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Analyze the impact of the financial crisis in China since 2020 and evaluate the methods that the banking system can do to prevent this phenomenon.

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Abstract:

The COVID-19 pandemic of 2020 served as a trigger, causing economic development around the world to enter a state of stagnation or even regression. Massive unemployment occurred worldwide, supply and demand spiraled downward, individuals lost confidence in the future, many small and medium-sized enterprises went bankrupt, and China lost some of its advantages in export trade. Since the impact of the COVID-19 financial crisis is not yet over and the trigger is different from past crises, fewer scholars have studied this direction, which is a ksy focus of this thesis. This dissertation focuses on analyzing the impact of the financial crisis on China and identifying appropriate banking system solutions. For the impact, the research methodology of primary and secondary surveys was used, and the author interviewed experts in the financial industry and analyzed numerous indicators (including GDP growth rate, inflation rate, international trade, investment, per capita consumption, and the Gini coefficient) in the last ten years. The research results of many famous scholars were also referenced. In terms of solutions, the author refers to the solutions used by the world's major developed countries during the subprime crisis and the financial crisis in the United States and Europe, and derives the solutions that are most suitable for the financial crisis since 2020.

Keywords: financial crisis, Chinese economy, banking sector, monetary policy, comparative study

1. Introduction

Since the outbreak of the COVID-19 pandemic in 2020, the world has faced a disastrous financial crisis with a prolonged duration. It caused widespread panic and uncertainty about the future of the global

economy. This phenomenon is no exception in China. The impact of the COVID-19 outbreak on China's economy in early 2020 came from both the supply and demand sides. In China, the number of urban employment posts decreased by 1.73 million (National Bureau of Statistics of China, 2021), and the total retail sales of consumer goods in the first quarter of 2020 decreased by 20.5% (People's Bank of China, Changchun Branch, 2020), marking the trough in history. According to national data statistics, consumption per head fell from 21,559 yuan in 2019 to 21,210 yuan in 2020, a decrease of 4%. This pandemic has brought various economic activities to a standstill, and under the prolonged lockdown, individuals have lost confidence in the future, leading to a spiral decline in supply and demand.

Over the past four years, the Chinese residents have clearly felt the economic recession. Many people are facing unemployment issues, and numerous small and medium-sized companies have gone bankrupt. As the world's factory, China has also lost some of its advantages in export trade. Chinese government has implemented various monetary, fiscal, and supply-side policies to address the financial crisis, including lowering interest rates; however, some of these policies have proven ineffective.

This study focuses on the financial impact of COVID-19 and evaluates the effective methods that the banking system can employ to recover the Chinese economy. While many scholars have studied issues related to financial crises, due to time lag, there are not many academic papers on the financial crisis caused by the COVID-19 pandemic. This research will combine primary data and secondary research, using statistical data and analysis to obtain an objective assessment of the financial crisis impact. The financial professionals will also take part in the survey as the interviewee to make it more objective.

2. Literature review

2.1 The definition of financial crisis and how it form

Regarding the financial crisis, Karl Heinrich Marx (1857) illustrates that it can be divided into broad and narrow senses. In a broad sense, it refers to the general financial crisis that breaks out along with the eruption of an economic crisis. In the narrow sense, financial crisis means a pure monetary crisis. Marx believed the tension and need for conversion between commodities and money create the potential for economic and financial crises within capital movement. Here are some common examples of financial crises, such as the Stock Crash of, 1929, the 1973 OPEC Oil Crisis, the Asian Crisis of 1997–1998, and the 2007-2008 Global Financial Crisis…, Obviously, COVID-19 pandemic is also a significant financial crisis.

Several elements can lead to financial crises, including system failures, unpredictable human actions, the motivation to take on too much risk, insufficient regulation or regulatory mistakes, and the spread of problems from one institution or country to another like a virus (Zhao & Yang, 2022; Li, 2023; Zhong & Chi, 2023). If not managed properly, a crisis can push the economy into a recession or depression. Even with preventive measures in place, financial crises might still take place, speed up, or become more severe.

The financial crisis has far-reaching and complex impacts. Economically, it brings about recessions and slower growth (Zhao & Yang, 2022). Unemployment rises, businesses close, and investment and consumption decline. Weaker economic activities lead to lower tax revenues, a worse government fiscal situation, and pressure on social welfare and public services (Chang, 2018; Liu, 2020). In financial markets, turmoil causes stock market crashes, currency devaluation, and capital outflows (Xu, 2021). This breaks down the financial system and tightens credit. When banks and financial institutions close or go bankrupt, the credit crunch gets worse, making it hard for businesses, individuals, and the government to get loans. Also, the financial crisis can cause social unrest, political instability, and international tensions and may even lead to regional conflicts (Zhao & Yang,2022).

2.2 Previous research on the economic impact of financial crises

In terms of international trade, Huang and Zhang (2023) have concluded that the financial crisis will decrease the amount of imports. For instance, the value of China's imports decreased 16.7% (National Bureau of Statistics of China, 2020) in May 2020 compared to April of that year. Also, foreign consumers are depressed about the future economic growth, so the demand for Chinese exports will also decrease. In February 2020, the net export value decreased by 11% (National Bureau of Statistics of China, 2020). However, the Changchun Branch holds the view that the main reason for the trend of decrease is that the economies of European and American countries are recovering slowly. Exporters cannot meet the demand from the new orders. Moreover, Luo (2020) holds the similar view that the financial crisis led to China's export volume dropping to its lowest point. He believes that this problem can only be solved by reducing China's reliance on the international market.

Many scholars also believe that financial crises can lead to economic instability. It consists of a lot of phenomena, such as unpredictable changes in price level and inflation. The value of CPI represents a fluctuating trend between the years 2019 and 2023, fluctuating between 100 and 103

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during the period of 4 years (National Bureau of Statistics of China, 2021). China's inflation rate has been below 3% in recent years. The main reason is the lack of domestic demand (Dong, 2022). Because consumers are depressed about future economic development, and investors are also more afraid of high risks (Sun, Chen & Wang, 2022). Therefore, the market demand for RMB is very low, which suppresses the inflation rate.

Aggregate demand has also been impacted by various aspects. Firstly, the GDP growth rate dropped dramatically. It dropped to the trough (2.24%) in 2020 (National Bureau of Statistics of China, 2021). Almost all the components of GDP have been negatively affected by the COVID-19 pandemic, so it has deteriorated as it should. In addition, Huang (2023) holds the view that the total investment has decreased. Investment is one of the main reflectors of the economy; the growth rate of total investment dropped from 5.5% in 2019 to only 2.65% in the year 2020 (National Bureau of Statistics of China, 2021). Moreover, consumption per head represented a decreasing trend (Xie, 2024). The growth rate in 2020 is an inverse figure, -4% (google scholar, 2022), scholars such as Pan (2018) and Zhang (2023) support the view that individuals' depression is the main reason for decrease in the consumption.

