

The control of business fundamental analysis based on the credit risk of banks

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Abstract: In recent years, due to the rapid economic development, after the rapid development of our banking industry, the credit risk is constantly exposed. How to control the credit risk effectively has become an urgent problem to be solved for the sustainable development of the banking industry. Effective Fundamental analysis can effectively identify bank credit risk. Whether in the pre-loan, loan, or in the post-loan management, it plays an important role in risk control. It is also vital to the sustainability of the banking sector.

1. The meaning of fundamental analysis and its importance in the control of credit risk

1.1 The meaning of Fundamental analysis

Financial statement analysis is a management work that provides management decision-making and control basis for users of financial and accounting reports by collecting and sorting relevant data in the financial and accounting reports of enterprises and combining other relevant supplementary information to comprehensively compare and evaluate the financial status, operating results and cash flow of enterprises. Doing a good job in Fundamental analysis can correctly evaluate the financial situation, operating results and cash flow of an enterprise, reveal the contradictions and problems existing in the business activities of the enterprise, and provide direction and clues for improving business management. It can forecast the reward and risk of the enterprise in the future, check the budget of the enterprise, evaluate the performance of the management staff, and provide help for the establishment of a sound incentive mechanism. As a result, the Fundamental analysis is regarded as a "barometer" of business performance, and is the only information carrier for investors to understand the business. With the continuous development and improvement of the market economy system, the role of the Fundamental analysis as the main carrier for the stakeholders to keep abreast of the business conditions of enterprises has become increasingly prominent.

1.2 The importance of the Fundamental analysis in controlling credit risks.

In recent years, with the deepening of the reform of the financial system, and the accelerating process of interest rate liberalization, especially with the rapid development of Internet finance, the traditional credit business of commercial banks has been greatly impacted. Judging from the

composition of operating income in the third quarter of 2018 disclosed by 32 a-share listed banks, except for China Merchants Bank, other banks' corporate financial income accounts for a relatively high proportion of their total operating income. This shows that the traditional credit business still accounts for a high proportion in the business of commercial banks, and is also the main source of bank profits. Therefore, how to control the quality of credit assets has become the basis for the sustainable development of commercial banks. Judging from the current composition of the bank's credit business, it mainly includes six links: customer marketing, pre-loan investigation, credit application and approval, loan issuance, post-loan management and loan recovery. In the above link, credit decision-making is the core content of loan risk management. How to make scientific and reasonable credit decisions to control the quality of credit assets below the red line has been an important subject that every commercial bank faces for a long time. At present, the most important and mature credit analysis technology is based on the credit customer financial statements of credit analysis technology in China's major commercial banks. Therefore, whether the financial statements provided by credit granting enterprises are true, reasonable, scientific and perfect, and the staff of commercial banks can comprehensively and correctly analyze and judge the financial statements of customers have a self-evident influence on bank credit decision-making and risk control.

2. Analysis points of financial statements under bank credit risk control

2.1 Understand the meaning of each subject in the financial statements

Financial statements are the main means of providing financial information of an enterprise. In order to ensure the quality of financial information and the timeliness of its provision, many items in the financial statements are consistent with the accounting entries and are listed on the basis of the current accounting entries or balances. The final presentation to investors consists of a balance sheet, a statement of profits, a statement of cash flow statement and a statement of changes in owners' equity. Therefore, the analysis of enterprise financial statements first of all needs to fully grasp the meaning of the financial statements and the principles of Statement preparation

2.2 Be Familiar with the articulation of accounting statements

The balance sheet, income statement and cash flow statement in the financial statements are not independent individuals, and there is a cross-checking relationship among the three statements. It is the basis of analyzing report forms to master the checking relation of report forms skillfully. For example, the sum of the two sides of the balance sheet should be equal, the undistributed profit items should be equal to the items of the same name in the income distribution sheet, and the monetary funds at the beginning and end of the period should be equal to the cash flow statement items of the same name; The net profit items in the income statement shall be the same as those in the cash flow statement; the net cash flow, net increase in cash and cash equivalents and the same name items in the notes shall be the same as those in the cash flow statement.

