

Suggestions on the Prevention and Disposal of Non-Performing Assets of China Construction Bank

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Abstract: To effectively solve the problem of non-performing asset management, the Chinese government has adopted a series of major policy measures. However, China's state-owned commercial banks dispose of non-performing assets on a large scale, and the operation methods and management methods for disposing of non-performing assets are relatively simple. These non-performing assets not only seriously reduce the capital anti-risk and risk management capabilities of commercial banks, but also have a certain negative impact on the stable and healthy operation of the national financial system, thus seriously affecting the healthy and stable development of the entire national economy. Therefore, effectively resolving the bank's non-performing assets has become a top priority for state-owned commercial banks.

Keywords: China Construction Bank; Non-Performing Assets; Disposal Suggestion

Introduction

This paper takes China Construction Bank as the main research object, analyzes specific typical cases, and summarizes some specific measures and main deficiencies of CCB in commercial credit management, risk asset prevention and non-performing asset disposal management. The paper puts forward important suggestions on the risk prevention and disposal of non-performing loans handled by commercial investment banks in my country from two different aspects: internal and external.

1. The Current Situation and Disposal Methods of Non-performing Assets of China Construction Bank

1.1 The Current Situation of Non-performing Assets

CCB has a large number of loan customers and loan balances. Affected by the economic environment, the non-performing loan ratio has been increasing year by year, especially among housing mortgage loans, which is the highest in the industry. Since 2012, CCB Loan Management has taken many measures with little success.

According to the latest quarterly report, China Construction Bank continues to build a modern banking risk control system based on a comprehensive and proactive business philosophy, and uses the "new generation" core system and big data to improve risk prevention capabilities. As of March 31, 2020, the balance of non-performing loans was 22.61 billion yuan, and the non-performing loan ratio was 1.42%, which was basically the same as the end of the previous year. The provision coverage ratio was 23.027%, 2.58 percentage points higher than that at the end of the previous year.

The rapid development of China Construction Bank's credit business is inseparable from the success of the government-related infrastructure construction industry. It mainly focuses on building infrastructure supporting facilities such as airports, railways, roads, railroads, telecommunications and electricity driven by local governments. Growth in excess credit has picked up, driven in large part by higher government tax spending. However, there is a distinction between government-sponsored loans and low-risk loans.

According to statistics, in recent years, 37 of the 38 regional airports in the country have entered a state of loss. In the large financial industry, the risk of large customer loans is actually enormous. Some major customers invest blindly, repeatedly issue loans, and even misappropriate them illegally, and many more units simply cannot repay their loans in time because of operational risks. In order to weigh their own pros and cons, banks often refuse to file lawsuits, resulting in bad loans.

2. Disposal of non-performing assets

2.1 Strengthening the post-loan management

The latest way for CCB to get rid of bad debts is to strengthen and improve post-loan management. After realizing that asset securitization cannot completely solve the problem of non-performing assets, and may even cause other problems for the bank, China Construction Bank adopted this method to detect the occurrence of non-performing loans in time and take preventive measures.

2.2 Quasi-centralized management mode

China Construction Bank Group is the first commercial bank in China to formally introduce and successfully promote a standardized centralized business pipeline management model. At the same time, a tier-one business leadership institution managed by the Asset Management and Preservation Department of the head office has been established, and the asset protection and management business of the tier-one commercial branches is solely responsible for the liquidation, disposal and asset inspection of non-performing assets within the management jurisdiction.

2.3 Debt restructuring

When disposing of non-performing assets, China Construction Bank will carefully analyze its operating conditions, financial conditions and problems for customers with sufficient hope, take targeted relief measures, and increase their repayment ability by retaining the operating value of debt companies, to achieve a win-win situation for banks and enterprises.