Apart from the common argument above, some scholars also have special arguments. Firstly, Zhang (2023) holds the view that the industries will face a higher managed risk. That is because most of the managers lack the correct understanding of financial crises, and do not mention appropriate solutions. Moreover, the wild development of financial innovation channels such as shadow banks, Internet finance, and P2P platforms (Zhao & Wang, 2022). As for shadow banks, by 2016, the scale of China's broad shadow banking had reached 96 trillion yuan, accounting for about 44% of the total assets of banks. From 2010 to 2016, the growth rate of China's shadow banks reached about 36% per year on average. Last but not least, protectionism is becoming a popular trend (Shen, Xu & Li, 2022). Almost all the nations suffer from the economic loss, and they use this strategy to maintain their profits.

2.3 The positive methods that the foreign banking system used to deal with the financial crisis

Previously, plenty of effective decisions have been taken by some countries in the face of financial crises; some of them are represented in the following list.

The U.S. used many useful policies to deal with the 2008 subprime crisis. Initially, the United States employed some conventional expansionary monetary policies, such as zero interest rate policy and QE (quantitative easing) (Ben, S., 2010). More importantly, the United States has launched many unconventional monetary policy tools (Yin & Zhang, 2024). Such as the Problem Asset Rescue Plan (TARP), rescues the systemically important institutions that were in trouble and restores the stability of the financial market. TARP's investment has generated about $18 billion in profits for the Treasury, of which the banking industry accounts for a large portion, up to 72% (U.S. Treasury Department official website, 2013). Next is the Financial Rescue Program (FPS). Yu (2024) said that the plan is aimed at helping banks to lend to reputable borrowers so as to restore people's confidence in the financial system. Finally, in terms of non-liquidity assistance, the United States has also launched Credit and Liquidity Programs in an attempt to innovate monetary policy tools to provide liquidity support to financial markets (Yin & Zhang, 2024).

Europe also introduced a lot of effective policies during the US-European crisis. One of the more distinctive ones is the 750 billion euro bailout program (Lee & Xue, 2012). European countries have significant cross-border claims, and in order to help countries in crisis to repay their debts, the EU+IMF launched a 750 billion euro bailout program, which became a solid foundation for stabilizing the European economy (Jiang & Mu, 2012). The second is the bailout package. European countries united to inject funds into the Eurobond market to ease the financial pressure.

The Bank of England also made many excellent decisions in solving the subprime mortgage crisis. First of all, some traditional expansionary monetary policies and fiscal policies, such as continuous interest rate reduction (Martin & Milas, 2013) and quantitative easing. Next are some special policies, such as the close cooperation between the central bank and the government (Milne, 2009), so that monetary policy combined with fiscal policy can achieve better results. There are also forward-looking guidance policies, which provide people with stronger market confidence and promote a benign growth of about 2% of British GDP.

2.4 Summary and Gap

In the past there have been many scholars who have investigated previous financial crises but not many have researched the most recent financial crises, brought about by the COVID-19 pandemic and evaluated the policies of central banks. This article will analyze the impact of the financial crisis on China according to objective data and analyze appropriate central bank policies so as to have a more comprehensive and appropriate understanding of the financial impact of the pandemic on Chinese society.

3. Methodology

3.1 Primary research

An interview was designed due to the fact that the subject

required first hand data that included the actual impact of the financial crisis on representative companies and the views of financial experts on effective policies. In order to get more authentic and accurate data, a CEO who is working at OTIS Elevator (China) Co., Ltd., which is a Fortune Global 500 company, was interviewed. The interviewee has 30 years of financial and managerial experience, master in-depth knowledge and understanding of finance and economics, and will also provide information related to the impact of the financial crisis on the company for the research.

The interview consisted of 10 questions and several follow-up questions, such as "What are your views on the bailout packages introduced in Europe in the midst of the US-European crisis? Can China learn from such programs among its provinces?" or "Has COVID-19 had a significant impact on China's GDP?" The interview lasted approximately 90 minutes. The interview was conducted via video call and then manually typed into a document. The interview questions lean towards evaluating the policies of various countries to address the financial crisis and the impact of the financial crisis on the OTIS elevator company. The interviews will be used as supporting evidence in a later analysis.

3.2 Secondary research

3.2.1 Data analysis

This essay used a large amount of secondary data to analyze the impact of the financial crisis due to the fact that it was not possible to collect first hand data about economic variables chosen that needed to be analyzed, such as GDP, inflation rate, investment of the whole society, per capita consumption expenditure, CPI, and the GINI coefficient. These indicators were chosen due to the previous research, and these indicators can comprehensively reflect the impact of the financial crisis on the society as a whole. All of these data mentioned above can be found on the internet from a range of authentic websites and reports. Information collected was checked by the comparison of data between a range of information sources including *China Bureau of Statistics* and *Statista*, which were thought to provide more reliable information and save time for the researcher. Additionally, the GINI coefficient is collected from the "World Inequality Database,"which focuses on the global income and wealth inequality; hence, the data collected will be totally objective and unbiased.

The secondary research collected is a longitudinal study whereby data spans an 8-year period. The data from 2017 to 2024 are collected to observe and analyze trends and detailed changes by year. The reason for choosing these years is because the COVID-19 financial crisis started in 2020, and it has only been a short number of years since the crisis to measure the impact. Therefore, the researcher decided to make a comparison between economic factors pre- and post

the financial crisis starting point of 2020. Data was first collected and sorted out by comparing data from different sources to ensure accuracy, and then made into graphs and tables in order to analyze the trends.

3.2.2 Literature reading

In order to find support from previous researchers, plenty of reports and essays were read. The evaluation of the literature involved applying the CRAAP principles (currency, relevance, authority, accuracy, and purpose) to ensure the accuracy and reliability of the literature. The literature is mainly related to the impact of the financial crisis and some case studies of the policies that could be used to reduce the impact of the financial crisis. The main sources for these case studies come from Google Scholar and CNIK search engines. After the selection, there were about 30 pages to be read with supportive evidence.