2.3 Master the reading skills of financial statements

Corporate financial statements can reflect the company's operating conditions, and master the reading skills can effectively understand the company's basic operating conditions, hidden problems. For example: The Enterprise's amortization costs, long-term amortization costs and deferred tax borrowing are only assets in the sense of pure accounting. If the amount occupied, the proportion of large shows that the enterprise's asset quality is poor; The proportion of current assets in total assets, quick assets in current assets and cash assets in quick assets reflect the long-term, short-term and

immediate liquidity of enterprise assets respectively. The ratio of the main business cost and the main business income can reflect the value-added ability of the enterprise. Generally, the smaller the ratio of the main business cost to the main business income, the stronger the value-added ability; The ratio of operating expenses to main business income can reflect the degree of market competition. The larger the ratio of operating expenses to main business income, the greater the degree of market competition. In addition, we can also identify the authenticity of the report through the mastery of report reading skills. For example, on March 29, 2019, small and medium-sized board listed company Zhangzidao disclosure business forecast shows that in the first quarter of 2019, the company is expected to lose 40 million to 45 million yuan, the same period in 2018 loss of 8.998 million yuan. According to the company's disclosure, the main factor affecting the decline in the first quarter of 2019 is the decline in the production of bottom-seeded scallops from marine ranches, and the corresponding fixed costs such as depreciation and amortization, as well as the use of sea area gold, can not be diluted, resulting in an increase in the unit cost of products. However, according to the operating situation of Zhangzidao company in the past three years, the operating income of the company was 2.727 billion yuan, 3.052 billion yuan, 3.206 billion yuan and 2.104 billion yuan at the end of the third quarter of 2015-2017 and 2018 respectively. The net profit attributable to shareholders of the listed company was -243 million yuan, 79.59 million yuan, -723 million yuan and 23.38 million yuan respectively. The reasons for the company's losses over the years are almost the same, all due to "cold water mass", "scallop escape" and other reasons of abnormal inventory, the company's inventory to prepare or write-off processing, resulting in loss of profits. It can be seen that different industry inventory accounts on the inventory classification, inventory inventory inventory inventory is difficult to be used by some companies to adjust the tools of profit.

2.4 Understand the relevant accounting policies accounting policies

Accounting policies are the specific principles, methods and procedures used by enterprises to conduct accounting and prepare financial statements. It runs through the whole accounting process from accounting confirmation, accounting measurement, accounting record to accounting report, and has a fundamental influence on the quality of accounting information and the decision-making of information users. For example, in the aspect of income tax, there are two kinds of situation: permanent difference and time difference between accounting profit and taxable income. The permanent difference refers to the difference between the accounting profit and the taxable income due to the difference in the scope of recognition, including: accounting as income, tax law not as taxable income, accounting as expenses, tax law does not allow deductions, accounting as income, tax law as taxable income, tax law allowed deductions, accounting as no expenses. Time difference refers to the difference between accounting profit and taxable income due to the difference in recognition time, including: the recognition of income in accounting earlier than the recognition of taxable income in tax law, the time for accounting to recognize expenses is earlier than the time for tax law to recognize items to be deducted, and the time for tax law to recognize taxable income is earlier than the time for accounting to recognize income. The tax law recognizes the deductible item before the accounting recognizes the expense. Another example is that in the consolidated statement, the internal matters between the parent company and its subsidiaries, subsidiaries and subsidiaries must offset each other: including long-term equity investment and owner's equity, long-term bond investment and bonds payable, accounts receivable and accounts payable, notes receivable and notes payable, prepayments and prepayments, dividends receivable and dividend payable, other receivables and other payables, internal sales income and internal sales costs and internal profits of unrealized sales, internal investment income and internal interest expenses and profit distribution,

internal bad debt losses and internal management expenses, internal fixed asset appreciation depreciation and internal cost expenses, etc.

