

# The Ratios and Determinants of Non-Performing Loans in China

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April 20, 2015

## Abstract

Using the largest non-performing loans (NPL) data available in China 2007-2012, before, during and after the Leman Shock in August 2008, we first report the ratios of NPL by default risk and ownership, and find that those ratios all show decreased trend. Then we perform static and dynamic panel estimations, and find that the increasing interest margin, the increasing bank size tend to have significantly positive impacts, but macroeconomic and financial indicators such as GDP, unemployment rate, reserve ratio, and interest rate do not have significant effects. We also find that the city housing price and the ratio of operational expenditure to income tend to have significantly positive impacts on NPL in some cases.

## Highlights:

- We first report the ratio of NPL by default risk and ownership during 2007-2012 by the national standards of China Banking Regulatory Commission.
- We first use the largest micro panel data of banks available in China, and econometrically find that interest margin, bank size, and city housing price (in one case) are the determinants.

JEL: G21, C23

Keywords: Non-Performing Loans, Default Risk, China, Bank Size, Interest Margin, City Housing Price, Panel

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<sup>1</sup> We thank Moonwon Kang, Masamitsu Kurida, Ko Nishihara, Junichi Watanabe as well as the participants for their beneficial comments and encouragements when this research was presented at Fukuoka University. Any remaining errors here are the authors' responsibility. Correspondence: Nanakuma 8-19-1, Jounan Ward, Fukuoka City, Fukuoka 8140180, Japan; (email to J. Wan) wan@econ.fukuoka-u.ac.jp; (email to H. Zhang) DG150016@cis.fukuoka-u.ac.jp; (tel) +81-92-871-6331(ext.4208); (fax)+81-92-864-2904.