

Research on Credit Repair Mechanism of Personal Bankruptcy in China

-- Take Shenzhen pilot as an example

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Abstract: In the context of the modern market economy, the impact of personal debt issues on the stability of the social credit system has become increasingly significant. The implementation of the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations' in 2020 marked the entry of China's personal bankruptcy system into a pilot phase, with the credit repair mechanism being crucial for the debtor's rehabilitation. This study focuses on the Shenzhen pilot project, using empirical analysis to examine the design and effectiveness of the credit repair mechanism. It finds that through measures such as the construction of a digital information platform, clarifying conditions for credit repair, and involving social forces, Shenzhen has initially established a credit repair system. However, it still faces challenges such as legal inconsistencies, an incomplete information sharing mechanism, complex procedures, and insufficient public awareness. The study proposes optimization strategies, including improving national legislation, building a unified information sharing platform, simplifying repair procedures, and enhancing social credit education, to provide theoretical and practical references for the top-level design of China's personal bankruptcy credit repair mechanism.

Keywords: Personal Bankruptcy; Credit Repair Mechanism; Shenzhen Pilot; Information Sharing; Legal System.

1. Introduction

In the context of the rapid development of the modern market economy, personal debt issues have evolved from individual economic challenges into a significant factor affecting the stability of the social credit system. When natural persons face debt crises due to changes in the economic environment or personal business mistakes, traditional debt repayment methods often fail to adequately consider the debtor's potential for recovery. This can lead to the debtor being trapped in a debt cycle for an extended period and hindering the healthy circulation of the social credit order. In August 2020, the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations' (hereinafter referred to as the 'Regulations') were promulgated and implemented, marking the transition of China's personal bankruptcy system from theoretical discussion to practical pilot implementation. This breakthrough provides a legal pathway to address the issue of natural person debts [1].

The core value of the personal bankruptcy system lies not only in achieving fair debt repayment through bankruptcy liquidation but also in providing honest but unfortunate debtors with the opportunity to re-enter economic activities through procedures like bankruptcy reorganization and reconciliation. The credit repair mechanism serves as a critical link in realizing this value [2]. By setting reasonable conditions for credit record restoration, clarifying the process for updating credit information, and establishing a comprehensive support system for credit reconstruction, the credit repair mechanism can balance the interests of creditors and the right of debtors to be reborn, while maintaining the objectivity and credibility of the social credit evaluation system. The pilot projects in Shenzhen, such as setting the duration for disclosing debtors' credit information,

standardizing the application procedures for credit repair, and aligning with the credit evaluation systems of financial institutions, have provided valuable practical examples for the top-level design of China's personal bankruptcy credit repair mechanism.

Theoretically, research on the personal bankruptcy credit repair mechanism in China is still in its early stages, particularly lacking systematic analysis of practical outcomes [3]. The Shenzhen pilot has revealed issues such as inconsistent credit repair standards, an imperfect cross-departmental information sharing system, and insufficient support measures for debtors' credit reconstruction. These issues urgently require in-depth exploration from multiple disciplinary perspectives, including law, economics, and sociology. Practically, with the continuous expansion of personal consumer credit and the increasing liquidity risks faced by market entities, establishing a scientific and comprehensive personal bankruptcy credit repair mechanism has become essential for improving the exit mechanisms of market entities and optimizing the business environment. By studying the Shenzhen pilot, analyzing the institutional design, operational effectiveness, and existing problems of its credit repair mechanism can not only provide valuable experience for the implementation of personal bankruptcy systems in other regions but also offer practical guidance for enhancing credit repair provisions in national personal bankruptcy legislation. This is crucial for advancing China's social credit system and the rule of law in the market economy.