3. The current situation and problems in the bank credit examination

3.1 The imperfect fundamental analysis system of each bank institution

In the process of credit examination and approval, each bank has formulated different systems according to the characteristics of business lines. For Line Credit customers, most banks need to provide nearly three years of audit reports and recent statements. The latest report shall be within 3 months from the date of application. However, according to the specific circumstances of customers, some banks may not be forced to request the audit of statements. For example, Zhejiang Commercial Bank may accept the non-audit annual statements after the relevant instructions have been issued by the business declaration department. However, in the case of private enterprise credit banks, the requirements for enterprise financial statements are quite strict. For example, CITIC Bank requires private enterprise annual reports to be audited in its credit reporting. In principle required by the company's business credit management post staff and customer managers double on-site audit. In addition, in the choice of audit institutions, the banks are different from the audit institutions. Audit institutions that have appeared audit reports are not included in the scope, and be required to re-audit the situation, resulting in the waste of financial costs of enterprises. Therefore, various banks have gradually adjusted the requirements of audit institutions in recent years. For example, Huaxia Bank has changed from appointing qualified audit institutions to adopting a negative list system in the selection of audit institutions. That is, the firms that provide audit reports are not included in their negative list. However, no matter what kind of auditing report acceptance system each bank adopts, the analysis of the financial statements of enterprises still relies to a large extent on the third-party audit institutions. For example, in the course of auditing loans, banks mainly refer to the information in the notes to the audit reports on the composition of the details of the key items in the annual statements of the enterprises, and do not require the verification of the original accounting vouchers. The financial analysis in the credit staff's due diligence report is basically copied from the audit report. The whole analysis is deficient, the evaluation system is not perfect, and over-reliance on the audit institution. This leads to the audit authority in the entire credit process rights are too large, there may be rent-seeking situation.

3.2 The varied disclosure of audit results of financial statements from region to region

The requirements of the Certified Public Accountant for disclosure of audit reports of enterprises vary from region to region. It mainly includes the anti-false mark of audit report, the degree of information disclosure, the query items of report users, etc.. Judging from its current operation, Chongqing Institute of Certified Public Accountants issues anti-counterfeiting labels for audit reports to local accounting firms on an annual basis. The labels consist of a series of numbers. The Certified Public Accountant in Chongqing requires the Accounting networks and associations to post a security sign after completing an audit report, and a special security sign inquiry login window is set up on the Certified Public Accountant's Website. Users of the report forms can query the relevant information of the report forms according to the code of the security mark, including the company name, the Year of the report forms, the total assets, the net assets, the total liabilities, the business income, the net profit and other data for verification. Unlike in Chongqing, the Certified Public Accountant currently does not require corporate audit reports to be posted with a security label, nor does it require audit reports to be disclosed on the Internet, nor does it have an audit report inquiry on its website; The Certified Public Accountant in Wuhan requires companies to apply

to audit institutions to paste anti counterfeiting signs, and the Certified Public Accountant's website has a counter for anti counterfeiting signs, but can only find the name of the organization, the Year of the audit and the name of the Audit Institution. This can lead to non compliant enterprises in areas where disclosure is sufficient, and to engage Accounting networks and associations to conduct audits in order to improve their financial statements. For example, a registered company in Chongqing hired a Accounting networks and associations to conduct an audit, and even if the company pasted a security label after the audit, the report data were not disclosed on the Internet, and the users of the report could not verify the authenticity of the report data. Therefore, the different requirements of the regional Certified Public Accountant on the degree of disclosure of audit reports also make it more difficult for banks to effectively analyze the financial statements of enterprises.

3.3 The varied professional abilities of the credit practitioners from one bank to another.

The credit practitioners of the banks mainly include the customer manager, the credit examiners and the post-loan supervisors. Among them, the bank customer manager is a professional and technical person who is engaged in market analysis, customer relationship management, marketing service scheme planning and implementation, and directly serves the customers. The profession of this post service object presents the diversity, therefore requests the post personnel to have the economy, the finance, the finance, the law, the tax revenue, the marketing, the public relations, the psychology and so on many aspects specialized knowledge. In particular, the company's credit account manager, more need to have accounting expertise, familiar with fundamental analysis skills, in order to effectively control the credit risk. According to the current situation of the position of bank account manager, the source of account manager mainly includes two kinds: self-training through campus recruitment and social recruitment. Among them, campus recruitment is mainly aimed at college graduates, with strong professionalism and higher professional quality through post-bank training. But judging from the 2019 spring campus recruitment information of China, agriculture, industry, construction, communications, postal savings and other banks, the major requirements are basically "full-time undergraduate degree in economics, accounting, law, science, engineering, management, philosophy, literature and other majors" , which covers a wide range of majors, except economics and accounting. There is a general lack of financial literacy among other professionals. In addition, from the last three years of investment, CITIC, Huaxia, Xingye, Pufa, Everbright and other national joint-stock banks of the social recruitment situation, customer manager positions are generally required to "have good social relations and customer resources. ". In addition to the economic downturn in recent years, the rapid development of Internet finance, accelerated competition in the banking industry, the introduction of resource-based talent has become one of the measures for commercial banks to increase their performance. In this context, some non-accounting, economic professional resource-based personnel can also be successfully employed, which led to the company's credit personnel professional competence, business quality uneven situation. The pre-loan investigation of the company's credit business is just a formality, the financial analysis is copied and the financial index analysis is false, which causes the bank to lose the opportunity to eliminate the credit risk in the first time.

