

Long Paper

Social Credit System in Linyi City, Shandong, China: Inputs for Effective Implementation

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Abstract

This quantitative descriptive study examined the Social Credit System (SCS) in Linyi City, Shandong, China, focusing on data collection, scoring mechanisms, rewards and punishments, transparency, implementation, and implementation challenges. The study included 385 Linyi City residents aged 20 to 59 years, selected through simple random sampling. The researchers used a researcher-made questionnaire based on relevant literature. Respondents generally assessed the five dimensions of the SCS as evident, with overall mean scores ranging from 3.09 to 3.15 on a four-point scale. Respondents' assessments did not differ significantly when grouped by age, sex, civil status, educational attainment, or salary bracket. At the same time, respondents identified lack of transparency and due process, targeted enforcement, credit-scoring issues, difficulties in appeals, social stigma, long-term sanctions, enforcement disparities, and limited public understanding as implementation challenges. The findings are discussed in the context of Philippine public administration. The study does not propose transplanting China's SCS to the Philippines. Rather, it identifies governance lessons relevant to Philippine data-driven administration, particularly the need to combine inter-agency information management with data privacy safeguards, transparent procedures, clear service standards, accountability, and accessible avenues for complaints or redress. These lessons are



considered alongside the Philippine Data Privacy Act of 2012 and the Ease of Doing Business and Efficient Government Service Delivery Act of 2018.

Keywords – social credit system, data-driven governance, transparency, due process, Linyi, China, Philippines

INTRODUCTION

The Social Credit System (SCS) is a governance framework that promotes trustworthiness, legal compliance, and administrative coordination by collecting and integrating information from multiple government agencies (Chen & Grossklags, 2022; Cheung & Chen, 2022). Rather than functioning solely as a financial credit-scoring system, the SCS comprises multiple governance and regulatory mechanisms that use information, incentives, and sanctions to encourage compliance among individuals, businesses, and government institutions (Hou & Fu, 2022; Liang & Chen, 2022). Recent scholarship emphasizes that implementation is fragmented across localities and sectors rather than operating as one uniform nationwide score (Trauth-Goik, 2023; Wang et al., 2023).

The SCS has been linked to China's initiatives to improve administrative effectiveness, accountability, regulatory compliance, and public trust. Its implementation raises concerns about data governance, transparency, procedural fairness, proportionality, and the capacity of affected individuals or organizations to contest decisions (Cheung & Chen, 2022; Liang & Chen, 2022). The Linyi case is pertinent to Chinese public administration, as well as to other jurisdictions considering more data-driven forms of governance, because of these tensions.

Rather than directly replicating China's SCS, the study's relevance to the Philippine context lies in its governance principles. The Data Privacy Act of 2012 (Republic Act No. 10173), which creates safeguards for processing personal information, and the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (Republic Act No. 11032), which encourages accountability, transparency, streamlined processes, and effective government services, are two institutional mechanisms already in place in the Philippines that address some of the same administrative issues. Therefore, Linyi's findings can serve as a comparative reference for analyzing how privacy, transparency, consistency, and administrative redress can be incorporated into the design of data-driven governance.

LITERATURE REVIEW

Philippine Governance Context

The Data Privacy Act of 2012, also known as Republic Act No. 10173, governs the gathering, processing, storing, and sharing of personal data while acknowledging privacy

as a fundamental right. Additionally, it created the National Privacy Commission, an independent body tasked with enforcing the law. The Ease of Doing Business and Efficient Government Service Delivery Act of 2018, also known as Republic Act No. 11032, encourages honesty, responsibility, openness, streamlined regulations, and effective government transactions. Although these frameworks differ from China's SCS, they address governance issues related to the study's dimensions, especially information management, accountability, transparency, and administrative efficiency. Therefore, rather than adopting China's social credit model in its entirety, the Philippine application of the findings focuses on administrative procedures and transferable governance safeguards.

Social Credit System

The Social Credit System (SCS) in China is widely recognized as a comprehensive governance framework rather than a single, unified program. It encompasses multiple subsystems that serve different purposes, including financial credit assessment, commercial credit programs, individual behavior monitoring, and corporate regulatory compliance. These components operate through distinct mechanisms but collectively aim to strengthen trustworthiness, improve regulatory compliance, and promote accountability across society. Consequently, the Social Credit System should be understood as an integrated governance framework composed of interconnected systems rather than a single nationwide scoring mechanism (Hinderson, 2020).