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4. Results & Discussion

4.1 The effect of financial crisis

4.1.1 GDP growth rate

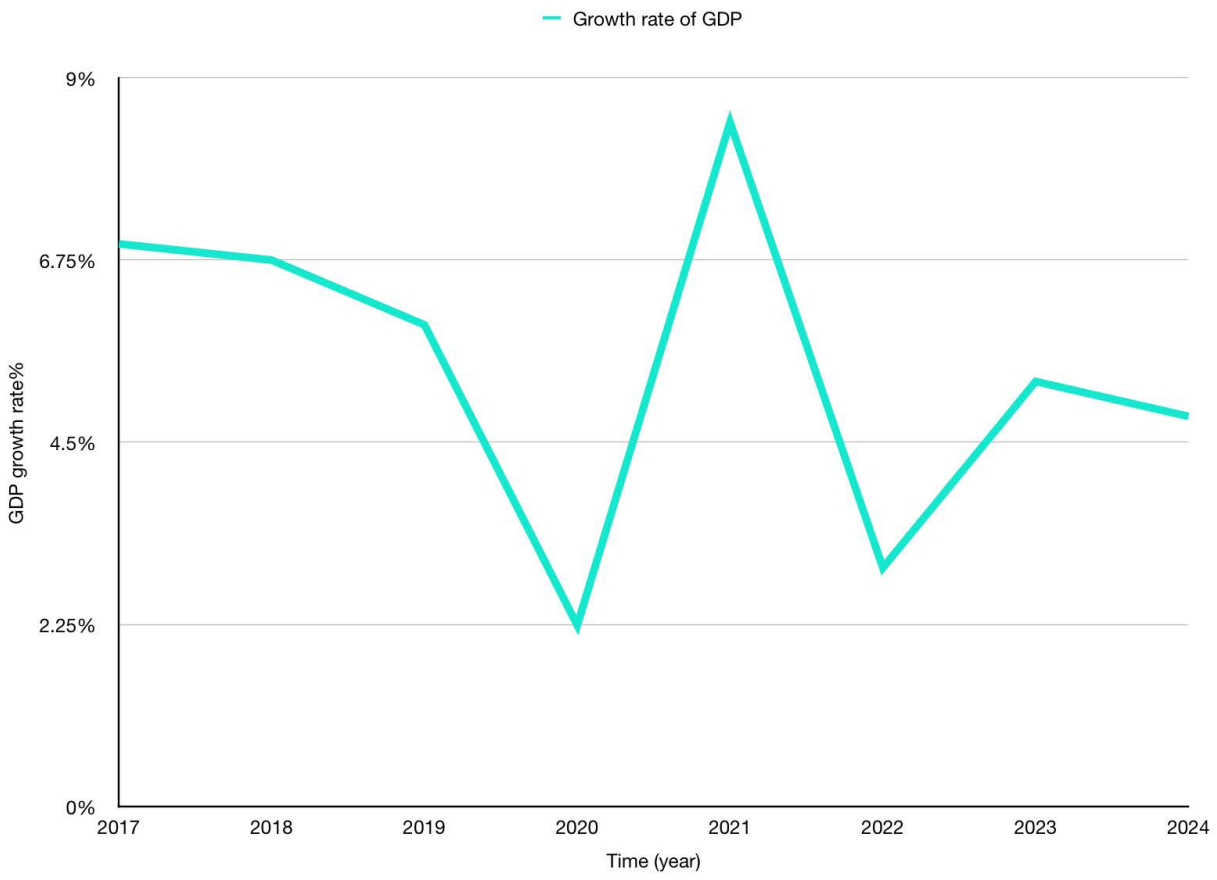

Figure 1

As shown in Figure 1, the COVID-19 pandemic caused significant fluctuations in China's GDP. Before 2020, the growth rate remained at 6.0% annually, but it dropped to 2.25% in 2020 due to the COVID-19 outbreak and China's "lockdown" policy to curb the pandemic's spread (Du, 2023).

In 2021, under the effective policies, the economy returned to a normal development level. According to the latest IMF data, the economy rebounded to 8.1%, leading global and emerging market growth rates again (Zhang, 2022).

In 2022 and 2023, the trend reversed and recovered later. 2022 saw a 0.2% decline in retail sales (National Bureau of Statistics of China, 2023) due to disrupted industries and weakened consumer confidence (Zhang, 2023). In 2023, growth stabilized at 5%, supported by policies promoting green industries and digital integration (China National Radio, 2024).

Overall, the pandemic significantly dampened GDP growth and economic confidence (People's Bank of China, Changchun Branch, 2020).