2. Second, Empirical Analysis of Personal Bankruptcy Credit Repair Mechanism in Shenzhen

2.1. Overview of Shenzhen Pilot Practice and Data-Driven Empirical Analysis

2.1.1. Overview of Shenzhen pilot practice

In recent years, as China's market economy has continued to develop, the personal bankruptcy system has gradually transitioned from theoretical discussion to practical implementation. As Wu Jingmei points out in her article "The Practical Significance and Path of Credit Repair Work," the credit repair system is a crucial component of the credit system, essential for improving the joint incentive mechanism for integrity and the joint punishment mechanism for dishonesty. It is also an inevitable requirement for establishing a credit-based regulatory mechanism during and after events. Since 2016, when the State Council issued the "Guiding Opinions on Establishing and Improving the Joint Incentive Mechanism for Integrity and the Joint Punishment Mechanism for Dishonesty to Accelerate Social Credit System Construction," the establishment and improvement of the credit repair mechanism have been highlighted in multiple important documents and speeches at the national level regarding the construction of the social credit system. On July 16, 2019, the General Office of the State Council released the "Guiding Opinions on Accelerating the Construction of the Social Credit System and Building a New Regulatory Mechanism Based on Credit," which explicitly states that exploring the establishment of a credit repair mechanism is a key aspect of improving post-event credit supervision. This further underscores the critical role of credit repair in credit supervision [4].

As the first city in China to pilot a personal bankruptcy system, Shenzhen officially implemented the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations' in March 2021, marking the start of China's personal bankruptcy system. The regulations not only offer debt forgiveness to 'honest but unfortunate' debtors but also establish a comprehensive credit repair mechanism. This mechanism aims to help individuals who have gone bankrupt rebuild their credit records and reintegrate into social and economic life, thereby enhancing the social credit system.

In the practical implementation of credit restoration, Shenzhen has adopted a multi-level and systematic approach [5]. Firstly, the regulations clearly stipulate that after a statutory observation period (usually 3 years) and fulfilling relevant obligations, a bankrupt individual can legally apply for the exemption of unrepaid debts and gradually restore their credit record. Secondly, as noted in 'The Mechanism, Dilemmas, and Vision of the Digital Personal Bankruptcy Credit Evaluation System,' digitalization plays a crucial role in the construction of personal bankruptcy credit systems. In 2021, the Shenzhen Intermediate People's Court, in collaboration with the Shenzhen Market Supervision Administration and other entities, issued the 'Opinions on Establishing a Mechanism for Sharing Bankruptcy Information and Publicizing Status,' actively promoting digital practices [6]. This initiative integrated multiple platforms, including the 'Shenzhen Credit Network,' and successfully established the 'Shenzhen Personal Bankruptcy Information Disclosure Platform.' Through these measures, personal bankruptcy credit information was digitized and

integrated, significantly enhancing transparency and accessibility, providing a solid data foundation for personal bankruptcy credit evaluation, and effectively advancing the improvement and development of the local personal bankruptcy system. The relevant information of bankrupt individuals is publicly disclosed on specific platforms, but after the observation period ends, this information will be legally deleted or marked as 'restored,' to minimize the negative impact on the long-term credit status of the bankrupt individual. Additionally, the Shenzhen pilot program emphasizes enhancing the financial management skills of bankrupt individuals through financial education and credit consultation, laying the groundwork for their credit restoration. By participating in financial planning courses provided by courts or social organizations, bankrupts can learn how to manage their income and expenditure reasonably and optimize their credit behavior, thus accelerating the process of credit repair.

Rectifying default or dishonest acts and eliminating their adverse impact constitute the fundamental requirements for credit restoration [7]. In the institutional design, Shenzhen's pilot program innovatively introduced the participation of social forces. Financial institutions, credit service providers, and social organizations are encouraged to offer a variety of credit repair services to individuals going bankrupt, including credit assessments, behavioral guidance, and psychological counseling. Additionally, the Shenzhen court and government departments have enhanced their supervision and guidance of individuals going bankrupt, ensuring they strictly adhere to their obligations during the review period. They also regularly assess their financial status and credit behavior to facilitate their gradual recovery of credit.

Overall, the pilot program of personal bankruptcy credit restoration in Shenzhen has provided valuable practical experience and theoretical insights for the improvement of China's personal bankruptcy system [8]. It not only offers a chance for debtors to start anew but also explores a viable path toward building a more inclusive and sustainable social credit system, offering significant policy implications.

2.1.2. Shenzhen pilot data-driven analysis

Analysis of personal bankruptcy cases

According to statistics released by Shenzhen Rule of Law Review, the number of cases accepted in Shenzhen's personal bankruptcy pilot program has shown a significant increase since its implementation in 2021.

From Figure 1, it is evident that the number of personal bankruptcy cases in Shenzhen increased significantly from 21 in 2021 to 148 in 2023, with an annual growth rate exceeding 200%. This trend indicates that, with the implementation of the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations,' the public has gradually accepted the personal bankruptcy system, and more debtors are opting for legal solutions to their debts. The rapid increase in reorganization cases (from 13 to 147) suggests that debtors are more inclined to restore their financial health through reorganization rather than direct liquidation or reconciliation. This is closely related to the feature of reorganization, which allows debtors to retain part of their assets and gradually repay their debts.