According to Liao (2023), the SCS is much more than a financial credit score. A bad "credit code," for example, can make someone ineligible for certain jobs, housing, or credit to launch a business, among other undesirable outcomes. Similarly, a particular score can be required to obtain a particular job.² Even if someone commits non-monetary offenses, such as fighting with neighbors, they might not be eligible for a loan or mortgage. A lower interest rate on loans can also result from non-monetary "good deeds" like giving blood. ³ People with a low SCS score might not be able to purchase business class train tickets. Some people can be completely unable to travel by rail or airplane.

Data Collection is a fundamental component of China's Social Credit System (SCS), enabling government agencies to gather and integrate information from multiple administrative, judicial, financial, and digital sources through artificial intelligence and big data technologies (The State Council of China, 2017; Chen & Grossklags, 2022). Integrating these datasets supports behavior tracking, citizen and corporate credit evaluation, and evidence-based regulatory decision-making (Lin & Milhaupt, 2021). While comprehensive data collection enhances administrative efficiency and regulatory effectiveness, it also raises concerns regarding data privacy, transparency, accountability, and cybersecurity. Consequently, the effectiveness of the Social Credit System depends not only on the availability of extensive and integrated data but also on governance mechanisms that ensure ethical data management, fairness, transparency, and public trust (Shen, 2018; Hou & Fu, 2024).

Scoring Mechanism

The scoring mechanism is central to China's Social Credit System (SCS), providing a structured framework for evaluating the trustworthiness and regulatory compliance of individuals and organizations. Corporate social credit scores are generated using multiple indicators, including basic information, financial and tax performance, governance, legal compliance, and social responsibility, with compliance receiving the greatest weight in the overall assessment (Lin & Milhaupt, 2021). The system also incorporates measures such as tax compliance, business licensing, environmental protection, product quality, and adherence to industry regulations to promote responsible behavior and strengthen regulatory oversight (Donnelly, 2021). Higher scores may provide reputational and regulatory advantages, whereas lower scores can lead to sanctions such as increased government scrutiny, operational restrictions, and public blocklisting. Although the scoring mechanism encourages compliance and accountability, concerns remain regarding the influence of political connections, fairness, transparency, and the proportionality of sanctions in determining credit ratings (Donnelly, 2021; McWilliams, 2020).

Reward and Punishment System

The Reward and Punishment System is a core enforcement mechanism of China's Social Credit System (SCS), designed to promote trustworthy behavior and deter non-compliance through incentives and sanctions. Individuals and organizations with favorable credit records may receive benefits such as easier access to financial services, government incentives, streamlined administrative procedures, and enhanced business opportunities. Conversely, those identified as untrustworthy may face penalties including travel restrictions, limited access to credit, increased regulatory oversight, operational constraints, and public blocklisting (Koty, 2021). The system operates through a coordinated framework in which government agencies share credit information to implement joint rewards and sanctions across multiple sectors, thereby strengthening regulatory compliance and accountability (Sutherland, 2020; State Council & CCP Central Committee, 2017). While this mechanism encourages responsible conduct and market discipline, it also raises concerns about transparency, due process, proportionality of sanctions, and the protection of individual rights (Horsley, 2021; Koty, 2021).

Transparency

Transparency is a key dimension of China's Social Credit System (SCS), emphasizing the disclosure, accessibility, and accuracy of information used in evaluating individuals and organizations. The Chinese government promotes transparency through policy documents, online credit platforms, and public disclosure of blocklists and red lists to support informed decision-making and regulatory compliance (Chen et al., 2023). However, language barriers, regional variations in implementation, media interpretation, and unequal access to information can affect the effectiveness of these initiatives and shape public understanding and perceptions of the system (Chen & Grossklags, 2022, 2023; Heffer &

Schubert, 2023). Moreover, concerns about data control, selective information disclosure, and opaque evaluation criteria continue to challenge the SCS's transparency, fairness, and credibility. Strengthening information accessibility, consistency, and accountability is therefore essential to enhance public trust and support the system's governance objectives (Liu , 2022; Cheung & Chen, 2022).

Implementation

China's Social Credit System (SCS) implementation follows the 2014 *Planning Outline*, which requires national and local government authorities to establish implementation mechanisms, conduct regular performance evaluations, and allocate financial and technical resources to support system development (Pei, 2020). The framework promotes a phased approach through regional pilot programs, interregional cooperation initiatives, and sector-specific credit reporting systems to evaluate and refine implementation strategies before nationwide expansion. An inter-ministerial coordination mechanism further facilitates information sharing, policy integration, and oversight across government agencies, while implementation progress serves as a key indicator of administrative performance. This decentralized yet coordinated approach enables local innovation while maintaining alignment with national governance objectives, thereby supporting the gradual institutionalization of the Social Credit System throughout China (Pei, 2020).