4.1.2 Inflation rate

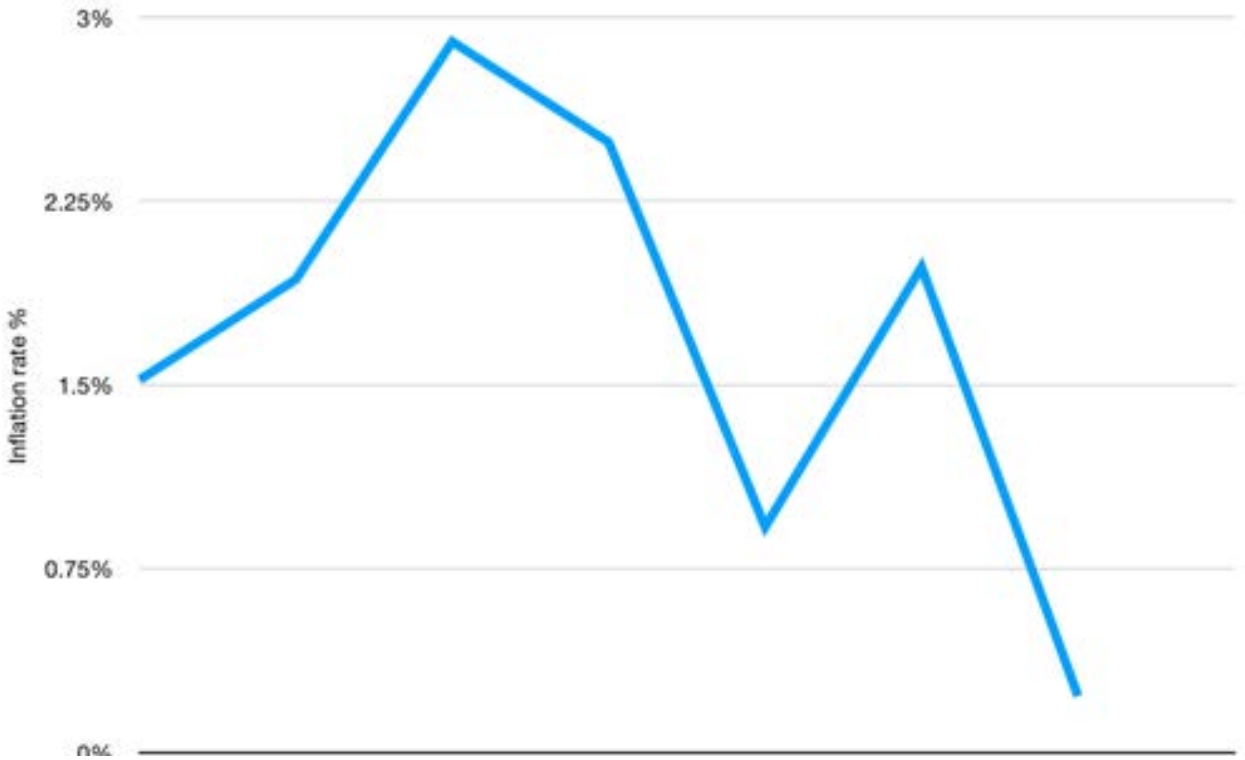

Figure 2

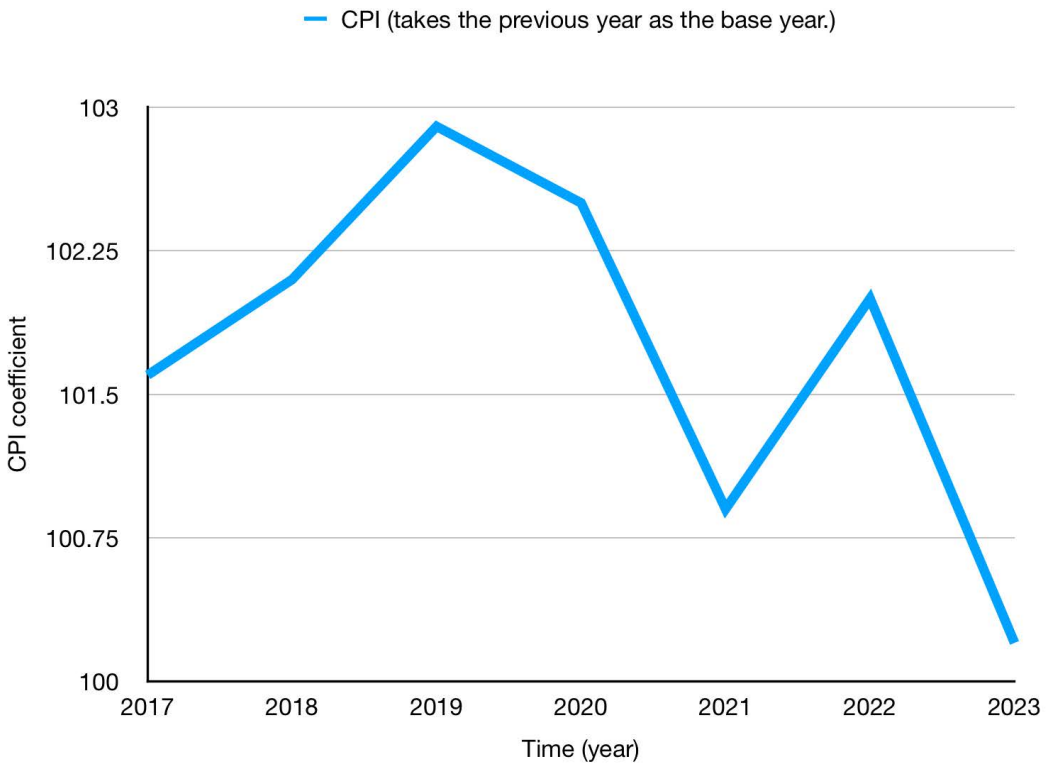

Figure 3

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Turn to China's inflation rate and the price level, they have roughly the same trend. According to Manchurian Principles of Economics, an inflation rate of about 3% or a CPI coefficient of about 103 is helpful for economic development.

In 2019, China's economic indices were within the ideal range, symbolizing prosperity. From 2020 to 2021, an economic downturn emerged, with the inflation rate dropping about 2% (National Bureau of Statistics of China, 2022). Pessimistic sentiment, coupled with reduced investment and currency demand in the market, suppressed inflation. People's home isolation reduced consumption demand, weakening the trade market (Sun, Chen & Wang, 2022).

In 2022, the inflation rate rebounded to about 2%, while the CPI coefficient rose to 102.0, mainly due to the rising cost of growing grain, fluctuation of pork prices (Wang, Li.Y. & Li.J ,2022) and the rise in commodity prices (Tan & Wang, 2022). By 2023, the inflation rate had plummeted to 0.25%, and the economy faced a number of challenges. According to the interview, Zhu (2025) said that the Chinese economy has the potential for deflation risk.

4.1.3 International trade

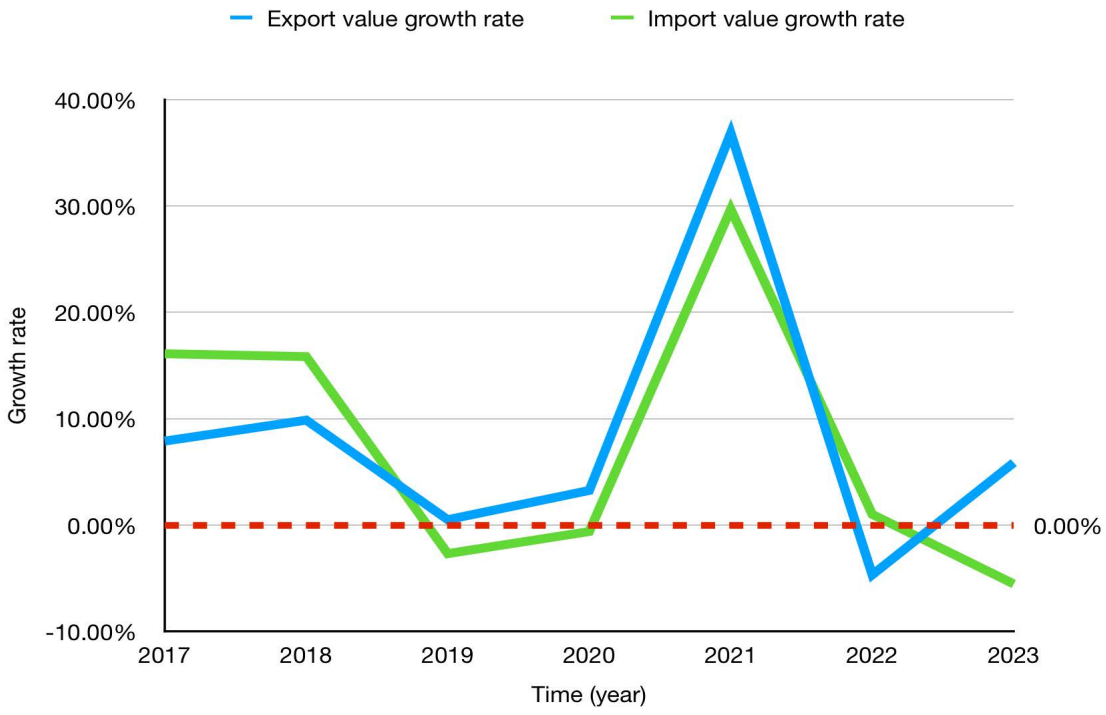

figure 4

The COVID-19 financial crisis has a great impact on China's international trade growth rate. In 2019 and 2020, the outbreak of the pandemic nearly halted export growth, and the import growth was pushed to negative values, -2.68% and -0.60%, respectively (statista, 2021).The financial crisis lowered global consumer income and confidence, reducing China's exports (Guo, 2022). Meanwhile, a sharp drop in domestic demand caused a rapid decline in imports, slowing economic growth (Huang & Zhang, 2023). Chart data shows the pandemic's demand-side impact exceeded supply-side effects.