3.4 The bank appraisal mechanism question,

The bank appraisal system generally includes the appraisal object classification, the target system, the score rule, the performance management measure and so on. The operating mechanism already quite mature. However, there are still some deficiencies in the daily assessment work, and often there will be insufficient balance of indicators, unreasonable scoring rules, management

measures are not in place and so on. First of all, the development index of banks is still an examination of the quality and effectiveness of operating institutions and a consideration of the ability of sustainable development. The operating departments of banks often place too much emphasis on the evaluation of current performance, and the assessment of the ability of connotative development is not in place. It emphasizes scale expansion, structure optimization, customer potential, business index, financial index and transformation evaluation.

Secondly, from the organizational structure of China merchants, citic, Huaxia, Xingye, Pufa, Everbright and other national joint-stock banks, the credit examination departments of these banks all belong to branch offices, and the level of personnel compensation is closely related to the development of branch operations. The credit examination has not completely achieved the separation of examination and loan, and is easily affected by the development index. And, by personnel, business volume and other factors, most of the examination and approval personnel only to achieve financial data analysis, but not effective through non-financial data analysis to find business risks. Moreover, after-loan management is still the weak link in the bank's credit flow. For example, in some national joint-stock banks, the post-loan management department is not an independent department, but belongs to the operation department or the risk management department. In recent years, with the economic downtrend, bank credit risk gradually exposed, the post-loan management department and related positions have been set up independently, and some joint-stock commercial banks have launched digital image collection system. From the actual operation effect, the establishment of the management department plays a certain role in strengthening the post-loan management, but the effect of credit envelope control is worse than expected due to the unclear management responsibility.

4. Solutions to the problems in the credit Fundamental analysis

4.1 Improve the model of the Enterprise Financial Index Analysis System

The financial index analysis system can be in a concise form, with data as the language, to convey financial information and account for financial activities and results. Improve the enterprise financial analysis index system can effectively obtain the enterprise financial data information. Therefore, banks can improve the current financial analysis system by adding cash flow index, non-monetized information index, intangible asset index and sustainable development index and control the role of credit risk through the solidification analysis model to. For example, in the aspect of adding cash flow index, we can add cash flow analysis based on dupont analysis model, replace net profit with sales cash ratio, and replace sales revenue with profit cash ratio. This not only ensures the basic structure of the original dupont analysis system, but also makes the content of the model more detailed, further reflecting the quality of enterprise income. It is of great significance to meet the needs of information users for enterprise cash flow information and comprehensive analysis. For example, in terms of increasing intangible asset and intellectual capital indicators, indicators such as "100% technology input ratio (total technology expenditure for the current year / Total operating income for the current year) ", "100% intangible asset ratio (total intangible asset cost / total asset cost) " and "100% intangible asset growth rate (total intangible asset growth / intangible asset) " can be included in the indicators for measuring enterprise development capability to fully reveal the enterprise human resources, intellectual capital, intellectual property rights and other soft assets strength.

4.2 Comprehensively apply financial and non-financial information

Non-financial information refers to all kinds of information materials which are in the form of

