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Analysis of the Profitability of Bank-based Financial Leasing Companies

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Abstract: In recent years, China's financial leasing industry has been developing rapidly, and its positive role in promoting industrial upgrading, adjusting economic structure and facilitating investment growth has become increasingly prominent. Based on the financial report data of China's financial leasing companies from 2008 to 2022, this paper examines the profitability of financial leasing companies of different natures. Finally, it provides valuable reference suggestions for the relevant companies and the government.

1. Introduction

The profitability is a core indicator measuring the company's operating results and value creation ability over a period of time. In recent years, China's financial leasing industry has been developing rapidly, and its positive role in promoting industrial upgrading, adjusting economic structure and facilitating investment growth has become increasingly prominent. According to whether the major shareholder is a bank, financial leasing companies can be categorized into non-banking financial leasing companies and banking financial leasing companies. According to the different backgrounds of the shareholders, the banking financial leasing companies can be divided into the financial leasing companies of five banks, joint-stock banks and city banks.

Some scholars have studied and analyzed the profitability of financial leasing companies from different angles. Kong Yongxin, Sun Lu and Mi Shuguang (2012) studied the profitability model of Chinese banking financial leasing companies, their main product is financial leasing, main customers are large and medium-sized customers of the parent bank, and the source of profitability is spread income[1]. Sun Lei (2016) found that small and medium-sized leasing companies are more profitable than large leasing companies through comparative analysis, and non-banking leasing companies are more profitable than banking leasing companies[2]. Zhang Ying, Hu Ding, and Zhang Yabo (2018) mainly studied the impact of financial market risk on the profitability of financial leasing companies[3]. Jia Jia and Yang Zhilin (2019), by constructing a comprehensive performance evaluation system, concluded that the financial leasing industry has stepped into the “maturity period” from the “growth period”, and its profitability and cost pressure will continue to rise[4].

The purpose of this paper is to provide valuable reference suggestions for the relevant companies and the government by analyzing in-depth the profitability of Chinese financial leasing companies of different natures.

2. Profitability Analysis

2.1 Data Sources

This paper utilizes the Wind database to select Chinese financial leasing companies from 2008 to 2022 as the initial research sample, and combines the text of the company's financial report data with the results of data retrieval to ultimately obtain the panel data of 371 sample observations from 49 financial leasing companies, and utilizes ROA to reflect the company's profitability.

2.2 Non-banking Companies vs. Banking Companies

Table 1: Non-banking Companies vs. Banking Companies.

Variable	G1(Non-banking companies)			G2(Banking companies)			Tests of differences G1(Non-banking companies) vs. G2(Banking companies)	
	n	Mean	Median	n	Mean	Median	Mean test	Median test
ROA	132	0.014	0.013	239	0.011	0.011	0.002***	15.544***

As can be seen from Table 1, compared with non-banking financial leasing companies, banking financial leasing companies have lower ROA. The mean and median of ROA of banking financial leasing companies are 0.011, while the mean of ROA of non-banking financial leasing companies is 0.014 and the median is 0.013. The mean test and median test of the two respectively show that the p-value is less than 0.01, which indicates that there is a significant difference between the ROA of non-banking financial leasing companies and that of banking financial leasing companies at the 1% level.

2.3 Within the Banking System

Table 2: Joint-stock banking companies vs. Five banking companies.

Variables	G1(Joint-stock banking companies)			G2(Five banking companies)			Tests of differences G1(Joint-stock banking companies) vs. G2(Five banking companies)	
	n	Mean	Median	n	Mean	Median	Mean test	Median test
ROA	64	0.012	0.012	36	0.009	0.011	0.002***	2.778*

As can be seen from Table 2, compared with the financial leasing companies of joint-stock banks, the ROA of the financial leasing companies of five banks is lower. The mean and median of ROA of joint-stock banking companies are 0.012, while the mean of ROA of five banking companies is 0.009 and the median is 0.011. The mean test and median test are conducted for the two respectively, and the result of the mean test shows that the p-value is less than 0.01, which indicates that there is a significant difference between the ROA of five banking companies and that of joint-stock banking companies at the 1% level; the result of the median test shows that the p-value is less than 0.1, which indicates that there is a significant difference between them at the 10% level.

As can be seen from Table 3, compared with the financial leasing companies of city banks, the ROA of the financial leasing companies of five banks is lower. The mean of ROA of city banking companies is 0.012 and the median is 0.011. The mean of ROA of five banking companies is 0.009 and the median is 0.011. The mean test and median test are conducted for the two respectively, and the result of the mean test shows that the p-value is less than 0.05, which indicates that there is a significant difference between the ROA of five banking companies and that of city banking companies at the 5% level; the result of the median test shows that the p-value is less than 0.1, which indicates that there is a significant difference between them at the 10% level.

Table 3: City banking companies vs. Five banking companies.

Variables	G1(City banking companies)			G2(Five banking companies)			Tests of differences G1(City banking companies) vs. G2(Five banking companies)	
	n	Mean	Median	n	Mean	Median	Mean test	Median test
ROA	129	0.012	0.011	36	0.009	0.011	0.002**	3.400*

Table 4: City banking companies vs. Joint-stock banking companies.