Challenges in Implementing the Social Credit System

Despite its aim of promoting trust, regulatory compliance, and good governance, implementing China's Social Credit System (SCS) faces several significant challenges. Concerns about privacy and data security have emerged because the system extensively collects and integrates personal and organizational information, raising questions about surveillance and the protection of individual rights. The lack of transparency in scoring algorithms and evaluation criteria also limits public understanding and accountability, making it difficult for individuals and organizations to verify or challenge credit assessments (Chin, 2022). Furthermore, regional variations in implementation create inconsistencies in enforcement and policy application, while critics argue that the system may reinforce excessive social control and restrict civil liberties (Wang et al 2023; Yu, 2023). Additional concerns include the unequal impact of sanctions on economic and social opportunities, uncertainty regarding the system's long-term effectiveness in promoting genuine behavioral change, and ethical questions surrounding fairness, social equity, and the use of behavioral scoring in public governance (Wang et al., 2025).

METHODOLOGY

Research Design

In this study, the researcher employed the quantitative descriptive research design.

Population, Sample, and Sampling Techniques

The respondents were the residents of Linyi, Shandong, China. Based on the latest census of the metro population, the city has 2,120,100 residents. Based on Raosoft, the sample should be 385 respondents. The researchers used random sampling to select respondents.

Research Locale

The research locale was Linyi City, China. Linyi City is in Shandong Province in eastern China and is known for its rich cultural history, economic development, and strategic position along the eastern coastline.

Research Instrument

Data were collected using a structured, researcher-developed questionnaire based on relevant literature on China's Social Credit System. A panel of experts validated the instrument's content, and the researchers incorporated their recommendations to improve clarity and relevance. A pilot test assessed internal consistency. Cronbach's alpha coefficients were 0.991 based on the actual pilot-test responses: Data Collection ($\alpha = 0.991$), Scoring Mechanism ($\alpha = 0.99$), Reward and Punishment ($\alpha = 0.992$), Transparency ($\alpha = 0.991$), Implementation ($\alpha = 0.99$), and Challenges ($\alpha = 0.988$). The questionnaire consisted of three sections: (1) demographic profile; (2) the five dimensions of the Social Credit System; and (3) challenges encountered in implementation.

Data Gathering Procedure

The researcher secured ethics clearance from the school before data gathering. Using WeChat and QQ, the researcher distributed a questionnaire to the respondents. Respondents were given time to complete the survey, after which the researcher retrieved the responses. After data collection, the researcher treated the results using statistical tools and analyzed and interpreted them with assistance from the data analyst. The gathered related literature and studies supported the analysis and discussion.

Statistical Treatment of Data

The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS). Frequency counts and percentages described the respondents' demographic profile. The Average Weighted Mean (AWM) was used to determine the level of agreement with the Social Credit System dimensions and the implementation challenges. Responses were measured using a four-point Likert scale: 4 = Strongly Agree/Very Evident; 3 = Agree/Evident; 2 = Disagree/Less Evident; and 1 = Strongly Disagree/Not Evident. For interpretation, the following mean ranges were used: 3.26–4.00 = Strongly Agree/Very

Evident; 2.51–3.25 = Agree/Evident; 1.76–2.50 = Disagree/Less Evident; and 1.00–1.75 = Strongly Disagree/Not Evident. The independent-samples t-test compared two groups, while one-way analysis of variance (ANOVA) compared three or more groups. All hypotheses were tested at the 0.05 level of significance.

RESULTS

Demographic Profile of the Respondents

Table 1 presents the demographic characteristics of the 385 respondents included in the study. The largest age group was 20–25 years (36.4%), followed by 31–37 years (29.1%), 38–59 years (24.2%), and 26–30 years (10.4%). By sex, respondents were predominantly male (81.8%), while females accounted for 18.2%, reflecting the study population's gender composition. Regarding civil status, the majority were married (57.1%), followed by single respondents (32.7%) and separated individuals (10.1%). Regarding educational attainment, 66.8% held a college degree, 27.8% had an undergraduate education, and only 5.5% had postgraduate degrees. Regarding income, the largest proportion of respondents (40.0%) reported earning 3,001–3,500 RMB per month, while 30.4% earned below 3,000 RMB and 29.6% earned above 3,500 RMB.