A dramatic growth can be found in the year 2021. It was a common phenomenon that the international trade growth has increased dramatically in most of the countries. First, on the policy side, China is actively participating in and promoting regional trade cooperation, such as the Regional Comprehensive Economic Partnership (RCEP). Secondly, on the demand side, the overseas demand is popular, especially in the US and Europe, further boosting China's exports (Lu, 2021). According to the interviewer Zhu (2025), China has the most complete industrial structure in the world, and the labour is skillful, so exports recover fast.

In 2021, the RMB exchange rate appreciated by 1.7%, lowering the cost of imports and supporting the import growth rate (People's Bank of China, 2022). However, in 2022, trade barriers from China's main export partners, such as U.S. subsidies and tax cuts for new energy vehicles, hindered exports (Huang & Zhang, 2023; Global Network, 2022). By 2023, this situation had improved, and China's international trade returned to a surplus.

4.1 4 Investment

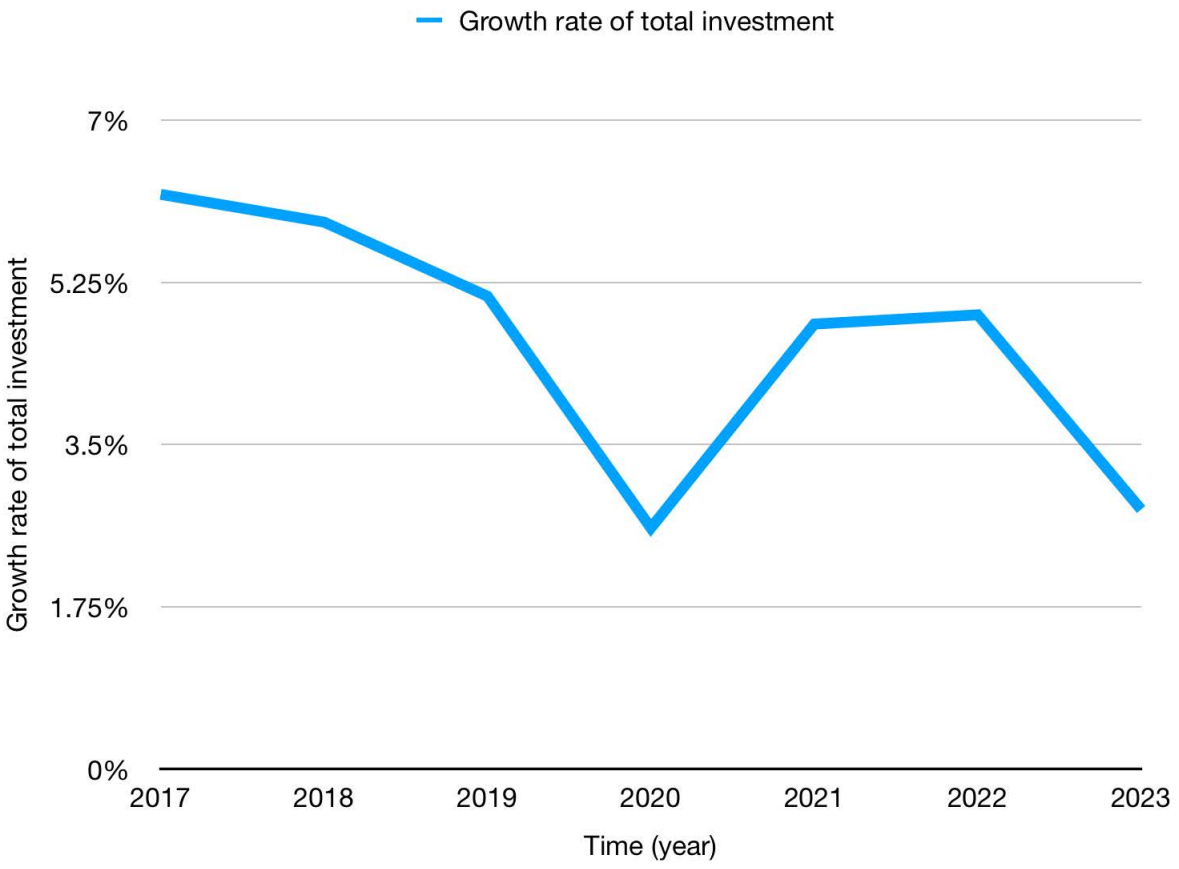

Figure 5

The growth rate shows significant fluctuations during this time. Before the outbreak of the financial crisis, China's total investment growth rate stayed at roughly 6% per year (National Bureau of Statistics of China, 2020).

In 2020, China's growth rate fell to 2.6% due to disruptions in the financial chain, causing shortages in materials, research, development, and production (Huang & Zhang, 2024). Financing difficulties and shrinking banks further reduced efficiency (Luo, 2020). To cut costs, companies became cautious, slowing investment and economic growth. Schindler's CEO Zhu (2025) said that their company's investment decisions in 2020 have become very cautious and the have hardly expanded their production capacity.

In 2021-2022, the government introduced policies to address underinvestment. The reserve requirement ratio was cut by 0.5%, releasing 100 million yuan to ease financing for SMEs (Chinese Government Work Report, 2021). Corporate taxes were reduced, R&D investment was increased, and interest rates were stabilized, lowering financing costs (People's Bank of China, 2021). These measures supported the economic recovery.

And in 2023, investment once again produced a downward trend. Enterprises' lack of risk resistance makes it more difficult to go through a full round of economic cycles under the impact of epidemics, so the willingness to invest is limited (Cai, Zhang & Zhao, 2018).