In terms of the distribution of case types, reorganization cases have seen a significant increase, rising from 61.9% in 2021 to 99.3% in 2023, making it the predominant type of bankruptcy proceedings. This trend reflects a strong demand among debtors for credit repair and financial reconstruction. The number of liquidation cases is extremely low (only one

case per year), indicating that debtors generally prefer to restructure their debts through bankruptcy rather than liquidate their assets. This aligns with the Shenzhen pilot program's focus on protecting 'honest but unfortunate' debtors. In 2021, there were 7 reconciliation cases, but this number dropped to zero in 2022 and 2023. This may be due to the high negotiation costs and legal complexities associated with reconciliation procedures, which have reduced their appeal.

The rapid increase in reorganization cases indicates that the Shenzhen pilot program has achieved initial success in credit restoration. The reorganization process offers debtors the opportunity to retain their assets, gradually repay debts, and restore their credit, aligning with the original intent of personal bankruptcy laws. The extremely low number of liquidation cases further demonstrates that the Shenzhen pilot program, through its legal and policy design, has effectively prevented debtors from falling into prolonged financial distress due to bankruptcy, thereby creating favorable conditions for credit restoration.

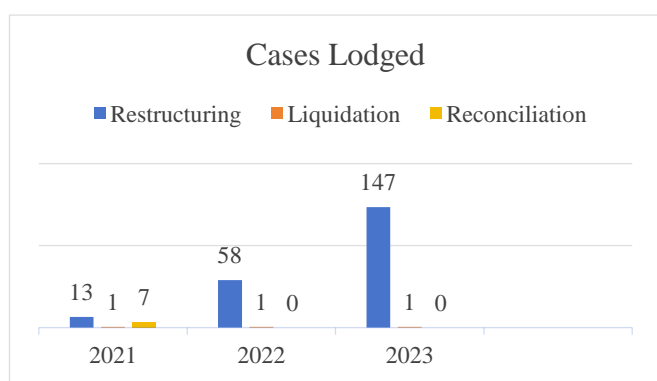


Figure 1. Personal bankruptcy cases

Data source: Shenzhen Rule of Law Review, 2024, No.17

According to Figure 2, we can see that the number of cases that have been fully executed is relatively low, accounting for only 1.3% of all cases. This suggests that most cases have not yet been fully executed, possibly due to the complexity or lengthy duration of the execution process for personal bankruptcy cases. The number of cases currently under trial is 44, representing 19.3% of the total. This relatively high proportion indicates that the court faces significant work pressure in handling personal bankruptcy cases, which may result in longer trial periods. The number of cases that have been concluded and are now under execution supervision is 112, accounting for 49.1% of the total. This is the highest proportion, indicating that most cases enter the execution supervision phase after being concluded, reflecting the court's strict supervision of the execution process for personal bankruptcy cases. The number of cases that have been concluded but not yet under execution supervision is 69, accounting for 30.3% of the total. This relatively high proportion may indicate that some cases have not entered the execution supervision phase after being concluded, possibly due to issues with the execution supervision mechanism or problems in the execution process.

Through further analysis, we can conclude that the number of completed cases is relatively low, indicating a low efficiency in the enforcement of personal bankruptcy cases. This may be due to the complexity of the enforcement procedures, the debtor's financial status, and the court's enforcement capabilities. Improving enforcement efficiency is crucial for the rehabilitation of personal bankruptcy cases; the high number of ongoing cases suggests that the court is

under significant pressure in handling such cases. This can affect the quality and efficiency of case handling, necessitating further optimization of the trial process and resource allocation. Most cases enter the enforcement supervision phase after being concluded, indicating that the court imposes strict oversight on the enforcement process of personal bankruptcy cases. This helps ensure that debtors comply with their obligations under the bankruptcy plan and protects the legitimate rights and interests of creditors.

