

Analysis on Non-performing Loans of Chongqing Rural Commercial Bank

Zhenqian Zhang

School of Economics, Guangzhou College of Commerce, Guangzhou 510700, China.

zzq108@163.com

Abstract. By applying the financial data from 2014 to 2018, this paper found that the changing trend of the non-performing loan ratio of Chongqing rural commercial bank was basically the same as that of the average non-performing loan ratio of commercial banks in China, and the level was relatively low. There were some risks in the structure of non-performing loans, but the risks could be controlled. Among the product types of non-performing loan, the loan quality of retail category was better than that of company category. The industry distribution with high concentration of non-performing loans has higher hidden dangers of credit risk. On the whole, the quality of credit assets of Chongqing rural commercial bank was good and the risk could be controlled.

Keywords: Chongqing rural commercial bank; Non-performing loan ratio; the structure of non-performing loans; Concentration of non-performing loan.

1. Introduction

Non-performing loans are one of the main aspects of commercial bank risk. Since 2012, China's economy has bid farewell to rapid growth and entered the stage of "new normal", accordingly, the situation of non-performing loans of commercial banks has changed, which is worth researching [1]. In the study of non-performing loans in commercial banks, researchers have attached more importance to the influencing factors of non-performing loans. Some researchers have studied the influencing factors of non-performing loans of commercial banks from macroeconomic factors such as GDP growth rate, money supply growth rate, inflation rate, and Microeconomic factors ,such as net interest margin, deposit-loan ratio, asset-liability ratio, capital adequacy ratio, provision coverage, cost-income ratio and so on [2]. Some researchers believed that the non-performing loans of commercial banks were formed by the comprehensive role of three aspects: economic fluctuation, administrative intervention, unreasonable credit scale and structure [3]. These studies are of great value.

Rural commercial banks are an important part of commercial banks in our country, so it is highly necessary to carry out special research on non-performing loans of such kind of banks. Some researchers have carried out some related studies, for example, Liu Yanan's study (2018) found that the increase of non-performing loans of rural commercial banks under the new normal, the main influencing factors are macroeconomic, early easing policy, enterprise loss, industry concentration of loan, customer concentration and so on [4]. There is a need for more abundant research on the non-performing loans of rural commercial banks. This paper studied the non-performing loans of Chongqing Rural Commercial Bank. Formerly established in 1951 as Chongqing Rural Credit Cooperative, Chongqing Rural Commercial Bank was later transformed into a joint-stock bank and listed in Hong Kong in 2010, and became the first listed rural commercial bank in China. By using the financial data from 2014 to 2018, this paper analyzed the main non-performing loan risk indicators of Chongqing rural commercial bank, and evaluated the non-performing loans of Chongqing rural commercial bank.

2. Data and Analysis

2.1 Non-performing Loan Ratio

Table 1. Non-performing loan ratio of Chongqing Rural Commercial Bank and Commercial Bank in China from 2014 to 2018

	In 2018	In 2017	In 2016	In 2015	In 2014
Chongqing rural commercial bank	1.29%	0.98%	0.96%	0.98%	0.78%
Commercial Banks in China (mean)	1.83%	1.74%	1.74%	1.67%	1.25%

As could be seen from table 1, the non-performing loan ratio of Chongqing rural commercial bank from 2014 to 2018 was in the process of rising, reached a high point of 1.29 percent in 2018. This was basically consistent with the changing trend of the average non-performing loan ratio of commercial banks in our country in the same period, which may be mainly caused by the change of macroeconomic factors under the new normal. It could also be seen from table 1 that the non-performing loan ratio of the Chongqing rural commercial bank was lower than the average level of the non-performing loans of the commercial banks in China, which indicates the control effect of non-performing loan rate of Chongqing Rural Commercial Bank was better.

2.2 The Structure of Non-performing Loans

Table 2. The distribution of the five-tier classification of the loan of Chongqing rural commercial bank from 2014 to 2018 (unit: \$100 million)

	Normal proportion		Concerned proportion		Secondary proportion		Doubt proportion		Loss proportion	
In 2018	3688.42	96.78%	73.67	1.93%	29.37	0.77%	18.43	0.48%	1.47	0.04%
In 2017	3265.9	96.52%	84.54	2.50%	17.54	0.52%	15.15	0.45%	0.32	0.01%
In 2016	2894.26	96.34%	81.23	2.79%	14.65	0.49%	14.08	0.47%	--	--
In 2015	2598.84	96.76%	60.72	2.26%	13.74	0.51%	12.56	0.47%	--	--
In 2014	2346.08	96.87%	57,03	2.35%	12.68	0.53%	6.19	0.26%	--	--

The bank credit assets are classified into five categories: normal, concerned, secondary, doubt, and loss. Non-performing loans mainly refer to secondary, doubt, and loss loans. Table 2 showed that from 2014 to 2018, the normal loan proportion of Chongqing Rural Commercial Bank has been maintained at about 96 percent. Concerned loans were at a steady level close to 2.50 per cent in the period 2014 to 2017 and dropped by 0.57 percentage points in 2018 compared to 1.93 per cent over the previous year. Secondary loans were at a stable level of close to 0.50 percent from 2014 to 2017, but accounted for 0.77 percent in 2018, up 0.25 percentage points from the end of last year. The proportion of doubt loans stabilized at about 0.47 percent between 2015 and 2018, up 0.21 percentage points from 2015 in 2014 with a great increase. The loss loan has not occurred between 2014 and 2016, accounting for a proportion of 0.01 percent in 2017 and 0.04 percent in 2018, which indicates that this kind of loan has been generated in the last two years, although the proportion was small but the increase was large, reflecting a certain risk. According to the specific situation of the five-tier classification structure of non-performing loans, although there are some risks in Chongqing Rural Commercial Bank, the overall quality of credit assets is good and the risk can be controlled.