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4.1.5 Consumption per head

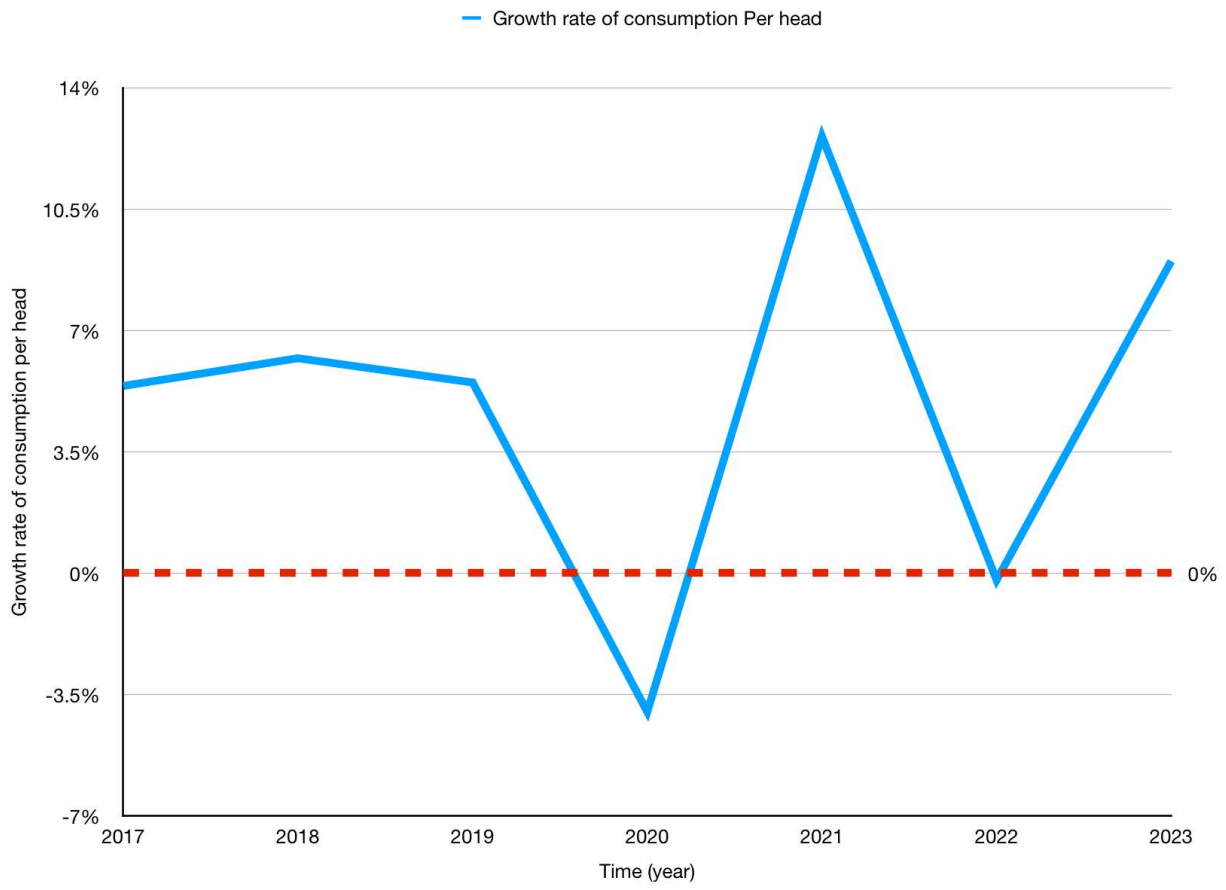

Figure 6

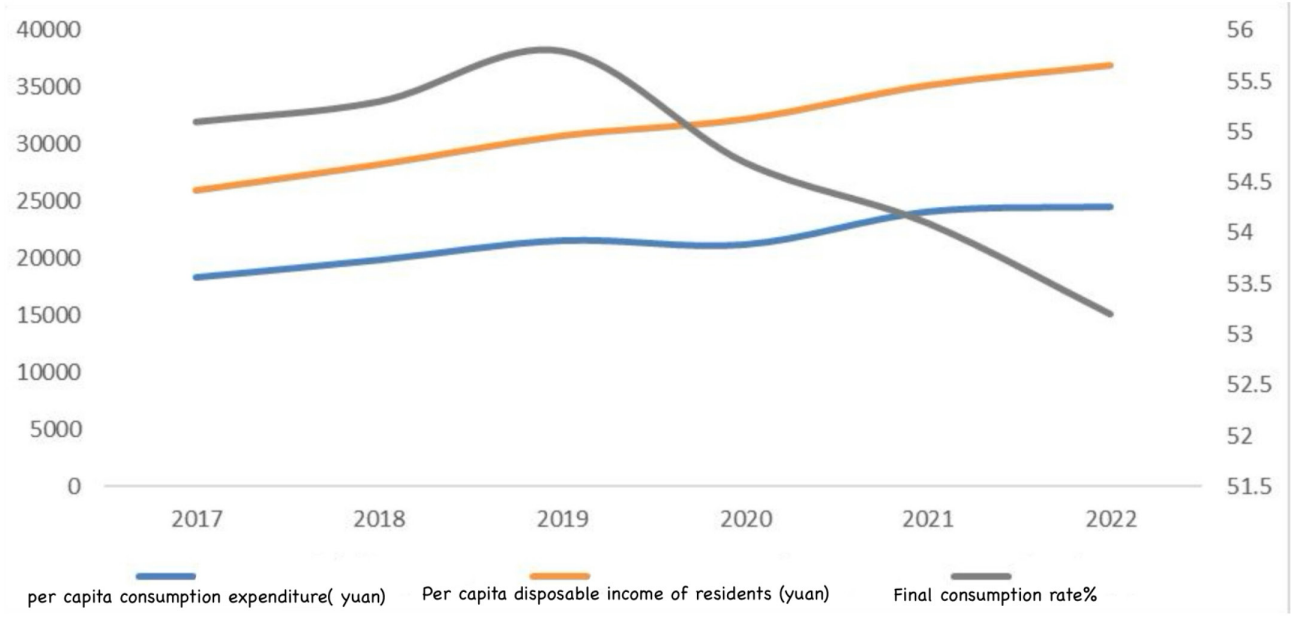

Figure 7

Consumption is one of the three driving forces of national economic growth. In 2020, China's per capita consump-

tion was extremely reduced to a negative value of -4.0%. Cao (2021) and Jin (2020) argued that epidemic related information cut irrational consumption, reducing per capita consumption. Pan's (2018) analysis shows that household indebtedness negatively affects personal development and consumption. Under China's epidemic precautionary measures, there is a tendency for consumption to retreat, especially in developmental and hedonic consumption, and the willingness to save increases, which leads to a decrease in the level of consumption (Zhang, 2023).

In 2021 and 2022, the final consumption rate continued to decline, falling to 53.2% in 2022, far behind the global developed level. The final consumption rate refers to the proportion of a country's annual consumption expenditure to GDP. The decline in China's final consumption rate means an economic recession (Zhao, 2024), which is an important driving force for economic growth during consumption. In the case of sluggish consumer demand, it will lead to a slowdown in economic growth, an increase in unemployment, and other risks. All in all, the epidemic lowered expected income, increased willingness to save, and inhibited consumption behavior (Zhang, 2023).

