by nearly 18 trillion yuan. By comparison, from 2019 to 2021, annual household deposit growth averaged about 10 trillion yuan[64].

Scientific and Technological Environment Analysis

1. Rapid Transition to Digitalization and Intelligent Banking

Chinese commercial banks are rapidly evolving toward digitalization and intelligence. Since around 2017, digitalization has become a key strategic focus for major commercial banks. The People's Bank of China's FinTech Development Plan emphasizes addressing new challenges brought by the digital economy. The plan focuses on digitalization and green finance, promoting the interconnectivity of financial and public service systems under secure and compliant data frameworks. It aims to reduce information asymmetry, expand the scope and depth of financial services, and enhance data security. The plan also outlines the establishment of new digital infrastructure, such as data centers, financial networks, and computing power networks, while encouraging green technologies and renewable energy to support green growth in financial institutions. Digital transformation not only improves the quality and efficiency of financial services but also guides traditional industries toward renewable energy and green, low-carbon development. Intelligent solutions have enhanced customer engagement and risk control capabilities, broadened service coverage, and ensured effective loan risk management. Digitalization and intelligence have become key drivers for the growth of corporate credit businesses in commercial banks[65].

2. Innovation and Digitalization in Banking Services

During the COVID-19 pandemic, commercial banks accelerated their transition to online services. As more customers avoided physical branches, foot traffic in bank

outlets decreased significantly, with over 90% of customers preferring services that could be completed without leaving their homes. In response to changing customer behavior, banks have shifted toward online services, supported by advances in information technology and widespread adoption of smart devices. Most major commercial banks have now successfully migrated to online operations, with continually improving system security and stability. For example, the electronic channel substitution rate at Shanghai Pudong Development Bank has reached nearly 95%. Even small and medium-sized enterprise loans that once required in-person visits to the bank can now be applied for online, significantly streamlining funding access for SMEs[66].

3. Expansion of Scene-Based and Platform-Based Services

With the increasing number of banks and intensified market competition, particularly among large commercial banks, customer-centric strategies are becoming more prevalent. Banks are actively developing open banking models, aiming to transform into banks by your side. This approach involves partnerships with commercial systems and institutions to share data and algorithms, enabling embedded integration of transactions and processes. The core strategy is to attract customers through various life scenarios, offering seamless, one-stop financial services and creating an ecosystem of integrated cloud platforms. By deeply embedding themselves in everyday scenarios, banks provide comprehensive financial services anywhere, at any time[67].

Analysis Conclusions

Political Environment:

China has implemented a series of sustainable development policies and provided substantial financial policy support while continuously optimizing and improving financial regulation. This creates a favorable overall environment for the development of corporate credit businesses in China.

Economic Environment:

In recent years, China's sustained economic growth has provided stable external conditions for banking businesses, particularly benefiting the development of credit

services. However, significant fluctuations in annual GDP growth rates, especially the sharp decline in 2020 and the gradual slowdown over the past five years, highlight the multiple challenges facing China's economic development. These challenges include the impact of the pandemic, international geopolitical instability, economic growth adjustments, and structural reforms. While these factors increase economic uncertainty, they also present opportunities alongside risks for the banking industry's credit business[68].

Socio-Cultural Environment:

The development of a social credit system is gradually progressing, promising long-term benefits by reducing transaction costs and improving economic efficiency through deeper integration with the market economy. However, challenges remain, including weak credit awareness among some SMEs and individual businesses, low default costs, and frequent credit default events, which affect the safety and efficiency of commercial bank loans. Additionally, high savings and low consumption trends among residents—exacerbated by income disparities, an underdeveloped social security system, and traditional thrift values—pose both challenges and opportunities for the development of corporate credit products[69].

Technological Environment:

The rapid digitalization and intelligent transformation of commercial banks are accelerating, with significant achievements in several research and development fields. These technological advancements, coupled with favorable policies, provide new growth opportunities for the financial sector. Overall, the technological environment is highly conducive to the development of corporate credit businesses[70].

