

# The Current Situation, Problems and Countermeasures of Credit Card Business of Commercial Banks in China

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**Abstract:** With the sustained advancement of China's social and economic development, the evolution of the bank credit card business has increasingly emerged as a focal point of attention across all sectors of society, and its penetration into and influence on people's daily lives have been steadily deepening. Nevertheless, the bank credit card business is still plagued by a plethora of issues. These include the blind pursuit of the number of issued cards, a low active card usage rate, the absence of a matching and sound legal and regulatory framework, insufficient innovation in credit card-related business operations, as well as the escalating operational risks and fraud incidents associated with credit cards. In light of these challenges, the government should collaborate with relevant institutions to formulate and implement targeted laws and regulations that are tailored to the development of the credit card business, enhance the quality of credit card issuance, promote innovations in credit card businesses, and strictly regulate the operational practices of credit card services while cracking down on illegal cash advances.

**Keywords:** Commercial Bank; Credit Card Business; Development Status; Issue; Countermeasures

## 1. Introduction

In 1985, Bank of China Zhuhai Credit Card Co., Ltd. was formally established, becoming China's first credit card operating institution; concurrently, China's first credit card was launched that year. In 1995, China Guangfa Bank introduced the country's first credit card compliant with international standards, marking the official initiation of China's credit card market. However, the market's development progressed relatively sluggishly thereafter. It was not until China's accession to the World Trade Organization (WTO) that, driven by the

rapid growth of the national economy, the credit card market ushered in a developmental inflection point—not only was the market environment significantly optimized, but leapfrog growth was also achieved across core dimensions including card issuance volume, transaction scale, and the number of participating institutions[1].

By the end of 2024, the cumulative number of credit cards issued by Chinese commercial banks had exceeded 1.2 billion, with a total credit limit exceeding 25 trillion yuan. The credit card business has thus emerged as a core growth driver for commercial banks' retail banking operations. Nevertheless, this rapid expansion has been accompanied by a slew of prevalent developmental challenges[2]. This paper primarily examines the current issues faced by Chinese commercial banks in their credit card operations and proposes corresponding solutions.

## 2. Problems in the Credit Card Business of Commercial Banks in Our Country

### 2.1 Blindly Pursue Quantity, Low Live Card Rate

In the mature stage of the credit card industry's development, amid the continuous expansion of business scale and intensifying market competition, many commercial banks have taken the number of cards issued as a core performance metric. They have overemphasized scale expansion while neglecting user quality and actual card usage demand, which in turn has given rise to a substantial number of inactive cards and defunct cards. According to survey data from professional research teams focusing on China's commercial banks, although the current average usage rate of domestic credit cards is higher than that of some developed countries, the overall utilization rate remains relatively low. This is attributed to factors such as inadequate alignment of user portraits with product offerings and insufficient penetration of

card acceptance scenarios. Furthermore, the blind expansion of card issuance by commercial banks in certain regions has further aggravated this issue, directly reducing the industry-wide active credit card rate and leading to the inefficient occupation of financial resources[3].

## **2.2 The Relevant Laws and Regulations of Credit Card Business are not yet Perfect**

While the credit scale and issuance volume of commercial banks' credit cards have experienced rapid growth, and credit card consumption has profoundly transformed people's payment habits—bringing significant convenience to consumers through its accessibility—in recent years, the number of fraud cases in China's credit card sector has not only increased year by year, but the amount involved has also repeatedly hit record highs. This poses a severe threat to the stability of the financial market and the security of consumers' property. The core crux behind the frequent occurrence of irregularities in credit card business lies in the inadequacies of China's current legal and regulatory framework governing commercial banks' credit card operations, with prominent gaps and loopholes in key areas such as business supervision and liability delineation[4].

## **2.3 Insufficient Innovation in Credit Card Business**

With the upgrading of residents' consumption, customers' demands for credit cards have become increasingly diversified and hierarchically differentiated. While major commercial banks have recognized the significance of customer segmentation and conducted product innovation accordingly—launching specialized card products such as department store co-branded cards, women-exclusive cards, and travel-themed cards—the market still features prominent homogeneous competition. Specifically, after one bank launches a popular product and achieves profits, other banks often quickly follow suit to replicate cards with similar functions. Under such an extensive innovation model, product function upgrades remain superficial, and the depth and precision of innovation are severely inadequate, making it challenging to effectively meet consumers' personalized and diversified needs[5].