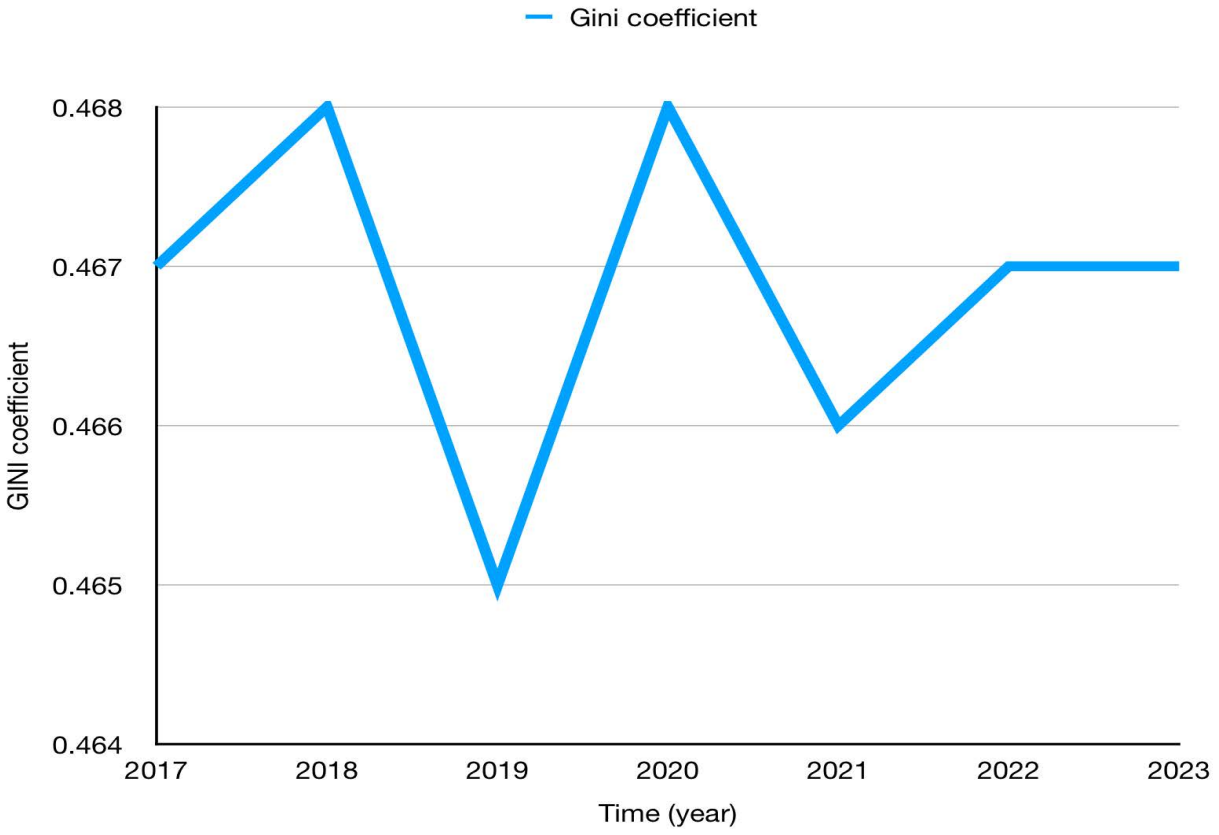

Figure 8

4.1.6 GINI coefficient

According to Our World in Data, the GINI coefficient is an indicator of income disparity among residents of a country. The closer the coefficient is to zero, the more equal the income distribution becomes. And when the GINI coefficient is 0.4-0.5, it is considered that the income gap is too large.

As can be seen from the figure, the GINI coefficient in China has been between 0.465 and 0.468 for the last seven years, with nearly no change. Chen (2020) stated that the wealth of the rich has grown a lot this year, while the wealth of the poor has shrunk. The main reason for why China's GINI coefficient is stable is that the Chinese government's redistributive adjustment ability has continued to increase, and the continuous improvement in the direction of education and medical care has to a certain extent inhibited the expansion of the wealth gap. The reasons for the high GINI coefficient in China are mainly the widening wage gap (Li, 2024) and the inequality of educational opportunities. And the difference in educational attainment in China has an increasing impact on wages, so China's income and wealth have been in a state of inequality.

4.1.7 Summary

According to the analysis above, in China the COVID-19 financial crisis mainly influenced international trade, GDP growth rate, per capita consumption, and domestic investment. It affects the price level and inflation to a relatively small extent and has no effect on the GINI coefficient.

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4.2 Methods the banking system can used to solve the financial crisis.

This section will introduce some of the policies used in Europe and the United States in the face of the financial crisis and then evaluate their effectiveness before concluding with recommendations for China.

4.2.1 The UK Central Bank responds to the subprime crisis.

When the UK faced the subprime crisis, it introduced many policies that China can learn from.

Firstly, the Bank of England implemented conventional monetary policies, such as continuously reducing the benchmark interest rate during the crisis (Martin & Milas, 2013). This policy lowered financing costs for enterprises, encouraging investment, research & development, and productivity improvements, while also boosting the employment rate (Christian, Gust & Roldos, 2007). Additionally, lower borrowing costs for individuals stimulated personal consumption, increasing domestic demand and supporting economic growth. Secondly, the UK adopted quantitative easing (QE) (Chapman & Kulkarni, 2020). The Bank of England purchased large amounts of bonds and other financial assets, injecting significant liquidity into the market and stabilizing the financial system. According to the Bank of England's report "Asset Purchase Allocations and Their Impact," the QE policy introduced between March 2009 and January 2010 raised the real GDP level by 1.5% to 2%.

More distinctive are unconventional monetary policies. Firstly, financial stabilization measures were implemented with government collaboration (Walker, 2010). For example, during the Northern Rock crisis, the UK nationalized the bank to protect public funds, stabilize confidence, and help it recover (Hodson & Mabbett, 2009). Second, forward guidance was used. The Bank of England hinted at future policies, like keeping interest rates low, helping firms plan investments, and encouraging spending, which stabilized market expectations (Kuang & Zhang, 2018).

In China, government-central bank collaboration is also feasible. China can provide liquidity support and strengthen banks through capital injections. However, conflicting policies should be avoided. Forward guidance can address low confidence post-COVID-19, stabilizing investment and consumption markets (People's Bank of China, Changchun Branch, 2020). Yet, China's central bank should clarify policy timeframes to prevent market misunderstandings. In addition, the interviewee Zhu (2025) believes that China has included too many supply-side policies and should learn from Britain's use of more consumer-side policies.