Industry Competition Analysis of Corporate Credit Business at SP Bank Z Branch

This section analyzes the industry environment using Porter's Five Forces Model to study the local development status and competitive landscape of SP Bank Z Branch. The analysis focuses on the following aspects: bargaining power of suppliers and buyers, threat of potential new entrants, threat of substitutes, and competitive rivalry among existing competitors. Due to the unique nature of the banking industry,

the suppliers and buyers in this context are not physical goods traders but rather entities involved in monetary transactions. Here, suppliers are defined as depositors, including individuals and enterprises, while buyers are defined as individuals and enterprises requiring bank loans. This allows for an analysis of the bargaining power regarding deposit and loan interest rates[71].

Bargaining Power of Suppliers

According to the definition above, suppliers of funds to banks are individual and corporate depositors, while bargaining occurs around deposit interest rates. Unlike ordinary goods, interest rates are regulated by the central bank, which provides benchmark rates for deposits and loans. Banks then adjust these rates within a certain range. Thus, banks generally have significant pricing power over interest rates.

For individual depositors, deposit interest rates are transparent across banks, and rates are nearly identical. As a result, banks hold absolute pricing power, and individual customers have virtually no bargaining power. For corporate deposits, the situation differs depending on the type of enterprise:

1. Small and Micro Enterprises: These enterprises have limited bargaining power for deposit rates. Their contributions to banks are relatively small, and banks typically do not customize interest rates for them.

2. Medium and Large Enterprises: Starting from medium-sized enterprises, companies gain some bargaining power due to their larger settlement funds, which significantly impact banks' ability to increase scale and attract deposits. Agreements specifying deposit rates are typically higher than regular deposit rates but lower than the guidance rates set by headquarters[72].

3. Large Corporations, Listed Companies, and Financial Institutions: These entities have strong bargaining power. For SP Bank Z Branch, there are two main types of agreed deposits:

- Agreed Deposits: Simple contracts with limited interest rate increases that do not require approval from headquarters.
- Market-Oriented Current Deposits: Require headquarters approval and allow greater interest rate flexibility, but with minimum deposit requirements.

For high-contribution clients such as large corporations and financial institutions, negotiations often result in tailored deposit rates approved by the headquarters.

In recent years, deteriorating business environments in the region have intensified competition among banks, somewhat increasing suppliers' bargaining power. Overall, bargaining power ranks as follows: financial institutions > listed companies > large enterprises > medium enterprises > small and micro enterprises, individual businesses.

Bargaining Power of Buyers

For banks, buyers are individuals and businesses seeking loans. Buyers are categorized into individuals, small and micro enterprises, medium and large enterprises, and listed companies. Bargaining power varies by customer type, contribution levels, and associated risk costs.

1. Individuals and Small and Micro Enterprises: These groups generally have weak financial strength and carry certain repayment risks. Their primary goal is to secure funding from banks. Banks typically conduct multiple evaluations of their operations to determine appropriate credit limits. Pricing is generally standardized, leaving these clients with little bargaining power.

2. Medium and Large Enterprises: These clients have stronger bargaining power. They often compare loan rates and terms across banks to optimize their financial costs. Beyond standardized products (priced uniformly by headquarters), project-based loans and working capital loans allow for some negotiation. Clients with larger scale, higher contributions, and better financial health have greater leverage.

3. Key Enterprises and Listed Companies: These entities possess the highest bargaining power. Most banks actively seek partnerships with them. As these businesses often maintain relationships with multiple banks, they have precise knowledge of lending costs and tend to push banks to negotiate closer to cost prices. In some cases, banks may even lend below cost for strategic partnerships.

Overall, buyer bargaining power ranks as follows: listed companies > large enterprises > medium enterprises > small and micro enterprises, individual businesses.

Threat of Potential New Entrants

Potential new entrants into the corporate credit business include the following:

1. **Financial Platforms of Internet Companies:** Examples include the financial segments of JD.com, Alibaba, Ctrip, and Tongcheng Travel. These platforms provide alternatives for businesses, especially in regions with limited banking competition. However, in SP Bank Z Branch's area, such platforms are fewer, making this threat relatively weak[73].

2. **Private Equity and Venture Capital Firms:** These entities, specializing in equity financing, often have strong industry insights and professional risk control models. However, businesses usually prefer bank financing over equity financing to avoid excessive equity dilution. As a result, this threat is relatively low.