## **2.4 Credit Card Operation Risks and Fraud are Increasing**

The use of credit cards is associated with substantial operational risks, which criminals exploit to launch targeted attacks. Specifically, they may infiltrate bank websites to steal user information and transfer account funds, or construct counterfeit banking platforms to defraud customers into disclosing sensitive data—resulting in significant property losses for consumers. Additionally, non-compliant operations by some bank staff further exacerbate such risks. Credit card fraud cases have continued to rise: data released by the People's Bank of China (PBC) in November 2008 indicates that the overall fraud risk indicators in China have accelerated compared with historical levels, with illegal credit card cash advances identified as the primary driver. This practice not only violates the PBC's cash management regulations and may facilitate crimes such as money laundering but also inflicts severe impacts on issuing banks. Large-scale illegal cash advances enable cardholders to obtain de facto interest-free and unsecured loans, thereby causing substantial financial losses to banks[6].

## **2.5 The Public's Awareness of Credit Cards is Low, and the Credit Risk of Cardholders is Increased**

In the early stages of credit card issuance in China, application scenarios were relatively limited, and many individuals lacked an accurate understanding of their core functions and usage mechanisms. On one hand, influenced by the traditional consumption concept of "living within one's means" over the long term, the public's acceptance of credit card overdraft consumption remained relatively low. On the other hand, commercial banks insufficiently promoted the characteristics and advantages of their credit card products, which further undermined the willingness of potential users to apply for cards. These two factors have collectively led to a significant gap between China's per capita credit card holdings and those of Western developed countries. Additionally, the development of China's credit card industry exhibits regional disparities: there are notable differences in credit card popularity between eastern and western regions, with penetration rates remaining at a low level in some areas[7]. Among China's credit card holders, certain groups lack sufficient corresponding spending

capacity and repayment capability, yet still opt to engage in credit card services. This has significantly elevated the credit risk within the industry. Specifically, credit card credit risk is primarily manifested in three scenarios: first, cardholders are unable to repay the principal and interest of credit card overdrafts in full and on time due to capital turnover difficulties or deteriorating financial conditions, exposing banks to potential default risks; second, during card usage, cardholders' relevant consumption information is stolen by criminals or they are misled into fraudulent transactions, resulting in economic losses; third, cardholders fail to strictly comply with banks' credit card usage regulations, engaging in improper practices such as illegal cash advances against their overdraft limits[8].

### **3. Relevant Countermeasures are Proposed for the Problems Existing in the Credit Card Business of Commercial Banks in Our Country**

#### **3.1 Improve the Quality of Credit Card Issuance**

Following the phase of large-scale expansion characterized by the "race for market share" in the credit card market, the credit card business of commercial banks has entered a critical transition period focused on quality improvement and efficiency enhancement. To adapt to this shift, banks should leverage big data technology to conduct in-depth excavation of customer group value, and accurately segment customer bases based on multiple dimensions such as professional attributes, consumption habits, and risk preferences. Targeted strategies should then be formulated for distinct customer personas, including high-net-worth business professionals, Generation Z trend-conscious groups, and family consumption pillars.

Priority should be given to developing innovative specialized card products, such as cultural tourism co-branded cards and green consumption cards, integrated with innovative functions including exclusive points redemption, intelligent bill management, and small-ticket quick installment plans. By offering differentiated rights and interests, banks can incentivize customers to proactively apply for cards, activate their accounts, and increase frequency of card usage. This approach not only effectively boosts the card application rate,

account activation rate, and card utilization rate but also reduces the waste of "inactive card" resources while lowering the unit card issuance cost. Ultimately, this facilitates the achievement of high-quality and efficient customer acquisition objectives[9].