4.2.2 The U.S. Central Bank responds to the subprime crisis.

In terms of the policies introduced by the U.S. Central Bank, they employed some expansionary monetary policies, which are relatively conventional. The most important are the zero-interest policy and quantitative easing policy (Yu, 2024). Such tools stabilize the financial market, prevent the spiral decline in asset prices in the financial market, reduce the financing costs of individuals and enterprises, and stimulate the willingness of society to invest and consume. For example, according to NerdWallet (2009), under the expectation of the Federal Reserve's interest rate cut, 61% of U.S. residents plan to make major consumption, investment, and other decisions.

The first is the Troubled Asset Relief Program (TARP), which is an original tool in the United States. This program authorized the U.S. Treasury Department to purchase and guarantee the assets of financial institutions, rescue important institutions in trouble at that time, and restore the stability of the financial market (Yin & Zhang, 2024). According to the U.S. Congressional Budget Office (2012), TARP's investment brought the Ministry of Finance more than $18 billion in profits. Next is the Financial Assistance Program (FSP), which mainly evaluates the capital needs of banks in a more challenging economic environment and determines which banks need additional investment from the government. The Federal Reserve expands loan projects to promote credit flows and stimulates the secondary credit market. Such tools enhance market confidence, promote the recovery of the credit market, provide financial support for individuals and enterprises, and play a role in promoting the recovery of the real economy (Hu, 2009).

Although interest rate cuts and quantitative easing policies have enhanced the short-term economic liquidity of the United States and stabilized asset prices (Yu, 2024), there are also many potential dangers. IfChina wants to learn from these policies, it should also pay attention to avoid them. According to my interview, China mainly uses supply-side policies to overcome the financial crisis, and such demand-side policies should also be included. For example, long-term QE will lead to the depreciation of the US dollar (Yu, 2024) and exacerbate inflation, affecting investment in real estate, gold and commodities (Peng, 2013), and there will be a risk of a bubble economy. Under the FSP policy, more than 700 banks that received government investment were stabilized, avoiding the collapse of large-scale financial institutions (IMF, anon). Therefore, these tools are the same for China. They are effective in the short term but have some potential risks in the long run.

4.2.3 Europe's policy in dealing with the US-European crisis

Policies in Europe are also of reference significance for China. The first is the contractionary fiscal policy. By

cutting wages, pensions, and jobs, the purpose of cutting government spending has been achieved and the fiscal deficit has been reduced (Wang & Wang, 2015). The second is that the European Union and IMF provide financial assistance and issue emergency loans (Jiang & Mu, 2012). In 2010, the European Union and the IMF launched the largest-scale 750 billion euro aid program ever (Chen & Gao, 2012). The plan has provided financial assistance of different scales to countries in financial difficulties such as Greece, Ireland and Portugal, which has become a solid foundation for stabilizing the European economy. Finally, there is a package of rescue plans (Li & Xue, 2012). This means that in the face of a financial crisis, EU member states have jointly introduced policies or tools covering multiple fields and levels. EU member states provide guarantees by issuing bonds to alleviate the financing difficulties of liquidity shortages of financial institutions.

The package of rescue agreements can be learned from in China. This is a cooperative tool. China can find the possibility of regional monetary economic cooperation, such as North-South cooperation or cooperation between provinces. Second, from the mechanism of the US-European crisis, it can be concluded that the reason for the development of the debt crisis is due to structural problems, and excessive dependence on finance and real estate also drives economic growth. Therefore, such an economic structure is due to the decline of national economic productivity and insufficient stability of the economic foundation (Chen & Gao, 2012).

4.2.4 Summary

From the analysis, some policies useful for China to solve the COVID-19 financial crisis can be summarized.

The first one is the government collaborating with the central bank. The Chinese government and central bank can do more to support the fiscal policy and monetary policy together to provide the maximum benefit to the society. Secondly, forward guidance can stabilize the market confidence, enabling the economic recovery. The third policy is interest cuts and quantitative easing policies; however, China should attempt to avoid some potential dangers such as bubble economy and large- scale depreciation of RMB. Moreover, the package of rescue agreements. China can find the possibility of regional monetary economic cooperation.

table 1

5. Conclusion

To sum up, this article analyzes the impact of the COVID-19 financial crisis in China since 2020 by reviewing some economic indicators and evaluating the effective policies that the Chinese banking system can use to solve the crisis by comparing the strategies that other nations have used to deal with the financial crisis. After comparing the data, the researcher found that the COVID-19 epidemic had a huge decline in GDP, inflation, price index, international trade, and investment in 2020 and a large increase in 2021. Such trends have continued to fluctuate over the next few years, but until 2023, the growth rates of these indicators have not reached their pre-COVID-19 levels. The only special case of the study is the GINI coefficient, which remains almost unchanged from 2017 to 2023, indicating from the coefficients that the gap between rich and poor before and after the COVID-19 pandemic in China has remained almost unchanged and has been at a relatively high value.

	Time period available	Aspects that need to improve	Effectiveness for China
Forward guidance	Both	Central banks give clear and accurate guidance.	Highly suitable
Package of rescue	Long-term	Provinces cooperate together.	Highly suitable
Financial stabilization measures	Long-term	The government closely cooperates with central bank.	Suitable
Lower the interest rate	short-term	Pay attention to the risks of a bubble economy and currency depreciation.	Only in the short run
Quantitative easing	Short-term	Pay attention to the risks of a bubble economy and currency depreciation.	Only in the short run

Regarding effective policies, through a comparative study of the effective monetary policies used in the US, UK, and

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Europe during the subprime crisis and the US-European crisis, the researchers have summarized four policies that China can learn from. These are government collaborations with the central bank, forward guidance, interest cuts, quantitative easing policies, and packages of rescue agreements. These policies have had excellent results in dealing with the financial crisis and are also compatible with the Chinese context. However, if these approaches were to be incorporated into the banking system, they would need some refinement and organization.

6. Evaluation

There are some highlights in this article. This research has incorporated many indicators as support when studying the impact of COVID-19 on the economy and a lot of charts and data as evidence, which makes the research results more objective and credible. Moreover, in order to find policies to deal with the economic downturn, researchers compared the effective policies of several important European and American countries in the world in the face of the subprime mortgage crisis and the US-Europe crisis. And a horizontal comparison was made in combination with China's national conditions to ensure the enforceability of such policies in China, and finally, four policies that are also used in China, were summarized. This kind of comparison can make it more convenient to draw objective conclusions.

But there are also some shortcomings. First of all, due to the nature of the topic and some practical problems, this scientific research does not use much first-hand research, except for an interview. Because the thesis is relatively macroscopic, and the research methods, such as interviews and questionnaires are relatively one-sided. Moreover, the researchers have tried to invite senior professionals in the financial industry to conduct interviews, but they refused to interview due to some privacy issues. The second point is that Asian countries closer to China are not included in the case study. Due to the fact that the researcher believes that the policies of these Asian countries are not very useful, and most of them only use some conventional expansionary policies, there is a lack of the new ideals that are suitable for China's current national conditions.

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