3. **Online Banks:** Examples include MYbank and Huishang Bank, known for their quick approvals but characterized by high interest rates and small loan amounts. These banks pose a minor threat.

Threat of Substitutes

Substitutes for traditional bank credit products include financial derivatives and equity financing.

1. **Financial Derivatives:** Products such as acceptance circulation and supply chain factoring address liquidity challenges by using instruments like receivables and bills of exchange to replace cash flow. These products may reduce the market share of traditional credit businesses but simultaneously create opportunities for new business, such as discounting, factoring financing, and letters of credit[74].

2. **Equity Financing:** This also competes with credit businesses. SP Bank Z Branch has adopted a strategy of combining loans and investments. For example, the bank co-invests in projects supported by reputable equity investment firms, mitigating credit risks.

In this regard, substitutes create more investment opportunities rather than substantial threats

Competitive Rivalry Among Existing Competitors

The competitive intensity among banks in SP Bank Z Branch's region has

significantly increased in recent years due to slower economic growth. Key factors include a deteriorating business environment, reduced fiscal budgets, and weakened corporate expansion willingness. Competitors include:

1. Four Major State-Owned Banks: These banks have significant advantages in corporate credit due to extensive branch networks and wide corporate client coverage. They also benefit from lower credit business costs, making their pricing highly competitive[75].

2. Rural Commercial Banks and Postal Savings Bank: These institutions dominate rural and county markets with numerous branches. They cater to small and medium-sized enterprises with easier credit access, though their products are less diverse, posing less competitive pressure.

3. Joint-Stock and City Commercial Banks: These banks bear the brunt of competitive pressure due to reduced urban demand for funding. Product homogeneity and weaker brand strength compared to state-owned banks require them to compete aggressively through pricing, product innovation, and marketing efforts.

Overall, SP Bank Z Branch faces considerable competitive pressure in the local market

Porter's Five Forces Analysis Conclusion

Based on the analysis, SP Bank Z Branch faces significant competitive pressure in the local market, with a concerning outlook.

- While threats from substitutes and new entrants are relatively low, these factors alone are insufficient to address the current competitive challenges.

- In terms of bargaining power, SP Bank Z Branch has weak pricing power with large clients, who have access to multiple financing options and often negotiate close to cost prices.

- The shrinking local credit market, reduced corporate funding demand, and competitive advantages of the four major state-owned banks exacerbate the competitive landscape.

To stand out, SP Bank Z Branch must continuously optimize its product structure and reduce costs to improve competitiveness.

SWOT Analysis of Corporate Credit Business at SP Bank Z Branch

Opportunities

1. Support for the Development of Small and Micro Enterprises

In recent years, supporting small and micro enterprises has become a key focus of national policy. The government has repeatedly emphasized the importance of providing solid policy support for the growth of small and micro enterprises, implementing measures such as tax reductions and fee cuts to promote their development. Since 2021, following a series of measures from the central government, financial regulatory authorities such as the People's Bank of China and the China Banking and Insurance Regulatory Commission have introduced policies to empower small and micro enterprises. These policies aim to establish a long-term mechanism to encourage banks to actively lend, ensuring that small and micro enterprises receive high-quality financial services[76].

2. Integrated Planning in Infrastructure Development

The government has positioned infrastructure development and planning as a key driver of economic and social progress, emphasizing the balance between growth potential and risk mitigation in advancing infrastructure projects. To achieve a modern infrastructure network, policymakers emphasize the need for well-designed layouts that align with future development needs, functionality, and adaptability. Key development priorities include:

- Expanding and strengthening infrastructure networks for wide coverage and high efficiency.
- Promoting new infrastructure development, such as digital and intelligent infrastructure, to support emerging industries and technologies.
- Improving public service systems to enhance accessibility and quality of life.
- Strengthening critical infrastructure to ensure national security and social stability.
- Advancing the informatization and connectivity of infrastructure to facilitate information flow, resource sharing, and regional collaboration[77].