#### **3.2 Improve Relevant Laws and Regulations for the Development of Credit Card Business**

In recent years, the credit card industry has witnessed continuous innovation in products, services, and payment scenarios. However, the administrative and legislative processes governing relevant laws and regulations have exhibited a significant lag. This disconnect has, to a certain extent, given rise to frequent business disputes and regulatory gaps. To address this issue, it is recommended that proactive efforts be made to draw on the legislative experience of mature markets such as those in Europe and the United States. Specifically, there is a need to systematically integrate the current fragmented body of credit card-related laws, regulations, and normative documents, and formulate a dedicated set of legal provisions focusing on credit card operations. Such a measure aims to establish a logically coherent and comprehensive legal framework for the credit card sector. By clarifying the rights and obligations of all stakeholders in the entire value chain—including card issuers, cardholders, and acquirers—each link of the credit card business, from account opening and transactions to clearing and settlement, can be effectively governed by clear legal guidelines[10].

#### **3.3 Carry out Credit Card Business Innovation**

With the full popularization of mobile payment and the in-depth application of 5G technology, the credit card business of commercial banks has been confronted with multiple challenges, such as the diversion of payment scenarios and the decline in customer activity, thereby rendering the pressure of business transformation increasingly prominent. Against this backdrop, constructing an "online-offline in-depth integration" marketing model centered on "scenario focus and activity enhancement" and vigorously advancing inclusive financial services have become a consensus across the banking industry[11].

Accordingly, commercial banks have taken

credit card-related businesses—including cash installments, consumption installments, and bill installments—as the core starting point for acquiring new customers. They attract potential clients by means of optimizing installment interest rates, simplifying handling procedures, and expanding applicable installment scenarios. Furthermore, through the refined and sustained operation of installment businesses, banks enhance customer stickiness, which in turn significantly elevates customers' dependence on the bank and their comprehensive contribution to the latter's business development[12].

### **3.4 Strictly Regulate Business Operations and Crack Down on Illegal Cashing**

Credit card cash-out activities not only impose financial risks on issuing banks but also disrupt the order of the acquiring market and erode the social credit environment, making it imperative to strictly crack down on such irregularities. Acquiring banks are required to rigorously regulate the access of specialized merchants, enforce the real-name registration system, conduct on-site verification of merchants' business premises and scopes of operation, and prioritize the review of merchants with low or zero deduction rates, such as those engaged in wholesale trade and intermediary services. Simultaneously, they should establish a merchant transaction database and monitoring system, formulate indicators for suspicious transactions and risk assessment models, and promptly verify and rectify irregular practices. For merchants confirmed to be involved in activities such as counterfeit card acceptance, fraud, and cash-out, acquiring banks must immediately terminate cooperation and report the cases to the relevant regulatory authorities[13].

### **3.5 Advocate Consumers' Payment Habits with Cards**

Generally speaking, the penetration rate of credit cards in a country or region can reflect the overall credit environment and residents' cultural literacy of that region to a certain extent. At present, a large number of ordinary consumers in China still exhibit inadequate adaptability to the overdraft consumption model of credit cards, with relatively low frequency of daily card usage. In contrast, the phenomenon of overdue credit card overdrafts is more pronounced among some users with low cultural

literacy or weak credit awareness. It is evident that reshaping the public's perception of credit cards constitutes a crucial foundation for advancing the sustainable development of the credit card industry[14].

To achieve this objective, traditional media channels such as radio and television can be leveraged to strengthen the dissemination of credit card-related knowledge; for residents in remote areas, targeted knowledge popularization initiatives can also be implemented. Through long-term and extensive publicity and guidance, not only can more people gain a comprehensive understanding of the functions and value of credit cards, but residents' willingness to apply for credit cards can also be effectively enhanced. This, in turn, will fundamentally optimize residents' consumption patterns and inject sustained momentum into the development of the credit card industry.

### **4. Conclusion**

By identifying the crux of the issues, prioritizing the resolution of primary contradictions, and formulating targeted solutions through holistic planning in response to developmental challenges, a sound legal and regulatory framework for China's bank credit card business can be established. Further expanding the coverage of credit card services in accordance with existing norms and gradually boosting profitability will enable China to mitigate operational errors, control associated risks, and foster innovation in credit card business. This approach will fundamentally tackle the salient problems hindering the industry's development, deliver more efficient service support for banking operations and consumers' daily financial activities, and thus facilitate the stable and sustainable growth of China's bank credit card sector.

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