Table 1. Demographic Profile of the Respondents

Age	Frequency	Percentage
20-25 years old	140	36.4 %
26-30 years old	40	10.4 %
31-37 years old	112	29.1 %
38-59 years old	93	24.2 %
Sex	Frequency	Percentage
Female	70	18.2 %
Male	315	81.8 %
Civil Status	Frequency	Percentage
Single	126	32.7 %
Married	220	57.1 %
Separated	39	10.1 %
Educational Attainment	Frequency	Percentage
Undergraduate	107	27.8 %
Degree Holder	257	66.8 %
Post Graduate Degree Holder	21	5.5 %
Salary Bracket	Frequency	Percentage
Below 3,000 RMB	117	30.4 %
3,001-3,500 RMB	154	40.0 %
Above 3,500 RMB	114	29.6 %
Total	385	100%

Respondents rated the Social Credit System's data collection as evident, with an overall mean of 3.12 (Agree). The statements: *The data collection process includes both public and private sector contributions, ensuring a holistic view of individual and corporate behaviors, and there are clear guidelines on data access and sharing among different governmental and private entities involved in the SCS*, obtained the highest mean score of 3.19, interpreted as “agree”; while the statement: *Individuals have the ability to review their data and contest inaccuracies that may affect their social credit scores*, received the lowest mean score of 3.04, interpreted as “agree”.

Table 2. Respondents’ Assessment of the Social Credit System in terms of Data Collection

Statements	Mean	Interpretation	SD
1. The system integrates data from a wide range of sources, including government agencies, financial institutions, and social media platforms.	3.12	Agree	0.98
2. The data collection process includes both public and private sector contributions, ensuring a holistic view of individual and corporate behaviors.	3.19	Agree	0.93
3. Citizens are informed about what types of data are collected and how this data is utilized in scoring.	3.1	Agree	0.95
4. There are clear guidelines on data access and sharing among different governmental and private entities involved in the SCS.	3.19	Agree	0.92
5. The SCS uses AI to track behaviors by identifying people and controlling cameras, microphones, and other devices.	3.11	Agree	0.93
6. Individuals can review their data and contest inaccuracies that may affect their social credit scores.	3.04	Agree	0.9
7. The system implements measures to protect personal information, including data encryption and restrictions on unauthorized access.	3.12	Agree	0.94
Overall Mean	3.12	Agree	0.93

Respondents assessed the social credit system's scoring system as evident, based on an overall mean of 3.12, interpreted as agree. With a standard deviation of 0.83, this suggests that respondents' experiences with the SCS scoring method are generally clear, observable, and consistent. Statement: *The scoring system has clear, publicly available guidelines for how different actions or behaviors influence scores, allowing for understanding and predictability*, received the highest mean score of 3.15, interpreted as agree/evident. All indicators fall within the "Agree/Evident" range (2.51–3.25), indicating that respondents view the scoring method as practical, intelligible, and fairly administered.

Table 3. Respondents' Assessment of the Social Credit System in terms of Scoring Mechanism

Statements	Mean	Interpretation	SD
1. The scoring system has clear, publicly available guidelines for how different actions or behaviors influence scores, allowing for understanding and predictability.	3.15	Agree	0.933
2. The scoring mechanism accounts for all relevant factors, applying consistent weight to various behaviors, and ensures that no group or individual is unfairly penalized.	3.08	Agree	0.954
3. Individuals or entities experience a consistent approach in how their scores are calculated, with the same actions leading to similar score adjustments across different platforms or government departments.	3.14	Agree	0.906
4. Scores are automatically adjusted based on real-time behavior and changes in the individual's or entity's data, without requiring manual intervention.	3.08	Agree	0.964
5. Positive behaviors, such as charitable donations or responsible financial management, can increase scores, while negative actions, like traffic violations or public misconduct, can lead to deductions.	3.13	Agree	0.979
6. Individuals and businesses are assigned a social credit score, typically ranging from 350 to 950 points.	3.09	Agree	0.958
7. The score fluctuates based on behaviors deemed positive or negative	3.14	Agree	0.962
Overall Mean	3.12	Agree	0.83

Slightly lower mean scores for fairness in accounting for all relevant factors (3.08) and real-time automatic adjustments (3.08) suggest that although these aspects are evident, respondents may perceive minor inconsistencies or limitations in how comprehensively and efficiently the system operates. Similarly, the statement about assigning scores within a defined range (3.09) indicates general awareness but may reflect varying levels of understanding among respondents.

Table 4 presents respondents' assessment of the social credit system in terms of reward and punishment, with an overall mean of 3.15, interpreted as "Agree," indicating that respondents generally perceive the system as evident and functional in delivering both incentives and sanctions. The statement highlighting humble and fair leadership methods had the highest mean score (3.19) among the indicators, indicating that respondents prioritize openness, accountability, and transparency in evaluation processes. Respondents also showed relatively high agreement with statements on rehabilitation and

appeal procedures (3.16) and the availability of incentives, including loans, education, and services (3.16).