3. Strategic Planning for the Manufacturing Sector

China is fully committed to upgrading and optimizing its manufacturing sector to achieve its ambitious goal of becoming a global manufacturing powerhouse. This strategy encompasses four main objectives:

- Upgrading industrial foundations to make them more advanced.
- Modernizing supply and value chains.
- Maintaining a stable proportion of manufacturing in the national economy.
- Enhancing global competitiveness through overall optimization and upgrades.

To support this transition, diverse financial measures have been implemented, such as increasing the scale of medium- and long-term loans, expanding credit for technological innovation, and promoting equity investment and bond financing. These measures aim to direct financial resources toward supporting growth and innovation in the manufacturing sector[78].

4. Innovative Policies in Green Industries

In response to global trends toward sustainable resource utilization and environmental protection, China is actively promoting resource efficiency and circular economic practices. Initiatives include supporting energy efficiency projects, encouraging technological retrofits for energy conservation, restoring abandoned mining sites, developing green mining, and establishing circular agriculture systems.

Green finance has become a key component of commercial banks' credit strategies. By providing green credit services, banks align with national goals for green and low-carbon development while driving a shift toward sustainable economic models. This approach incentivizes enterprises to invest in green, low-carbon, and environmentally friendly projects, fostering the growth of the green economy[79].

Threats

1. Complex Domestic and International Economic Conditions

While China's economy has experienced rapid growth in recent years, it faces increasingly complex external economic conditions. On one hand, international

instability has grown, with accumulating risks and the spread of trade protectionism. On the other hand, structural issues within the domestic economy persist. Challenges include sluggish consumption growth, a sharp decline in exports, and slowing investment. Small and micro enterprises, in particular, have struggled to recover from the effects of the pandemic, while medium and large enterprises face tight finances due to the real estate market's impact. These factors increase operational risks for many businesses. If banks fail to carefully select high-quality clients for loans, they risk a surge in bad debts, threatening credit fund security and the sustainable development of credit businesses.

2. Intensifying Industry Competition

The banking industry is experiencing increasingly fierce competition. On one side are traditional state-owned banks, which are no longer reliant solely on branch traffic but are competing aggressively in service and market share. These banks leverage their large-scale funding, policy support, low-cost funds, and extensive customer bases. On the other side, joint-stock banks, city commercial banks, and rural commercial banks are adapting to severe product homogeneity by adjusting pricing strategies, marketing efforts, and product structures. Some have even relaxed credit thresholds to remain competitive, further intensifying market rivalry[80].

Strengths

1. Sufficient Funds for Credit Allocation

Loan funding primarily comes from accumulated deposits. Since 1989, the People's Bank of China has implemented a quota management strategy based on the principle of deposit-based lending. This strategy limits maximum loan amounts to the available operational funds of commercial banks. SP Bank Z Branch, for instance, had total deposits exceeding 240 billion yuan by the end of 2023. With substantial funding, the branch can provide ample credit support to enterprises, meeting their financing needs without the constraints faced by smaller institutions like joint-stock banks and rural commercial banks. This flexibility enables SP Bank Z Branch to respond promptly to client needs, ensuring stable funding even during critical reporting periods.

2. Comprehensive Traditional Credit Products and Full Financial Licenses

SP Bank has developed a complete range of traditional credit products over years of operations, meeting diverse client needs in direct financing, liquidity, expansion, and specialization. Additionally, its parent group holds a full spectrum of financial licenses, offering medium and large enterprises a comprehensive suite of financing services, including equity and debt financing, trust, financial leasing, funds, futures, wealth management, debt-to-equity swaps, and project cost consulting. This comprehensive capability significantly enhances its market attractiveness and competitiveness[81].

3. Strong Industry Reputation

Given the homogenization of credit product functionality and service levels, a bank's brand image is key to standing out in a competitive market. A strong and reputable brand strengthens market expansion, deepens customer relationships, and attracts top talent. SP Bank Z Branch has built an excellent reputation over years of operation, earning the trust of local enterprises and a historical nickname as the King of Corporate Banking. Its strong brand allows it to leverage this advantage in marketing corporate credit products, securing a competitive edge.