3. Suggestions on the prevention and disposal of non-performing assets of China Construction Bank

3.1 How to prevent and control the new non-performing assets of banks

3.1.1 Strengthening risk management and improving credit quality

China Construction Bank must always ensure the basic principle of safety in its operation and management, strictly control credit risks, reduce the total amount of non-performing loans and the proportion of non-performing loans year by year, prevent the loss of assets, and ensure the safety of its own assets. It must fully implement the five-level classification of loan quality system, and improve the decision-making mechanism for loan review. And monitor and track the quality of borrowers throughout the process and predict and capture asset changes in a timely manner.

3.2.2 Accelerating business innovation and improving operational efficiency

China Construction Bank will continue to vigorously develop the intermediary business, accelerate the business revolution and technological innovation of financial institutions, improve service quality and increase non-interest income. According to the cost-effective principle of operation and management, we must try our best to streamline our branch departments, reduce redundant personnel, and greatly reduce the cost of operation and management.

4. How to improve the disposal method of CCB's non-performing assets

4.1 Establishing an effective incentive mechanism

If an enterprise wants to establish an effective appraisal and incentive mechanism, it must first have clear prompts for enterprise performance prediction and evaluation, and accurately measure the influence and contribution of the decision-making organization, managers and individual employees of the enterprise to the bank. Provide incentives based on performance and service contributions,

such as correlating top-level managers' remuneration income with performance, and employee awards tied to long-term economic benefits for commercial banks.

4.2 Further strengthen information disclosure and increase the transparency of the management of commercial banks

The improvement of information disclosure system is directly related to the success or failure of corporate governance. Therefore, strengthening information disclosure is an important aspect of CCB's governance structure, and it is also a mandatory business that listed banks must undertake.

4.3 Rescue measures for loans with non-performing asset risks

Use a variety of customer support methods, such as: interest rate cuts or tax exemptions, adjusting loan timing, and borrowing new loans to repay old loans, etc., to help companies improve their repayment capacity. While reducing the bank's inventory of non-performing assets, it is also conducive to business recovery and efficiency improvement.

5. Suggestions on Promoting the Innovative Development of the "Internet +" Model

5.1 Realize the healthy development of "Internet +" model

Given the high capital consumption and more disposal cycles of its non-performing asset business, innovative business models such as asset securitization, investment structure and capital acquisition have gradually become powerful means to break through financing bottlenecks and expand the scope of disposal. In this process of continuous improvement, the disposal of Internet network assets, which combines channel technology innovation and model revolutionary innovation, must be combined with other business models to form a complementary effect and jointly promote the innovation and development of "Internet +".

5.2 Promoting the construction of professional non-performing assets online trading platform

"Internet finance" is a typical representative of the innovative model of "Internet +". In the past few years, it has become an important part of this type of financial industry, but its future development is still dominated by Internet financial institutions, while traditional financial institutions are relatively passive. At present, traditional financial institutions, including China's state-owned commercial banks, have taken the promotion of Internet finance into the Chinese market as the main strategic goal of development in the next few years. The particularity of the asset disposal service determines the development of the asset disposal model on the Internet, and cannot simply rely on the platform built through the Internet for informatization. Banks should firmly grasp the essence of the "Internet +" business transformation and development process, take the goal of providing professional financial services as the core, grasp the development trend of Internet finance, deepen the core competitiveness of professional financial teams, and give full play to the advantages of the Internet. The "multiplier effect" makes the non-performing asset management business not only play an active role in effectively solving and avoiding risks in the financial system, but also brings economic benefits to enterprises.

Conclusion

The disposal of non-performing assets of commercial banks is very important and necessary. It is an inevitable choice to pursue the strategic goal of sustainable development, and it is also the key to stabilizing the healthy development of my country's market economy. As a complex and systematic work organization, in the actual operation process, we should fully rely on the accumulation of past methods and experience, and innovate and improve in the context of the new era, pay attention to increasing relevant guarantee support, and create a good internal control environment and a high degree of "Internet thinking", thereby improving work efficiency and quality.

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