

# Research on the Collection and Disposal of Non Performing Assets in Banks under the New Situation

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**Abstract:** Against the backdrop of complex and ever-changing global economic conditions, the problem of non-performing assets faced by the banking industry is becoming increasingly prominent. How to effectively collect and dispose of non-performing assets has become a key challenge for the stable operation of banks. This paper explores how banks can carry out the collection and disposal of non-performing assets in the new situation, aiming to improve the success rate of non-performing asset collection, promote the continuous improvement of bank asset quality, and provide guarantees for the stability and sound development of the financial system.

**Keywords:** New Situation; Bank; Non-Performing Assets; Collection and Disposal

With the adjustment of economic structure and the continuous deepening of financial markets, the importance of non-performing asset management in banks is becoming increasingly prominent. The combination of multiple factors such as economic downturn pressure, industry cyclical fluctuations, and business difficulties has led to the continuous growth of non-performing assets in banks. The accumulation of non-performing assets not only erodes the capital adequacy ratio of banks, but may also trigger more serious systemic financial risks. Therefore, banks need to explore more effective collection and disposal strategies with the support of policies, technology, and market mechanisms. This article explores the measures for clearing and disposing of non-performing assets in banks, providing theoretical and practical guidance for banks to enhance their asset management capabilities and risk resistance.

## 1. Reasons for the Emergence of

### Non-Performing Assets

Through investigating different types of banks, it was found that both large commercial banks and joint-stock banks generally have non-performing asset problems. The non-performing asset ratio of rural commercial banks has reached 3.24%, which is the highest among all types of banks; The non-performing asset ratio of urban commercial banks is 1.90%, ranking second. Based on the above data, we can clearly observe that compared to large banks, small and medium-sized banks face more serious non-performing loan problems.

The main reasons for this phenomenon are as follows: firstly, it is closely related to the local economy. In the operation and management of banks, regulatory agencies have restricted cross regional operations, resulting in most small and medium-sized banks relying mainly on local business and credit issuance concentrated in the local market. If the local economy experiences a downturn, these small and medium-sized banks will inevitably be affected.

Secondly, there is the risk of local debt. Local debt mainly includes land transfer fees, land transfer income, and fiscal transfer payments. Although these debts can alleviate the enormous pressure faced by local governments in the short term, they also have a huge negative impact on the local economy. According to the law, local governments are not allowed to borrow money on their own, usually by establishing urban investment companies to raise funds from local banks. In urban construction, the scale of debt will gradually expand, and once financial problems arise, a large number of non-performing loans will be formed in small and medium-sized banks.

From the current perspective, China's financial reform has entered a deep water zone, and under the new normal, the financial sector is facing greater pressure and challenges. Regulatory agencies are gradually expanding their regulatory scope, and this strict

regulatory trend is expected to continue for a long time. In this situation, commercial banks also need to enhance their risk awareness and strengthen internal risk management. Although many banks have established a series of standardized processes for pre-loan, in loan, and post loan reviews of credit assets, formalism and copy and paste are still very evident in the actual implementation process. Credit personnel lack compliance awareness, and the formal issues of pre-loan reviews are serious. The substantive investigation are not thorough enough, and post loan checks only simply present reports and fill in data.

## **2. Measures for Clearing and Disposing of Non-Performing Assets in Banks Under the New Situation**

### **2.1 Expand the Channels for Supplementing Bank Assets**

During the development of banking operations, capital is an essential and important foundation. Therefore, consolidating the capital base of banks and enhancing their ability to supplement capital are key to supporting the real economy and risk prevention and control.

As the most active part of the financial system, the development of small and medium-sized banks directly affects the overall level of China's financial industry. In the past few years, the government and regulatory agencies have been committed to promoting the innovation of capital tools for small and medium-sized banks, expanding their capital replenishment channels, and increasing financial support for the real economy.

From the current perspective, China's financial reform has entered a "deep water zone". Under the new normal, the financial sector is facing greater pressure and challenges. Regulatory agencies are gradually strengthening their regulatory scope, and this strict regulatory trend is expected to continue for a long time. Considering the current decline in asset quality and the increasing pressure to handle non-performing assets, banks need to pay more attention to capital management and strengthen the collection and disposal of non-performing assets while ensuring the stability of bank operations.

Firstly, it is essential to do a good job in capital planning, clarify the methods of capital supplementation, choose appropriate capital

supplementation methods according to the characteristics and risk conditions of different financing institutions, and adjust the proportion of capital supplementation in a timely manner. Do not neglect capital regulatory requirements due to excessive pursuit of profits, which will affect the healthy and sustainable development of banks.

In addition, banks need to expand their capital replenishment channels, fully utilize government policy support, and adopt various capital replenishment methods such as perpetual bonds, secondary capital bonds, and local government special bonds. At the same time, banks should explore strategic investors that match their own development characteristics, choose appropriate capital replenishment methods based on regional economic environment and banking business characteristics, reasonably determine the scale of capital replenishment, optimize capital structure, and improve capital quality. Finally, banks need to enhance their capital management capabilities, establish professional capital replenishment departments, continuously innovate and improve capital replenishment methods, reduce the difficulty of bank capital replenishment, and ensure that bank capital remains abundant.

### **2.2 Reduce and Adjust the Old and Control the New Policies, Improve the Effectiveness of Non-Performing Asset Disposal**

In the disposal of non-performing assets in banks, it is necessary to reduce the total amount of non-performing loans while also being alert to the economic risks that may arise from the growth of non-performing loans. In the past economic growth process, due to the large-scale expansion of bank credit business, it was easy to overlook effective risk management, resulting in concentrated exposure of risks during economic downturns. Therefore, banks need to prevent and control the rising non-performing loan ratio from the following aspects.

Firstly, we need to increase the intensity of admission review, improve industry quota management, limit the number of loans for industries with overcapacity, and adopt a whitelist mechanism to control the amount of new loans at a safe level. Secondly, it is necessary to strengthen the compliance management of the business, improve the risk

control model and business processes according to the actual development status of the service area industry, strictly implement the “Three Inspections” of loans, and strengthen post loan management, adjusting the guarantee system of bank credit business. Finally, banks should establish compliance training and accountability mechanisms, continuously monitor potential business risks, optimize compliance management systems, increase compliance training for bank employees, implement comprehensive inspections and special governance measures, and prevent potential risks in business and operations.

### 3. Conclusion

Under the new situation, significant progress has been made in the collection and disposal of non-performing assets in banks. By expanding asset replenishment channels and improving disposal efficiency, the banking industry has achieved positive results in resolving non-performing assets, which not only promotes the stability of the financial system but also provides solid guarantees for the healthy development of the economy. In the

future, we will continue to adhere to innovation driven approaches, deepen reforms, and further improve the quality and efficiency of non-performing asset disposal to better serve the overall economic and social development.

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