Weaknesses

1. Cumbersome Product Innovation Processes and Lack of Incentives

SP Bank Z Branch faces challenges in innovating credit products for medium and large enterprises. Issues include overly lengthy innovation processes, high decision-making hierarchies, and insufficient innovation incentives. These factors limit the bank's ability to adapt quickly to market changes and meet emerging market demands. Competitors with more flexible and responsive decision-making processes are better positioned to meet the evolving and customized needs of medium and large enterprises.

2. Inadequate Credit Marketing and Service Systems

Weaknesses in credit service and marketing systems are another significant issue. Corporate credit marketing involves multiple key steps, such as client visits, communication, credit solution design, and documentation preparation, all of which directly affect customer experience and long-term trust. In SP Bank's three-tier

marketing service system (provincial branch, city branch, and outlets), local outlets lack clear guidance and support from higher levels, resulting in delays and weaker competitiveness. Additionally, redundant marketing efforts reduce client satisfaction and hinder the delivery of consistent and efficient credit services.

3. Complex and Time-Consuming Credit Processes

The complexity and time requirements of credit processes also present a challenge. SP Bank Z Branch's conservative operational strategy and strict risk controls mean that completing a corporate credit transaction involves multiple steps, such as pre-loan investigations, account opening, project and client reviews, credit ratings, and approvals. These processes can take months to complete. While this approach helps maintain asset quality and reduce bad loans, inefficiencies and stringent conditions may lead to market share losses in a highly competitive environment. The bank must strike a better balance between risk management and business expansion.

SWOT Matrix Analysis

Table 3.2

SWOT Matrix

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Based on Table 3.1, SP Bank Z Branch's strengths lie in its ample credit funds, comprehensive range of traditional credit products, and strong industry reputation,

which form significant competitive barriers. Its weaknesses include cumbersome innovation processes, insufficient marketing and service systems, and complex and time-consuming credit processes, all of which are internal operational issues that can be addressed. External opportunities, such as support for small businesses, infrastructure development, manufacturing strategies, and green industry policies, offer macroeconomic advantages that SP Bank Z Branch must seize to accelerate its growth. As for external threats, such as complex economic conditions and intensified competition, the bank can counteract these challenges by leveraging its existing strengths. [82]

The most suitable strategy at present is the SO strategy, where SP Bank Z Branch should fully leverage its internal strengths to capitalize on external opportunities, achieving sustainable development in its credit business.

Development Strategies for Corporate Credit Business at SP Bank Z Branch

Optimize Customer Structure and Increase Allocations to Supportive Industries

During its development, SP Bank Z Branch needs to align with national support policies for specific industries and continuously optimize its customer structure. With the global economy facing instability and domestic sectors slowing, the branch must reassess and adjust its customer structure.

National policies for financial institutions emphasize:

1. Deepening supply-side financial reforms to build mechanisms supporting the real economy through virtual economies.
2. Accelerating technological finance to enhance digitization and convenience.
3. Improving the green financial system to optimize industrial and financial market structures, ensuring effective support for sustainable industries.

Traditional industries characterized by low efficiency and high costs face operational risks and should be gradually reduced in the customer portfolio. In contrast, emerging industries such as renewable energy, technology, and national key support sectors are experiencing rapid growth and policy incentives, making them favorable targets for expansion.

By following national policies, understanding industry characteristics, and

optimizing customer structures, SP Bank Z Branch can mitigate credit risks, expand credit allocation, and achieve long-term development.

Strengthen Channels for Customer Acquisition and Achieve Scaled Marketing

Sustainable growth requires efficient marketing. To maintain or expand its scale and improve profitability, SP Bank Z Branch must enhance marketing efficiency, with channel-based customer acquisition and scaled marketing as key strategies.

1. Collaborate with Local Governments and Departments:

Strengthen relationships with municipal and district governments, particularly with key departments like investment promotion, industry and commerce, and taxation bureaus. This approach will attract enterprises in relevant industries through policy guidance and business partnerships. Additionally, regularly hosting or participating in government-led business events and forums will enhance the bank's visibility and establish connections with potential clients as a professional financial service provider.