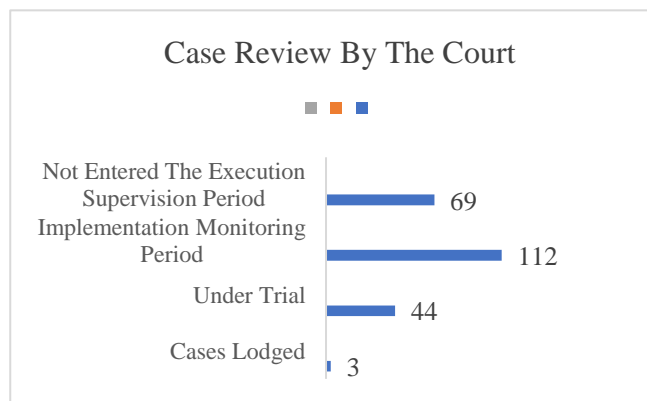


Figure 2. Court proceedings

Data source: Shenzhen Rule of Law Review, 2024, No.17

2.2. Sorting Out, Evaluating and Analyzing the Policy Documents of Individual Bankruptcy System in Shenzhen

2.2.1. Shenzhen personal bankruptcy policy document review

On March 1, 2021, the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations' (hereinafter referred to as the 'Regulations') came into effect, marking the first implementation of a personal bankruptcy system in China. The establishment of Shenzhen's personal bankruptcy system is based on a series of policy documents, including the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations,' the 'Shenzhen Intermediate People's Court Personal Bankruptcy Case Adjudication Procedures,' the 'Shenzhen Personal Bankruptcy Information Registration and Disclosure Interim Measures,' and the 'Shenzhen Personal Bankruptcy Administrator Roster Management Measures.' These documents collectively form the legal framework for Shenzhen's personal bankruptcy system, providing a legal basis and operational guidelines for personal bankruptcy practices.

(1) Personal Bankruptcy Ordinance of Shenzhen Special Economic Zone

As a core regulation, the Regulation provides detailed guidelines on the scope of application, eligibility criteria, bankruptcy procedures, debt forgiveness, and creditor rights protection for personal bankruptcy. It offers a legal framework for personal bankruptcy practices, helping those who are 'honest but unfortunate' to 'restart' their lives. This reflects Shenzhen's proactive role in the pilot demonstration zone of socialism with Chinese characteristics, an important step in accelerating the development of a new economic pattern, and continuously provides 'Shenzhen experience' for the national construction of personal bankruptcy systems.

(2) "Shenzhen Intermediate People's Court Personal Bankruptcy Case Trial Rules"

This regulation, as the first specialized document for handling personal bankruptcy cases in China, not only

clarifies the specific responsibilities of the courts in such cases but also details the review standards during the case acceptance stage, the rules for evidence acceptance and fact determination during the trial stage, and the legal application and adjudication criteria during the ruling stage. Through these detailed provisions, the regulation provides clear operational guidance for the Shenzhen Intermediate People's Court in the judicial practice of personal bankruptcy cases, ensuring the fairness, transparency, and efficiency of case trials. It also offers valuable practical experience and reference for the further development and improvement of China's personal bankruptcy system.

(3) Provisional Measures for the Registration and Disclosure of Personal Bankruptcy Information in Shenzhen

The introduction of this method marks a significant step in the management of personal bankruptcy information in our country. By systematically establishing a registration and disclosure system for personal bankruptcy information, it aims to enhance the transparency of personal bankruptcy cases, protect creditors' right to know, and effectively prevent malicious debt evasion. By disclosing the bankruptcy information of debtors, including any false statements or asset transfers, the public and creditors can monitor the debtor's actions, thereby forming a strong external constraint. This not only provides a robust guarantee for the implementation of the personal bankruptcy system but also lays a solid foundation for the improvement of our country's social credit system and the development of a law-based business environment.

(4) "Shenzhen Personal Bankruptcy Administrator Roster Management Measures"

The introduction of this method marks a significant milestone in the reform of China's personal bankruptcy system, with profound theoretical and practical implications. By systematically regulating the selection, responsibilities, and supervision of personal bankruptcy administrators, it provides a robust institutional framework for the fair and efficient operation of personal bankruptcy procedures. By publishing information on the basic details, contact details, and performance of administrators, creditors can more effectively participate in the selection process, safeguarding their legitimate rights and interests. This institutional design not only enhances transparency but also supports the optimization of the business environment and the advancement of personal bankruptcy reforms.