Table 4. Respondents' Assessment of the Social Credit System in terms of Reward and Punishment

Statements	Mean	Interpretation	SD
1. The system provides clear, tangible rewards for high scores, such as access to privileges, faster administrative processes, or discounts.	3.14	Agree	0.951
2. Penalties for low scores are proportionate and linked to the severity of the misconduct, ensuring the punishment is not excessively harsh.	3.12	Agree	0.921
3. The public is informed about the rewards and punishments they may receive based on their social credit score, contributing to the system's predictability.	3.12	Agree	0.879
4. Individuals or entities with low scores have a transparent and accessible process for rehabilitation or appeal, ensuring fairness and the opportunity for score correction.	3.16	Agree	0.861
5. The manager demonstrates humility by acknowledging their own mistakes, giving credit to others for their achievements, and being open to learning from team members.	3.19	Agree	0.988
6. Rewards for high scores include easier access to loans and credit; priority in school admissions and job applications; discounts on public services and transportation.	3.16	Agree	0.934
7. Punishments for low scores involve: travel restrictions (e.g., bans on flights or high-speed trains); denial of access to certain jobs or services; public shaming through exposure on media platforms.	3.15	Agree	0.806
Overall Mean	3.15	Agree	0.906

Indicators on clarity of rewards (3.14), proportionality of penalties (3.12), and public awareness of system rules (3.12) fall slightly lower within the "Agree" range. The statement on punishments, including travel limits, work limitations, and public exposure (3.15), shows that respondents accept these measures as part of the system. The standard deviation of 0.806 to 0.988 shows significant variability in responses, indicating that although overall agreement exists, individual views vary somewhat.

Table 5 presents respondents' assessment of social credit transparency, with an overall mean of 3.09, interpreted as "Agree." Indicator statements about the availability of public reports or audits, transparency in decision-making processes, and access to thorough explanations for score adjustments had the highest mean score (3.11) among the indicators. Respondents also agreed to some extent with statements on the role of local government oversight (3.10) and individual access to their scores and understanding of how they are determined (3.10).

Table 5. Respondents' Assessment of the Social Credit System in terms of Transparency

Statements	Mean	Interpretation	SD
1. Individuals can access their social credit scores and understand how they were calculated, including the data that contributed to the score.	3.10	Agree	0.92
2. Regular reports or audits on the effectiveness of the Social Credit System are publicly available, showcasing the system's impact on society and its success in reducing dishonesty or non-compliance.	3.11	Agree	0.98
3. The scoring algorithm and methods of data usage are disclosed to the public, or at least to experts or auditors, ensuring transparency in how decisions are made.	3.06	Agree	0.92
4. The government provides regular updates and educational materials on the Social Credit System, ensuring people understand how their actions may affect their scores.	3.04	Agree	0.94
5. The decision-making processes regarding the imposition of rewards or punishments are transparent, allowing individuals to understand how decisions are made.	3.11	Agree	0.96
6. Individuals have access to information regarding their score changes, including detailed explanations for any penalties incurred.	3.11	Agree	0.93
7. Local governments are mandated to oversee the implementation of the social credit system, ensuring that practices align with.	3.10	Agree	0.94
Overall Mean	3.09	Agree	0.82

Lower mean scores were observed for the disclosure of scoring algorithms and data usage (3.06) and the provision of regular updates and educational materials (3.04), both interpreted as agree/evident. The standard deviation values of 0.92 to 0.98 reflect moderate variability in responses, indicating differences in individual experiences or perceptions.

Table 6 presents respondents' assessment of the implementation of the Social Credit System (SCS), with an overall mean score of 3.11, interpreted as "Agree," indicating

that respondents generally perceive the system's implementation as evident. Among the indicators, the highest mean score (3.15) was for the statement, "The social credit system is integrated into broader governance frameworks, with multiple government departments collaborating to manage and enforce credit assessments effectively."

Table 6. Respondents' Assessment of the Social Credit System in terms of Implementation

Statements	Mean	Interpretation	SD
1. The implementation of the Social Credit System has led to a measurable decrease in undesirable behaviors, such as financial fraud, illegal activities, or social misconduct.	3.13	Agree	0.961
2. The Social Credit System is well-integrated with local government services and policies in Shandong, including law enforcement, economic incentives, and social welfare programs.	3.07	Agree	0.88
3. The implementation of the system is consistent across different regions within Shandong, ensuring equal treatment of individuals regardless of their location.	3.08	Agree	0.909
4. The system has been tested and scaled effectively within Shandong, adapting to local needs and evolving to incorporate new data sources or scoring mechanisms.	3.09	Agree	0.925
5. The social credit system is integrated into broader governance frameworks, with multiple government departments collaborating to manage and enforce credit assessments effectively.	3.15	Agree	0.957
6. The SCS is implemented through a combination of central and local government initiatives.	3.12	Agree	0.916
7. Continuous updates from central authorities guide local adaptations of the system.	3.12	Agree	0.908
Overall Mean	3.11	Agree	0.8