2. Focus on Industrial Parks and Innovation Financial Products:

SP Bank Z Branch should target high-quality industrial parks and their enterprises, such as high-tech firms, innovative leaders, and listed companies on China's New Third Board. By offering customized products like Park Loans and Local Tech Loans, the branch can deepen existing relationships while attracting new clients. Furthermore, exploring high-density small business areas in residential and wholesale markets through convenient service stations and personalized services can expand the small business client base and grow the credit business.

3. Develop a Digital Supply Chain Ecosystem:

Leverage existing key clients, such as high-end manufacturers, healthcare firms, universities, and industrial parks, to promote digital supply chain platforms. This approach enhances operational efficiency for core enterprises and their upstream and downstream clients while attracting more businesses through the platform's aggregation effect. Regular supply chain finance seminars can educate clients about the platform's value, fostering more partnerships and credit business growth.

Strengthen Risk Information Collection and Focus on Key Risk Areas

To develop corporate credit business sustainably, SP Bank Z Branch must

prioritize managing risks in key areas to minimize their occurrence and spread. The bank should actively manage client and credit risks, as individual risks can trigger broader systemic issues. Identifying critical risk factors, particularly for high-risk enterprises and products, is essential.

Facing competition from state-owned banks with aggressive loan strategies, SP Bank Z Branch must prioritize collateralized loan businesses with strong risk mitigation measures. Losing these clients could rapidly erode market share. To grow in a competitive market, SP Bank Z Branch must balance marketing capability with risk management excellence.

Key actions include:

1. Strengthening employee training on credit risk and enhancing managers' ability to oversee risks across pre-loan, mid-loan, and post-loan stages.
2. Adjusting the asset allocation structure to align with national policies, increasing allocations to supportive industries, and offering diverse credit products with varying terms to meet client needs.

By improving risk management and aligning with market demands, SP Bank Z Branch can achieve both business growth and risk balance[82].

3.2 Optimizing The Corporate Credit Product Structure

Enhancing Product Innovation in Corporate Credit

SP Bank Z Branch should adopt a multi-dimensional approach to product innovation to address unmet market needs and explore underserved segments. This approach involves developing targeted credit products that cater to specific industries and customer groups, thereby enhancing the bank's market competitiveness and customer satisfaction.

Targeted Credit Products for Private Enterprises:

- Range: Typically ranging from 10 million to 30 million yuan.
- Objective: Address gaps in credit offerings for private enterprises.
- Benefit: Enables the bank to capitalize on the growth of the private sector by offering tailored financing solutions.

Loans for Early-Stage Infrastructure and Large Fixed-Asset Projects:

- Objective: Meet the working capital requirements typical of early-stage infrastructure projects and large fixed-asset projects.

- Benefit: Ensures that the bank remains competitive by offering products that align with market demands.

Support for Technology Innovation Enterprises:

- Objective: Leverage government and local fiscal support policies.
- Action: Accelerate the introduction and adaptation of innovative financial products.

- Benefit: Enhance the quality of tech-financing services and support the unique needs of technology innovation enterprises.

Diversification in Green Finance:

- Focus Areas: Clean energy, energy-saving technologies, and green building projects.

- Opportunities: Explore new opportunities in carbon finance, such as carbon credit trading, ecological agriculture financing solutions, and innovations in environmental management funding models.

- Benefit: Provide cost-effective capital solutions and align with national green development goals.

Streamlining Product Development Process:

- Objective: Ensure that the product development process is streamlined.
- Action: Closely monitor and respond to market trends in manufacturing, green finance, technological innovation, new infrastructure, and related industrial parks.

- Autonomy: Grant the branch more autonomy in managing the innovation process within regulatory frameworks and in communication with local regulators.

- Benefit: Enable quicker product launches and agile adjustments based on market feedback.

Optimizing Pricing Strategies

(1) Expanding Autonomous Pricing Authority

SP Bank Z Branch should conduct in-depth market and industry analyses to

suggest increased autonomy for pricing credit products. This is particularly important in sectors like infrastructure, advanced manufacturing, strategic emerging industries, and green finance.

- Customized Pricing Strategies: For projects meeting the central bank's re-lending policy, the branch should implement customized pricing strategies to foster cooperation and growth.

- Regional Specifics: Based on the economic outlook and regional specifics, the branch should expand pricing authority for sub-branches, particularly for sectors with promising market prospects.