2.3. Results of the Shenzhen Pilot Project

The personal bankruptcy system is a crucial component of the modern market economy, and the credit repair mechanism is one of its core components. Shenzhen, as the first city in China to pilot personal bankruptcy, has provided valuable insights into the establishment and improvement of China's personal bankruptcy system through its exploration and practice of the credit repair mechanism. Since the launch of the personal bankruptcy pilot program in Shenzhen in August 2020, the credit repair mechanism has shown significant success in practice, with its core achievements primarily reflected in the following aspects:

2.3.1. Institutional exploration of credit repair mechanism

Cao Qixuan, in his article "Several Thoughts on the Construction of Personal Bankruptcy System — From the Perspective of Shenzhen's Exploration Experience," points out that Shenzhen's personal bankruptcy pilot program is

guided by the values of "encouraging innovation, tolerating failure, and supporting rebirth. [9]" This approach has led to active exploration in establishing a personal bankruptcy system. This orientation aligns with Shenzhen's status as an innovative city, offering economic "rebirth" opportunities for debtors who are "honest but unfortunate" due to their entrepreneurial activities. Through a series of reform measures, such as the introduction of the "Shenzhen Special Economic Zone Personal Bankruptcy Regulations" and the establishment of relevant support mechanisms, Shenzhen has implemented these values in practice, helping to resolve debt crises, stimulate market vitality, promote the healthy development of the market economy, and actively explore institutional pathways for credit repair. The "Shenzhen Special Economic Zone Personal Bankruptcy Regulations" and related documents have clarified the conditions, procedures, and legal effects of credit repair, providing a legal basis and specific pathways for its implementation. Specifically, the conditions, procedures, and legal effects of credit repair are defined. Debtors must meet the following conditions to apply for credit repair: a 3-5 year observation period, fulfilling repayment obligations according to the bankruptcy plan, and no new debt defaults during the observation period. The credit repair process includes application, review, public announcement, and ruling, ensuring transparency and fairness. Additionally, the regulations grant debtors rights to information, inquiry, objection, and repair, providing comprehensive legal protection. In Shenzhen's first personal bankruptcy case, after completing the bankruptcy plan, Liang successfully applied for credit restoration and regained his normal credit eligibility. This case demonstrates that the credit restoration mechanism effectively protects the legitimate rights and interests of debtors, preventing them from permanently losing their credit status due to bankruptcy. Furthermore, Shenzhen's pilot program, through the government-court coordination mechanism and the bankruptcy information registration and disclosure system, ensures the efficiency and accuracy of credit restoration.

2.3.2. Specific circumstances and conditions of credit repair

The Shenzhen personal bankruptcy pilot, with the value orientation of "encouraging innovation, tolerating failure and supporting rebirth", defines the specific circumstances and conditions for credit repair, aiming to provide opportunities for honest but financially distressed debtors to restore their credit.

The following three scenarios for credit restoration are outlined: First, if there is an error in the public disclosure of bankruptcy information or if it is not updated in a timely manner, the party can file an objection with the relevant department to request corrections or updates. In a bankruptcy case in Shenzhen, the debtor's credit was damaged due to incorrect information disclosure, and after applying, the relevant information was successfully corrected. Second, if the debtor or administrator corrects their dishonest behavior and cooperates with the bankruptcy process, they can apply to stop the public disclosure of related information by actively correcting their dishonest behavior and cooperating with the bankruptcy process. A debtor who fell into a debt crisis due to business failure but actively fulfilled their obligations during the bankruptcy process successfully applied to stop the public disclosure of dishonest information. Third, if the grace period for exemption has expired or the reorganization plan or

reconciliation agreement has been fully executed, the debtor can apply to mark the information as exempted, thereby restoring their credit record. In Shenzhen's first personal bankruptcy case, after fulfilling the bankruptcy plan, the debtor Liang successfully applied to mark the information as exempted, restoring his normal credit eligibility. By clearly defining these scenarios for credit restoration, Shenzhen ensures the fairness and transparency of the process, providing valuable experience for the country.

2.3.3. Innovation of information sharing and publicity mechanism

Pilot in Shenzhen, guided by the value of "openness and transparency and prevention of abuse", has established a multi-platform linkage bankruptcy information sharing mechanism, covering "National Enterprise Bankruptcy Reorganization Case Information Network" and "Shenzhen Personal Bankruptcy Information Disclosure Platform" and other channels, which provides an important guarantee for the smooth implementation of the personal bankruptcy system.

