Chinese Banks Reduce Loans to State-Owned Enterprises

Contributed by Tom McGregor
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BEIJING: Major Chinese banks are reducing their risks by lending less capital liquidity to large state-owned enterprises. Reuters reports that, “faced with shrinking profit margins, some Chinese banks are turning away from funding big infrastructure projects to focus on smaller clients who they can charge higher interest rates, bankers say, a fundamental shift in business strategy.”
For many years, financing big state-owned companies and big government infrastructure projects had been the traditional lifeblood of the country’s government-controlled banks, whose profits enjoy additional protection from the nation’s managed interest rate system.
According to Reuters, “but the cushy set-up for banks changed this year when China started freeing up its interest rates market to force banks to compete harder for clients and reduce their guaranteed profits.”
A senior executive at Bank of China, the country’s fourth biggest bank, said, “interest rates for loans to big clients are low, but capital usage is high. It’s not worth it.”
To read the entire article from Reuters, link here:

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