- Benefit: Increase agility in credit marketing and better respond to market dynamics.

(2) Ensuring Effective Operation of Comprehensive Pricing Mechanisms

The branch should strengthen its pricing management system by creating a unified business analysis platform for data sharing and insights across departments.

- Mobile-Friendly Pricing Tool: Integrate a mobile-friendly pricing tool with the bank's app to allow client managers to conduct real-time pricing assessments during field marketing.

- Training: Offer training on pricing tools and underlying economic principles to equip credit staff with the skills needed to adjust pricing strategies across various market conditions.

- Benefit: Foster mutual benefits for both the bank and its clients by ensuring that pricing strategies are both competitive and aligned with market demands.

3.3 Strengthening Human Resource Development for Corporate Credit, Developing a Robust Corporate Customer Marketing System

Enhancing Team Quality. Building an efficient team of corporate credit account managers is essential. The branch should establish a transparent talent selection and

promotion system led by a selection committee comprising members from finance, corporate business, human resources, and bank leadership. This process will ensure that candidates are chosen based on professional competence and ethical standards, creating a skilled and qualified team.

Establishing a Comprehensive Incentive System

To maximize the potential of corporate credit talent, SP Bank Z Branch should develop a comprehensive incentive system. This includes optimizing the salary structure, with employee performance and efficiency as critical factors, offering promotions for high-performing employees, and fostering an environment that encourages initiative.

Additionally, the bank should implement a detailed performance evaluation system for account managers, assigning responsibilities and rewards based on employee levels and roles to encourage them to realize their full potential.

Enhancing Training Efficiency and Quality

Given that SP Bank Z Branch is a labor- and capital-intensive service organization, optimizing its training model is crucial. First, the bank should ensure that training content aligns with real-world challenges in corporate credit. Financial support for training should be adequate to ensure employees gain a comprehensive understanding of bank operations, preparing them for future responsibilities.

Additionally, the branch should diversify training methods, combining online self-study and in-person sessions with interactive methods like brainstorming and case studies. Both internal experts and external specialists should be engaged as trainers to broaden employee perspectives.

Finally, establishing a comprehensive training evaluation system is essential. This includes implementing an online training management system to archive materials for future reference and establishing a feedback mechanism for employees to continuously improve training quality.

Customer Segmentation and Classification

SP Bank Z Branch should conduct a thorough review of its credit customer base. Customer segmentation allows the bank to target marketing efforts accurately, ensuring

resource allocation aligns with customer potential and supports high-quality growth.

First, clients should be categorized based on size, with indicators like asset totals, turnover, and employee count. This enables classification into large, medium, small, and micro-sized clients, which is further refined based on the bank's operational needs into five levels: super-large, large, medium-sized, small and micro, and individual operators. Super-large clients include major state-owned enterprises, Fortune 500 companies, and industry leaders. These clients require customized service strategies due to their significant economic impact and complex financial needs.

By establishing a pyramid-like customer hierarchy, SP Bank Z Branch can better align marketing activities and service strategies across client tiers.

Tiered Marketing Operations

Marketing efforts for publicly listed and large client groups should be coordinated with provincial branches, where specific activities are executed by sub-branches. For general large clients, the sub-branch manager should lead, reporting to the provincial branch as needed.

For mid-sized clients, the branch should adopt an inverted pyramid model based on contribution level. The upper layer of the pyramid should handle one-on-one interactions, with account managers leading engagements. A dedicated center or team for mid-sized clients could also be established to handle these clients' specific needs.

For individual business clients, marketing should primarily be managed by front-line branch teams, integrating corporate and retail services to maximize engagement.

CONCLUSIONS

In this comprehensive study, we delved into the development strategy of SP Bank Z Branch's corporate credit business by meticulously analyzing its historical trajectory and current operational landscape. Utilizing a blend of literature research and empirical survey methods, we identified the multifaceted challenges that the branch currently grapples with in its corporate credit operations. These challenges were dissected to uncover their root causes, which were then contextualized within both macroeconomic and internal organizational frameworks. To provide a holistic view, we employed the SWOT analysis model to systematically evaluate the branch's inherent strengths and weaknesses, as well as the external opportunities and threats it faces. Armed with these insights, we formulated and recommended tailored development strategies aimed at addressing the identified issues and propelling the branch towards sustainable growth.