The information sharing and publicity mechanism piloted in Shenzhen mainly includes the following contents:

National Enterprise Bankruptcy Reorganization Case Information Network: This platform provides comprehensive information on bankruptcy cases, including lists of debtors, progress of bankruptcy procedures, and repayment plans, ensuring transparency. In a bankruptcy case in Shenzhen, the debtor accessed the case's progress through this platform and promptly fulfilled their obligations. **Shenzhen Personal Bankruptcy Information Disclosure Platform:** This platform is dedicated to publishing information on personal bankruptcy cases, including the debtor's credit history and the execution status of the bankruptcy plan. In Shenzhen's first personal bankruptcy case, Liang's bankruptcy plan was publicly disclosed on this platform, ensuring transparency and fairness. **Information Sharing Mechanism:** Shenzhen has implemented a multi-platform information sharing system to ensure real-time information exchange among debtors, administrators, and courts, preventing misuse and leakage of information. Administrators can update the debtor's financial status in real time through the platform, and the court can make decisions based on the latest information.

The information sharing and publicity mechanism in Shenzhen not only improves the transparency of bankruptcy procedures, but also prevents the abuse and disclosure of information through multi-platform linkage, further supplementing and improving the personal bankruptcy repair system in Shenzhen.

3. Third, Take the Shenzhen Pilot as An Example of The Dilemma of Personal Credit Repair in Personal Bankruptcy Cases

3.1. There are Gaps in The Connection of Legal Systems

Although the Shenzhen Special Economic Zone has introduced the 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations,' these regulations fall short in aligning with national-level laws [10]. The current 'Enterprise Bankruptcy Law' does not address personal bankruptcy, leading to a lack of unified legal norms for personal bankruptcy credit restoration. The regulations lack clear alignment with the 'Credit Information Industry Regulation'

regarding the duration and conditions for credit restoration, which can lead to confusion in practice. After a debtor completes the bankruptcy process, there is a lack of clear legal guidance on the procedures and timelines for updating their credit records in the credit information system, potentially causing delays in credit restoration and affecting their normal economic activities.

3.2. The Credit Information Sharing Mechanism is Not Perfect

Shenzhen has established the 'Shenzhen Personal Bankruptcy Information Disclosure Platform,' which has achieved the digital integration of some credit information. However, this platform has not yet formed a comprehensive and real-time information sharing mechanism with the central bank's credit reporting system, other financial institutions, and government departments. On one hand, the platform faces obstacles in obtaining credit information from various sectors of debtors, making it difficult to fully assess their credit repair status. On the other hand, financial institutions and other entities have limited recognition and use of the platform's information, which means that even after a debtor has repaired their credit, they may still face difficulties when applying for loans or other services from financial institutions due to information asymmetry. Furthermore, the untimely sharing of information can lead to inconsistencies in the credit repair status updates across different systems, resulting in contradictions in credit records.

3.3. The Credit Repair Process is Complex and Lacks Transparency

In the pilot program in Shenzhen, the process for personal bankruptcy credit restoration is relatively complex. Debtors must complete a series of procedures, including submitting a credit restoration application, participating in credit training, and providing relevant proof materials. For debtors with lower educational levels or financial difficulties, understanding and completing these procedures can be challenging. Additionally, the lack of transparency in the credit restoration process makes it difficult for debtors to clearly understand their progress and the specific factors affecting their credit restoration. There is also a lack of effective communication channels and feedback mechanisms. This not only increases the time and effort costs for debtors but may also reduce their trust in the credit restoration system, thereby affecting its effectiveness.

3.4. Low Social Credit Awareness and Recognition

The public has a low level of awareness regarding the personal bankruptcy system and credit restoration mechanisms, often harboring misconceptions and biases. Some people view personal bankruptcy as a means to 'avoid debt' and are skeptical about the credit restoration process after a debtor completes bankruptcy. This social perception bias can lead to debtors facing discrimination in social interactions and economic activities, such as restricted employment opportunities and hindered business collaborations, even after their credit has been restored. Furthermore, some companies and institutions lack a scientific approach to assessing the credit status of debtors who have undergone personal bankruptcy and credit restoration, relying heavily on traditional credit evaluation standards while overlooking the potential for debtors to

achieve a new beginning through bankruptcy procedures, thus exacerbating the challenges faced by debtors in credit restoration.