Other indicators received high ratings of 3.12, interpreted as agree/evident, for central and local government collaboration and the presence of continuous updates from central authorities. The statement about the system's function in dealing with criminal activity or social wrongdoing (3.13) was likewise rated "Agree, indicating that respondents see the SCS as a tool for encouraging discipline and adherence to regulations. While still rated as "Agree," regional consistency (3.08), integration with local services and policies (3.07), and system scalability and adaptability (3.09) received somewhat lower mean ratings.

The standard deviation values of 0.88 to 0.961 indicate moderate variability in responses, implying that while there is general agreement, perceptions differ across respondents, possibly due to variations in experience or exposure to the system.

Significant Difference in the Assessment of the Respondents on the Social Credit System when Demographic Profile is Considered

Table 7 presents the results of the test for significant differences in respondents' assessments of the Social Credit System when grouped by demographic profile. The findings reveal that all p-values obtained across the dimensions of Data Collection, Scoring Mechanism, Reward and Punishment, Transparency, and Implementation are greater than the 0.05 level of significance. This indicates no statistically significant differences in respondents' assessments based on age, sex, civil status, educational attainment, and salary bracket.

Table 7. Significant Difference in the Respondents' Assessment of the Social Credit System when Demographic Profile is Considered

Variable	Age	Sex	Civil Status	Educational Attainment	Salary Bracket
	P value	P value	P value	P value	P value
Data Collection	0.331	0.111	0.24	0.348	0.68
Scoring Mechanism	0.179	0.07	0.327	0.443	0.668
Reward & Punishment	0.326	0.169	0.29	0.256	0.862
Transparency	0.233	0.375	0.24	0.282	0.952
Implementation	0.318	0.86	0.271	0.144	0.91

The challenges encountered in the implementation of the social credit system in China

Table 8 presents respondents' assessment of the challenges encountered in implementing the Social Credit System. Overall, all indicators obtained mean scores ranging from 3.07 to 3.17, with all verbal interpretations classified as "Agree," indicating that the identified challenges were generally evident among the respondents. Among the challenges, lack of transparency and due process received the highest mean score ($M = 3.17$). This was followed by targeted enforcement, particularly in environmental and economic regulations ($M = 3.15$) and issues related to the credit scoring system ($M = 3.12$). Meanwhile, the difficult appeals process and the impact on daily life and social stigma both ranked fourth ($M = 3.11$).

Table 8. Challenges Encountered in the Implementation of Social Credit System

Statements	Mean	VI	Rank
1. Lack of Transparency and Due Process: Critics argue that the criteria for assessing social credit can be opaque, making it difficult for citizens to understand how decisions are made. The lack of clear appeals processes can lead to unfair punishments or sanctions.	3.170	Agree	1
2. Challenges Evaluation—Targeted Enforcement (Especially Environmental and Economic):	3.150	Agree	2
3. The Problem of the 'Credit Score' (e.g., 'Shandong Huimin Card'): While there is not one universal score, regional systems like the 'Shandong Huimin Credit Card' or similar local efforts attempt to link social behavior to benefits (like discounted public services).	3.120	Agree	3
4. Difficult Appeals Process: If a person or business in Linyi believes they were wrongly blocklisted for a violation (e.g., data input error, misunderstanding of a contract), the formal process for appeal and removal can be complex, time-consuming, and confusing, often requiring specialized legal assistance that is difficult for average citizens to afford or access.	3.110	Agree	4.5
5. Impact on Daily Life and Social Stigma: Citizens with low scores face social exclusion, difficulty in securing loans, jobs, or housing, which can reinforce social inequalities and stigmatization.	3.110	Agree	4.5
6. Long-Term Impact of Sanctions: Even after serving a penalty or paying a fine, the record of the violation remains and can restrict future behavior (e.g., job applications, travel).	3.100	Agree	7
7. Lack of Public Understanding: Despite government efforts, many residents may still not fully grasp which specific behaviors are being scored or tracked, leading to confusion and accidental violations.	3.100	Agree	7
8. Disparities in Enforcement: There are often perceived or real differences in how strictly the system is applied between large state-owned enterprises (SOEs) and small private businesses, with the latter often facing stricter adherence checks and harsher penalties for similar infractions.	3.100	Agree	7
9. Inclusion of 'Moral' Criteria (Particularly in Rural Areas): Some regional SCS implementations across Shandong have faced criticism for including criteria that evaluate 'social morality' or behavior not strictly defined by law (e.g., compliance with neighborhood cleanliness rules, participation in community activities).	3.080	Agree	8
10. Administrative Punishments and 'Unreliable Entities': Linyi actively maintains lists of 'Dishonest Persons Subject to Enforcement' and 'Seriously Untrustworthy Entities.'	3.070	Agree	9