The key findings and conclusions of this study can be summarized as follows:

1. Identified Challenges and Their Underlying Causes:

- **Operational Inefficiencies:** SP Bank Z Branch's corporate credit business is currently hampered by low operational efficiency, manifested in complex and time-consuming approval processes, limited online product offerings, and suboptimal productivity among marketing staff.
- **Product Competitiveness:** The branch's product portfolio lacks innovation and flexibility, making it less attractive in a market characterized by diverse and rapidly evolving customer needs. This is exacerbated by an overly rigid pricing strategy that fails to account for the specific circumstances of borrowers.
- **Emerging Credit Risks:** The branch faces increasing credit risks, particularly in sectors such as micro and small enterprises, construction, and traditional manufacturing. These risks are driven by external economic pressures, regulatory changes, and internal structural issues.
- **Root Causes:** The identified challenges are primarily rooted in an

inadequate credit personnel team, ineffective product management and innovation processes, an unhealthy credit allocation structure, an outdated marketing system, and insufficiently robust credit risk management practices.

2. SWOT Analysis Insights:

- **Strengths:** The branch benefits from abundant credit funds, a comprehensive array of traditional credit products, and a robust industry reputation. These strengths provide a solid foundation for competitive positioning.

- **Weaknesses:** Key weaknesses include a cumbersome product innovation process, insufficient incentives for innovation, an incomplete credit marketing service system, and a time-consuming business process. These internal issues hinder the branch's ability to respond nimbly to market dynamics.

- **Opportunities:** External opportunities abound, including policy support for small and medium enterprises (SMEs), infrastructure development initiatives, strategic plans for the manufacturing sector, and innovative policies in green industries. These opportunities offer significant potential for growth and diversification.

- **Threats:** The branch faces external threats such as a complex and volatile domestic and international economic environment, and intensifying competition within the banking industry. These threats necessitate a proactive and adaptive approach to risk management and strategic positioning.

3. Strategy Selection and Implementation Suggestions:

- **Optimizing Pricing:** To enhance product competitiveness, the branch should expand its autonomous pricing authority, particularly for sectors aligned with national development strategies. This includes implementing customized pricing strategies for infrastructure, advanced manufacturing, and green finance projects.

- **Fostering Innovation:** The branch must prioritize product innovation to meet evolving market needs. This involves streamlining the innovation process, leveraging government and local fiscal support policies, and accelerating the introduction of new financial products tailored to emerging sectors.

- **Establishing Incentive Mechanisms:** To motivate and retain talent, the branch should develop a comprehensive incentive system that aligns employee

performance with rewards. This includes optimizing salary structures, offering promotions for high performers, and implementing detailed performance evaluation systems.

- **Implementing Segmented Marketing Systems:** The branch should adopt a segmented marketing approach, targeting different customer tiers with tailored strategies. This includes strengthening collaboration with local governments and departments, focusing on industrial parks and innovation-driven enterprises, and developing digital supply chain ecosystems.

- **Enhancing Post-Loan Management Capabilities:** To mitigate credit risks, the branch must strengthen its post-loan management capabilities. This includes enhancing risk information collection, focusing on key risk areas, and improving the professionalism and oversight capabilities of credit staff.

In conclusion, the development strategy of SP Bank Z Branch's corporate credit business must be dynamic and responsive to the ever-changing industry environment and economic conditions. By continuously analyzing and refining its strategies, the branch can enhance its competitiveness, navigate the complexities of the market, and achieve long-term success. The recommendations outlined in this study provide a roadmap for the branch to optimize its operations, innovate its product offerings, and strengthen its risk management practices, ultimately positioning it for sustainable growth and resilience in the face of future challenges.

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Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ
створення та перевірки кваліфікованого та удосконаленого електронного підпису

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П.І.Б.: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА

Країна: Україна

РНОКПП: 2571514226

Організація (установа): ФІЗИЧНА ОСОБА

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Алгоритм підпису: ДСТУ 4145

Тип підпису: Кваліфікований

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