4. The Optimization Path of Personal Credit Repair Mechanism in Personal Bankruptcy Cases

4.1. Improve the Legal System and Strengthen the Connection of Laws

Accelerate the legislative process of personal bankruptcy laws at the national level, clarifying the fundamental principles, procedures, and effectiveness of personal credit restoration. This will provide a legal basis for the Shenzhen pilot and nationwide personal credit restoration. When drafting the Personal Bankruptcy Law, it should be fully aligned with relevant laws and regulations such as the Credit Information Industry Regulation and the Civil Code, to unify the standards and requirements for credit restoration. For example, it should specify the rules and duration for updating credit information after restoration, ensuring that the debtor's credit record is promptly updated. Additionally, Shenzhen can refine the Personal Bankruptcy Regulations of the Shenzhen Special Economic Zone based on pilot experiences, detailing specific provisions for credit restoration to ensure organic integration with national laws, thereby providing practical experience for the establishment of a national personal bankruptcy credit restoration system.

4.2. Build a Comprehensive Credit Information Sharing Platform

Based on the "Shenzhen Personal Bankruptcy Information Disclosure Platform," this platform integrates credit information resources from the central bank's credit reporting system, financial institutions, government departments, and industry associations to create a comprehensive and real-time updated personal bankruptcy credit information sharing platform. By establishing unified data standards and interface specifications, the platform facilitates real-time exchange and sharing of credit information among various departments and institutions. The platform should offer real-time query functions for the status of debtors' credit repair, enabling financial institutions, enterprises, and other entities to accurately assess the creditworthiness of debtors. Additionally, it emphasizes the security management of credit information, implementing strict systems for information use and protection to prevent leaks and misuse, thereby safeguarding the legitimate rights and interests of debtors.

4.3. Simplify Credit Repair Procedures and Improve Transparency

Optimize the personal bankruptcy credit repair process by reducing unnecessary steps and procedures, providing debtors with convenient and efficient credit repair options. Develop standardized credit repair application guidelines that clearly outline the application requirements, necessary documents, and procedures. Offer application services through online platforms to simplify the process for debtors. Establish a credit repair progress tracking system to allow debtors to monitor their repair status in real-time, including application acceptance, review progress, and result feedback. Additionally, enhance the supervision of credit repair agencies and staff to ensure the procedures are fair, just, and

transparent, thereby increasing the transparency and credibility of the credit repair process.

4.4. Strengthen Social Credit Education and Enhance Awareness

Through various channels and formats, enhance the promotion and education of personal bankruptcy systems and credit repair mechanisms to improve public awareness and understanding. Government departments, judicial authorities, and industry associations should collaborate to conduct publicity campaigns, using methods such as case analysis, specialized lectures, and media coverage to educate the public about the significance and role of personal bankruptcy, as well as the procedures and outcomes of credit repair, thereby dispelling societal misunderstandings and prejudices. Encourage enterprises and institutions to establish scientific credit evaluation systems to objectively assess the credit status of debtors after credit repair, providing them with fair opportunities for employment and business cooperation. Additionally, promote social credit culture by fostering an environment that encourages innovation, tolerates failure, and supports rebirth, which will facilitate the smooth implementation of the personal bankruptcy credit repair mechanism [11].

5. Conclusion

The pilot practice of the personal bankruptcy credit restoration mechanism in Shenzhen serves as a touchstone in the long-term development of China's social credit system. It not only highlights the challenges faced by the personal bankruptcy system in its legal framework but also heralds the innovative dawn of a debtor's rebirth mechanism in the era of credit economy. From the groundbreaking 'Shenzhen Special Economic Zone Personal Bankruptcy Regulations' to the digital exploration of the 'Shenzhen Personal Bankruptcy Information Disclosure Platform,' Shenzhen, with its spirit of 'encouraging innovation and tolerating failure,' has established a comprehensive chain from institutional design to practical implementation in the field of personal bankruptcy credit restoration. This provides a valuable 'Shenzhen model' for the legislative process of personal bankruptcy systems nationwide.

Practice has shown that the credit repair mechanism, as the 'last mile' of the personal bankruptcy system, not only helps debtors who are 'honest but unfortunate' to shed their debt burdens but also reshapes society's perception of failure and rebirth through a legal credit regeneration process. In Shenzhen's pilot program, the case of Liang Mou, a debtor who returned to the credit market through credit repair, vividly illustrates the social value of this mechanism — It prevents debtors from falling into a long-term credit abyss due to short-term financial crises, protects creditors' legitimate rights and interests through orderly debt repayment, and optimizes the exit and regeneration mechanisms for market entities, creating a more inclusive institutional environment for innovation and entrepreneurship.

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