The remaining challenges, including the long-term impact of sanctions, lack of public understanding, disparities in enforcement, inclusion of moral criteria, and administrative punishments and unreliable entity listings, likewise received agreement ratings, although with relatively lower mean scores ranging from 3.07 to 3.10. The lowest-rated item was administrative punishments and "unreliable entities" ($M = 3.07$), yet it still

fell within the "Agree" category, indicating that respondents acknowledged its presence as a challenge.

DISCUSSION

The study examined respondents' assessments of the Social Credit System and the challenges encountered in its implementation. The results indicate that respondents generally perceived the five dimensions as evident: data collection ($M = 3.12$), scoring mechanism ($M = 3.12$), reward and punishment ($M = 3.15$), transparency ($M = 3.09$), and implementation ($M = 3.11$). These findings align with literature describing China's SCS as a set of governance infrastructures intended to encourage regulatory compliance and trustworthy behavior rather than a single, uniform scoring system (Hou & Fu, 2022; Liang & Chen, 2022; Wang et al., 2023).

The findings indicate that respondents generally perceived the Social Credit System (SCS) in China as an evident governance mechanism across its core dimensions of data collection ($M = 3.12$), scoring mechanism ($M = 3.12$), reward and punishment ($M = 3.15$), transparency ($M = 3.09$), and implementation ($M = 3.11$), with all dimensions receiving an overall verbal interpretation of "Agree." This result supports Hou and Fu (2022), who argued that China's Social Credit System functions as a governance instrument that classifies trustworthy and untrustworthy behaviors to encourage regulatory compliance and cultivate socially responsible citizenship, rather than serving solely as a surveillance mechanism.

The relatively higher rating for reward and punishment suggests that respondents recognized incentives, sanctions, and appeal-related mechanisms. However, this result should not be read as evidence that all sanctions are perceived as proportionate or that procedural safeguards are sufficient. The literature identifies continuing concerns about the consequences of data-driven classification, social quantification, and the proportionality of sanctions (Cheung & Chen, 2022; Liang & Chen, 2022).

At the same time, transparency received the lowest overall mean among the five dimensions ($M = 3.09$), although it remained within the "Agree" range. This aligns with the challenge ranking, in which lack of transparency and due process received the highest challenge mean ($M = 3.17$). The two results measure related but different perceptions: the transparency scale asks whether transparency mechanisms are present or evident, whereas the challenge item asks whether gaps in transparency and due process remain problematic. Respondents can therefore acknowledge the existence of transparency measures while simultaneously recognizing unresolved transparency and due-process weaknesses. The same interpretation applies to procedural fairness in the appeals indicator ($M = 3.16$): respondents generally agreed that an appeal or rehabilitation mechanism exists, while still identifying the appeals process as a challenge ($M = 3.11$).

The absence of statistically significant differences across age, sex, civil status, educational attainment, and salary bracket indicates that the sample's assessments did not vary significantly across the demographic groups tested. This finding describes the Linyi sample and should not be generalized to all residents of China. Recent research likewise indicates that awareness and participation can shape perceptions of local Social Credit Systems, suggesting that institutional exposure may matter alongside demographic characteristics (Loefflad et al., 2025).

Despite the generally favorable assessments, respondents identified several implementation challenges. Lack of transparency and due process ranked first ($M = 3.17$), followed by targeted enforcement ($M = 3.15$) and issues associated with the credit-scoring system ($M = 3.12$). Difficult appeals processes and social stigma each obtained a mean of 3.11. These results reinforce the importance of procedural safeguards in data-driven governance, particularly where administrative information may affect access to services, opportunities, or other consequences.

Likewise, Xu, Kostka, and Cao (2022) found that public support for the Social Credit System depends heavily on citizens' understanding of its objectives and implementation. Their experimental evidence demonstrated that support declines when individuals become more aware of the system's surveillance capabilities and potential restrictions on individual rights.

In addition, Liang and Chen (2022) explained that although the Social Credit System seeks to encourage trustworthy behavior through incentives and sanctions, its implementation also creates concerns about social classification, unequal treatment, and the expansion of state monitoring. They argued that maintaining public trust requires consistent enforcement, transparent evaluation criteria, and accessible appeal mechanisms to balance governance objectives with procedural fairness and citizens' rights.