2.3 The Product Type of Non-performing Loan

Table 3. Distribution of non-performing loans in different types of products of Chongqing Rural Commercial Bank from 2014 to 2018 (unit: \$100 million)

	In 2018		In 2017		In 2016		In 2015		In 2014	
	Balance proportion		Balance proportion		Balance proportion		Balance proportion		Balance proportion	
Non-performing loans of the Company	36.18	1.59%	20.67	0.96%	14.83	0.78%	12.30	0.74%	12.86	0.92%
Retail non-performing loans	13.09	0.98%	12.35	1.09%	13.90	1.42%	14.00	1.45%	6.02	0.62%
Bill discount non-performing loan	--	--	--	--	--	--	--	--	--	--

As could be seen from table 3, from 2015 to 2018, the corporate non-performing loan balance and corporate non-performing loan ratio of Chongqing Rural Commercial Bank showed an obvious upward trend, from 1.23 billion yuan in 2015 to 3.618 billion yuan in 2018, and from 0.74 percent in 2015 to 1.59 percent in 2018 respectively. From 2015 to 2018, the balance of retail non-performing loans and the ratio of non-performing loans showed a significant downward trend, from 1.4 billion yuan in 2015 to 1.309 billion yuan in 2018, from 1.45 percent in 2015 to 0.98 percent in 2018. The total number of corporate non-performing loans in 2018 was 2.76 times that of the retail industry, and the non-performing loan ratio was 0.61 percentage points higher than that of the latter. This indicated to some extent that the quality of the loan of the retail industry was superior to the quality of the corporate loan.

2.4 Concentration of Non-performing Loans.

Table 4. Distribution of non-performing loans in different Industries of Chongqing Rural Commercial Bank from 2014 to 2018 (unit: million yuan)

	In 2018		In 2017		In 2016		In 2015		In 2014	
	balance	ratio								
Manufacturing industry	2188	3.44%	893.4	1.38%	719.1	1.29%	468.3	0.94%	521	1.25%
Wholesale and retail industry	811.9	4.27%	814.2	3.81%	474.7	2.29%	326.3	2.05%	36.9	0.26%
Construction business	169.1	2.14%	82.5	1.10%	36.3	0.57%	--	--	3.4	0.04%
Real estate, rental and commercial services	64.1	0.73%	--	---	33.4	0.25%	20.1	0.13%	--	--
Others	384.7	1.12%	228.8	0.73%	218.3	0.82%	413.8	1.60%	--	---

According to the concentration degree of different industries, the non-performing loans of Chongqing rural commercial bank were mainly concentrated in manufacturing, wholesale and retail, construction and other industries, and the distribution of industries showed a concentrated trend. As shown in table 4, by the end of 2018, the balance of non-performing loans of the manufacturing industry reached RMB2188 million, and the non-performing loan ratio reached 3.44 percent, as well as the non-performing loan ratio increased by 2.06 percent with a large increase compared with the end of 2017; The non-performing loan ratio of wholesale and retail industry increased from 0.26 percent in 2014 to 4.27 percent in 2018, and showed an increasing trend year by year. Compared with other industries, the non-performing loan ratio of wholesale and retail industry was the highest from 2015 to 2018, which indicates that the credit risk of wholesale and retail industry is greater, and the quality of loans needs to be improved. On the whole, the total amount of non-performing loans in manufacturing, wholesale and retail industry and construction business exceeded 50 percent of the total amount of non-performing loans, and the proportion of real estate leasing and commercial services and other industries was relatively small, indicating that the distribution of higher concentration industries has higher credit risk hidden danger.

Table 5. The loan Distribution of borrower's concentration in Chongqing Rural Commercial Bank from 2014 to 2018

	Monitoring indicators	In 2018	In 2017	In 2016	In 2015	In 2014
Single maximum customer loan ratio	≤10%	5.95%	6.47%	6.11%	6.21%	5.49%
Single group customer loan ratio	≤15%	7.75%	7.88%	6.97%	6.79%	5.87%

As shown in table 5, the proportion of the single maximum customer loan of the Chongqing rural commercial bank increased at first and then decreased from 2014 to 2018; The proportion of single group customer loans reached 7.75 percent in 2018, that was up 1.88 percentage points from 2014. The proportion of the single maximum customer loan and the proportion of the single group customer loan were in accordance with the regulatory indicator for nearly 5 years and the regulatory requirements.

3. The Conclusion

By applying the financial data from 2014 to 2018, this paper found that the changing trend of the non-performing loan ratio of Chongqing rural commercial bank was basically the same as that of the average non-performing loan ratio of commercial banks in China, and the level was relatively low. There were some risks in the structure of non-performing loans, but the risk was controllable; in the types of non-performing loan product, the loan quality of the retail loans was superior to that of the company; the industry with high concentration of non-performing loans has higher hidden dangers of credit risk. On the whole, the quality of credit assets of Chongqing rural commercial bank was good and the risk could be controlled.

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