Variables	G1(City banking companies)			G2(Joint-stock banking companies)			Tests of differences G1(City banking companies) vs. G2(Joint-stock banking companies)	
	n	Mean	Median	n	Mean	Median	Mean test	Median test
ROA	129	0.012	0.011	64	0.012	0.012	-0.000	0.127

As can be seen from Table 4, the mean of ROA of city banking companies is 0.012 and the median is 0.011. The mean and median of ROA of joint-stock banking companies are 0.012. The mean test and median test for the two respectively, the results show that there is no significant difference between the ROA of city banking companies and joint-stock banking companies.

2.4 Trend Analysis

Table 5: ROA statistics for five banking companies.

Year	Obs	Mean	Std. dev.	Min	Max
2022	4	0.0063808	0.0041848	0.0006976	0.0106263
2021	4	0.0094725	0.0033325	0.0060527	0.0133336
2020	4	0.0096156	0.0037916	0.0041107	0.0126759
2019	4	0.0104266	0.0039468	0.0048402	0.0141171
2018	4	0.0087997	0.0037856	0.0034211	0.0117668

As can be seen from Table 5, the mean of ROA of the financial leasing companies of five banks in 2022 is 0.006, the standard deviation is 0.004, the minimum value is 0.001 and the maximum value is 0.011; the mean of ROA in 2021 is 0.009, the standard deviation is 0.003, the minimum value is 0.006 and the maximum value is 0.013; the mean of ROA in 2020 is 0.010, the standard deviation is 0.004, the minimum value is 0.004 and the maximum value is 0.013; the mean of ROA in 2019 is 0.010, the standard deviation is 0.004, the minimum value is 0.005 and the maximum value is 0.014; the mean of ROA in 2018 is 0.009, the standard deviation is 0.004, the minimum value is 0.003 and the maximum value is 0.012. Overall, the ROA of the financial leasing companies of five banks shows an overall trend of “M” in 2018-2022.

As can be seen from Table 6, the mean of ROA of the financial leasing companies of joint-stock banks in 2022 is 0.013, the standard deviation is 0.005, the minimum value is 0.006 and the maximum value is 0.020; the mean of ROA in 2021 is 0.013, the standard deviation is 0.004, the minimum value is 0.007 and the maximum value is 0.019; the mean of ROA in 2020 is 0.012, the standard deviation is 0.004, the minimum value is 0.005 and the maximum value is 0.016; the mean of ROA in 2019 is 0.011, the standard deviation is 0.003, the minimum value is 0.008 and the maximum value is 0.016; the mean of ROA in 2018 is 0.009, the standard deviation is 0.002, the minimum value is 0.007 and the maximum value is 0.013. Overall, the ROA of the financial leasing companies of joint-stock banks shows an overall trend of increasing year by year in 2018-2022.

Table 6: ROA statistics for joint-stock banking companies.

Year	Obs	Mean	Std. dev.	Min	Max
2022	7	0.0132342	0.0048555	0.0059403	0.0203349
2021	7	0.0125588	0.0038988	0.00714	0.0185462
2020	7	0.0115091	0.0039261	0.0053846	0.0157522
2019	7	0.0112464	0.0028821	0.0081375	0.0155209
2018	7	0.0094751	0.0022365	0.0069331	0.0129335

Table 7: ROA statistics for non-banking financial leasing companies.

Year	Obs	Mean	Std. dev.	Min	Max
2022	10	0.0148698	0.0048428	0.0066612	0.0221263
2021	13	0.0088122	0.0191493	-0.052433	0.0225839
2020	13	0.0138523	0.005444	0.0046052	0.0230921
2019	15	0.0127962	0.0058556	0.0005246	0.0231597
2018	15	0.0102856	0.0055687	0.0012191	0.0211933

As can be seen from Table 7, the mean of ROA of non-banking financial leasing companies in 2022 is 0.015, the standard deviation is 0.005, the minimum value is 0.007 and the maximum value is 0.022; the mean of ROA in 2021 is 0.009, the standard deviation is 0.019, the minimum value is -0.052 and the maximum value is 0.023; the mean of ROA in 2020 is 0.014, the standard deviation is 0.005, the minimum value is 0.005 and the maximum value is 0.023; the mean of ROA in 2019 is 0.013, the standard deviation is 0.006, the minimum value is 0.001 and the maximum value is 0.023; the mean of ROA in 2018 is 0.010, the standard deviation is 0.006, the minimum value is 0.001 and the maximum value is 0.021. Overall, the ROA of non-banking financial leasing companies shows an upward trend in 2018-2020, but there is a large decline in 2021, and then becomes rising or even exceeds the original ROA level in 2022.

3. Conclusions and Suggestions

Through an in-depth analysis of the profitability of China's financial leasing companies, this paper draws the following conclusions: the profitability of non-banking financial leasing companies is stronger than that of banking companies; the profitability of the financial leasing companies of joint-stock banks and city banks is stronger than that of five banks; the ROA of non-banking financial leasing companies shows an upward trend in 2018-2020, but there is a large decline in 2021, and then becomes rising or even exceeds the original ROA level in 2022; the ROA of five banking companies shows an overall trend of “M” in 2018-2022; the ROA of joint-stock banking companies shows an overall trend of increasing year by year in 2018-2022.

For the government, it can formulate differentiated policies for the different characteristics of non-banking and banking financial leasing companies; establish a perfect industry information sharing and risk assessment mechanism; strengthen the policy guidance and support to encourage companies to innovate and develop.

For enterprises, non-banking financial leasing companies should continue to give full play to their advantages in the market, such as flexibility and innovation; banking financial leasing companies should strengthen synergistic cooperation with their parent banks to realize mutual sharing of resources and complementary advantages.

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