Philippine Implications

The Data Privacy Act of 2012 establishes requirements for lawful and secure processing of personal information and recognizes transparency, legitimate purpose, and proportionality as core data privacy principles (Republic Act No. 10173; National Privacy Commission, 2016). Although the Philippines lacks a system comparable to China's SCS, it is expanding digital and data-driven government processes, so the findings remain practically relevant to Philippine public administration. Furthermore, Republic Act No. 11032 encourages accountability, openness, streamlined processes, service standards, and effective government service delivery. Without adopting China's social credit architecture, these Philippine mechanisms offer a legal and institutional foundation for modifying specific governance lessons from the Linyi case.

The study specifically recommends that Philippine agencies using integrated administrative data establish accessible complaint, correction, and redress mechanisms; maintain consistent procedures; protect personal information; clearly define the purpose and scope of data collection; and clearly explain administrative decisions. These are not suggestions to create a social credit system in the Philippines; rather, they are implications for comparative governance.

CONCLUSIONS AND RECOMMENDATIONS

Respondents generally perceived the Social Credit System (SCS) in Linyi City, Shandong, China, as an evident governance mechanism across data collection, scoring mechanisms, rewards and punishments, transparency, and implementation. The findings indicate that respondents recognized governance mechanisms intended to support accountability and regulatory compliance. However, the results also show that these mechanisms coexist with concerns about transparency, due process, targeted enforcement, scoring, appeals, social stigma, sanctions, and public understanding.

The absence of statistically significant differences in respondents' assessments across demographic characteristics further suggests that perceptions of the Social Credit System are relatively uniform, reflecting broad public recognition of its governance functions regardless of age, sex, civil status, educational attainment, or salary level. Despite these favorable assessments, the implementation challenges remain. Respondents identified a lack of transparency and due process, targeted enforcement, issues with the credit scoring mechanism, difficulties in the appeals process, social stigma associated with low credit ratings, long-term sanctions, inconsistent enforcement, and limited public understanding as significant concerns.

Chinese policymakers and implementing agencies should continue to strengthen transparency, procedural fairness, accountability, and consistency in implementing the SCS. Priority should be given to clear evaluation criteria, understandable explanations of decisions, timely correction of inaccurate records, accessible appeals, proportionate sanctions, and consistent implementation across jurisdictions. Public information and education should also be strengthened so citizens understand the system's purposes, procedures, rights, and responsibilities. In the Philippine context, the findings may offer comparative lessons for designing or evaluating data-driven administrative systems, particularly on privacy protection, transparency, standardized service procedures, accountability, and complaint and redress mechanisms. The study does not recommend directly replicating China's SCS in the Philippines.

Furthermore, government authorities should intensify public information and education campaigns to improve citizens' understanding of the objectives, processes, rights, and responsibilities associated with the Social Credit System. Authorities should reinforce consistent implementation through standardized guidelines, regular monitoring, periodic audits, and ongoing capacity-building for implementing personnel.

IMPLICATIONS

The findings highlight the importance of transparency, due process, data protection, and administrative accountability when governance systems rely on integrated data. In the Philippine context, these principles can be considered alongside existing frameworks such as Republic Act No. 10173 and Republic Act No. 11032. Government institutions using digital or integrated information systems may strengthen public confidence by clearly communicating data practices, defining decision rules, standardizing procedures, documenting reasons for adverse decisions, and providing affordable and accessible avenues for correction and redress.

The comparative implication is therefore institutional rather than technological: effective data-driven governance requires safeguards that prevent administrative efficiency from being pursued at the expense of privacy, procedural fairness, or accountability. Philippine agencies can draw on these principles when reviewing existing digital governance programs, but the specific institutional arrangements must remain consistent with Philippine law and administrative structures.

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DECLARATIONS

Conflict of Interest

All authors declared no conflict of interest.

Informed Consent

We obtained informed consent from all participants before they participated in the study. Respondents were informed of the research purpose, the voluntary nature of their participation, their right to withdraw at any time without penalty, and the measures taken to ensure confidentiality and anonymity. No personally identifiable information was collected, and all data were used solely for academic and research purposes.

Ethics Approval

This study involved human participants, specifically residents of Linyi, Shandong, China, and followed established ethical principles for research involving human participants. Participation was voluntary, and the study protected the privacy, confidentiality, and anonymity of all respondents. The research complied with the ethical guidelines of the Institutional Ethics Review Committee of Trinity University of Asia; Protocol Code: 2026-2nd-CBMA-Lou-v1.

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