non-financial information and are directly or indirectly related to the production and operation activities of the enterprise. The scope covers the company's management, strategic planning, annual budget, development direction, production and sales, budget implementation analysis and management of personal behavior and other aspects of information. Although financial information can reflect the company's assets structure, operation and cash flow to some extent, non-financial information can reveal the non-monetary accounting information. In addition, as financial information is measured by historical cost method, this kind of accounting policy can guarantee the reliability of accounting information, but lacks in relevance. A comprehensive accounting report should not only focus on the past situation of the enterprise, but also reflect the future prospects of the enterprise from the perspective of long-term development. The disclosure of non-financial information can be used to predict the long-term operation of an enterprise from the aspects of market share, strategic planning and core competitiveness. It is more beneficial for external information users to understand the development situation of the enterprise. Therefore, credit personnel should make full use of non-financial information analysis, corroborates each other, complements each other, and provides the full and the essential basis for the credit evaluation result under the situation that the current disclosure system of audit reports in various regions does not have the same requirements and the data verification of enterprise financial statements is more difficult. And the financial information analysis. For example, a credit officer may know the business operation of an enterprise and the credit situation of the actual controller through various channels such as the borrower's neighbors, trading rivals, competitors, and competent units verify the correctness of the report information by checking the accounts with the up and down customers, and verify the income and cost situation through the energy consumption situation. That is, through the analysis of the various changing factors affecting the borrower's industry, production, management and finance, as well as the enterprise owner's personal credit, to dynamically predict the operation and management effects of the enterprise in the future period, also quantitative assessment and analysis of the historical operating conditions of enterprises, and then to reduce the credit risk.

4.3 Strengthen the professional training of credit personnel

Given that bank credit personnel come from different channels of on-campus recruitment and social recruitment, their professional quality is uneven and their risk identification ability is different. The Bank can only solve this problem by strengthening the internal professional training. According to the current training situation of most banks, the main training mode is the concept of classroom teaching theory, the persistence, pertinence and effectiveness is poor. Therefore, banks can make different training plans according to the nature of the credit personnel positions, and enhance professionalism, sustainability and effectiveness. For example, banks can take advantage of the advantages of Internet finance technology credit officers are required to regularly select courses through online self-study, set mandatory courses according to the nature of their positions, take an online exam after completing the course, and receive credit upon passing the course, and the bank rewards and punishes them according to the credit situation. In addition, the bank also needs to combine internal and external training methods such as centralized training, inspection study, follow-up training, and establish a well-structured continuous training mechanism and a system for transferring training at various levels. Different training methods are set up according to different recruitment channels. For example, for graduates recruited on campus, professional, but lack of practical work experience, the bank can regularly arrange staff to cooperate with the accounting networks and associations to do follow-up training. After the on-the-job training, the credit personnel belonging to the department will be transferred for training. For the non-resource account managers recruited by the society, due to their lack of specialization, they should mainly adopt

centralized and specialized teaching and training. The training results shall be based on passing the examination, and the examination shall be strengthened.

4.4 Improve the bank appraisal mechanism

Because the current bank management performance appraisal index is heavy, the examination and loan is not completely separated, the management link is weak and so on, the bank should aim at the different post-loan to formulate the different appraisal mechanism. Among them, the operating departments in the assessment of quality and efficiency, should be combined with performance, quality, sustainability and other factors of the overall assessment, not just performance, not quality. In particular, the effective financial analysis of the credit personnel in the operating sector is an important way to find credit risks, so it is necessary to integrate the credit analysis ability of the credit personnel into the comprehensive assessment management, such as the use of credit personnel points management mechanism, points include training, financial analysis in the report to improve the evaluation, integration points into the business unit and individual performance appraisal. As for the examination and approval of post credit personnel, we should put an end to the situation where remuneration is linked to the performance of the operating department, strictly separate examination and approval, strengthen the independence of examination and approval, and make it clear in the assessment that the standards for non-financial information investigation should be adopted by the examiners. For examiners, positive and negative rewards can be combined with principles, such as examiners who are found to have hidden problems in the financial analysis can be rewarded upon confirmation, and vice versa. For post-loan management, banks should abandon the "heavy loan light management" development, and strengthen post-loan management. The post-loan management department should be specialized, and the responsibilities of the department should be changed from "supervision and prompting" to "monitoring and analysis". For credit customers through financial and non-financial information for in-depth analysis, clear after the loan check frequency, methods, information, such as follow-up analysis of customer statements to control credit risk.

5. Conclusion

In conclusion, credit risk control and sustainable development of the banking industry complement each other under the new situation. Fundamental analysis is one of the effective methods to control credit risk. Bank credit officers need to carefully analyze the current credit business in the fundamental analysis problems and deficiencies, and take targeted measures to improve the level of statement analysis and risk control ability, in order to effectively control credit risk and ensure the sustainable and healthy development of banking business.

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