THE IMPACT OF HUA XIA BANK PANYU SUB - BRANCH'S NON - PERFORMING ASSET (NPA) DISPOSAL ON CORPORATE BANKRUPTCY REORGANIZATION

ZHANG JIAO
6717195435

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
GRADUATE SCHOOL OF BUSINESS
SIAM UNIVERSITY
2025

THE IMPACT OF HUA XIA BANK PANYU SUB - BRANCH'S NON - PERFORMING ASSET (NPA) DISPOSAL ON CORPORATE BANKRUPTCY REORGANIZATION

ZHANG JIAO

This Independent Study Has Been Approved as a Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

Advisor……
(Dr. Ma Yu)

Date: ……19……/…… ……1……/……2026……

……
(Associate Professor Dr. Jomphong Mongkhonvanit)
Dean, Graduate School of Business

Date……/……/……

Title: The Impact of Hua Xia Bank Panyu Sub-Branch's Non-Performing Asset (NPA) Disposal on Corporate Bankruptcy Reorganization

Researcher: Zhang Jiao

Degree: Master of Business Administration

Major: Accounting and Financial Management

Advisor: .....

(Dr. Ma Yu)

19 / 1 / 2026

ABSTRACT

The efficiency and strategy with which banks dispose of non-performing assets not only affect the improvement of their own asset quality, but also directly influence the revival path of many enterprises. Efficient asset disposal can accelerate the exit of "zombie companies," while flexible debt restructuring can create opportunities for viable enterprises to reorganize and recover. Ultimately, this has a profound impact on maintaining regional financial stability and economic resilience. This study took Hua Xia Bank Panyu Sub-branch as a case study to address the following research objectives: (1) To examine the effect of duration of NPA disposal on corporate bankruptcy reorganization; (2)To examine the effect of costs of NPA disposal on corporate bankruptcy reorganization; and (3)To examine the effect of recovery rate of NPA disposal on corporate bankruptcy reorganization.

This study used a quantitative research approach, with Hua Xia Bank Panyu Branch as the case study. To determine whether the research objectives were achieved, this study distributed a survey questionnaire on non-performing asset (NPA) disposal to staff members in asset preservation and legal compliance departments at the branch. The research adopted an online survey methodology. Questionnaire links were distributed through Hua Xia Bank Panyu's internal system using targeted delivery. This study obtained 326 valid questionnaires, resulting in a 93.9% validity rate.

Research results show that in bankruptcy reorganization processes, appropriately extending the disposal timeline, increasing resource allocation, and enhancing asset recovery efficiency may collectively lead to better reorganization outcomes. In the

future, improving the provisions on time limits for bankruptcy case handling; establishing a dynamic cost-control mechanism based on enterprise value in bankruptcy reorganization proceedings and enhancing the interdepartmental asset information sharing platform to reduce valuation discrepancies.

Keywords: corporate bankruptcy reorganization, bank non-performing asset, duration, costs, recovery rate

ACKNOWLEDGEMENT

I would like to express my deepest gratitude to my advisor for her invaluable guidance, support, and encouragement throughout my Independent Study. Her insightful comments and constructive criticism have significantly improved the quality of my work.

Additionally, I am grateful to Associate Professor Dr. Jomphong Mongkhonvanit, Dean, Graduate School of Business, for his support and encouragement throughout my studies. His dedication to the graduate program and commitment to excellence have inspired me to strive for academic excellence.

Finally, I would like to extend my appreciation to all the faculty members and staff of Siam University who have contributed to my growth and development as a student. Their unwavering support and encouragement have been a source of inspiration and motivation to me.

ZHANG JIAO

DECLARATION

I, Zhang Jiao, hereby declare that this Independent Study entitled "*The Impact of Hua Xia Bank Panyu Sub-Branch's Non-Performing Asset (NPA) Disposal on Corporate Bankruptcy Reorganization*" is an original work and has never been submitted to any academic institution for a degree.

Zhang Jiao

(Zhang Jiao)

CONTENTS

LIST OF TABLES

LIST OF FIGURES

Chapter 1 Introduction

1.1 Background of the Study

With the continuous deepening of China's capital market development, the number of market participants has shown steady growth. According to data released by authoritative institutions, by the end of 2023, there were over 5,300 registered legal entities in the market, with more than 300 new entities established that year alone (Xiao et al., 2024). Becoming a publicly influential enterprise is considered a primary goal for many entrepreneurs, as it not only significantly enhances brand visibility and industry standing but also, more importantly, facilitates access to diversified financing channels and enables leapfrog growth in asset scale. However, under the principles of market economy, the "survival of the fittest" rule has placed many market participants under intense competitive pressure. In particular, in recent years, due to the impact of public health emergencies and changes in the international environment, the macroeconomic climate has faced downward pressure, leading to overall tight market liquidity. This environment has accelerated the exposure of operational risks for enterprises with weak profitability models, inadequate governance structures, and unclear development strategies. In such a challenging landscape, even large, well-known, or publicly listed companies must confront severe operational challenges.

Under traditional bankruptcy systems, when a company suffered repeated annual losses and became insolvent, liquidation was its only path. However, listed companies are often massive local industry leaders. Blindly forcing such enterprises into liquidation could lead to numerous drawbacks, such as losses for creditors and shareholders, reduced local fiscal revenue, and large-scale unemployment, among other social issues (Liu, 2022).

To address these challenges, China implemented the new Enterprise Bankruptcy Law of the People's Republic of China in June 2007, introducing an alternative approach for corporate bankruptcy - bankruptcy reorganization. Different from traditional bankruptcy liquidation, reorganization aims to maintain the company ’s existence. It targets companies that are experiencing operational difficulties but still possess going-concern value. Through government mediation or market guidance, restructuring investors are brought in to optimize the company ’s asset structure, thereby preserving the corporate entity and revitalizing the business to the greatest extent possible. Bankruptcy reorganization is one of the important approaches to

addressing corporate financial distress.

1.2 Questions of the Study

Within the financial system, the banking sector serves as the central pillar whose asset quality and governance efficacy directly influence the process and outcomes of corporate restructuring. In its 2022 report, the government emphasized the need to accelerate the disposal of non-performing assets (NPAs) by small and medium-sized banks and deepen corporate governance reforms. This policy direction directly influences corporate bankruptcy restructuring practices: as key creditors, the intensity and methods with which commercial banks dispose of non-performing assets determine whether distressed enterprises can obtain timely debt restructuring opportunities (Xue, 2023).

The 2023 Report further introduced the imperative to "optimize debt maturity structures," a policy directive with substantive implications for improving corporate debt restructuring conditions. The asset quality of commercial banks not only determines their ability to participate in restructuring but also critically shapes the timing, design, and ultimate success rate of restructuring plans through credit resource allocation - factors that profoundly impact regional economic restructuring (Tian & Luo, 2022). The efficiency and strategy with which banks dispose of non-performing assets not only affect the improvement of their own asset quality, but also directly influence the revival path of many enterprises. Efficient asset disposal can accelerate the exit of "zombie companies," while flexible debt restructuring can create opportunities for viable enterprises to reorganize and recover (Zhang, 2013). Ultimately, this has a profound impact on maintaining regional financial stability and economic resilience. This study took Hua Xia Bank Panyu Sub-branch as a case study to address the following research questions:

1) Does duration of NPA disposal affect corporate bankruptcy reorganization?
2) Do costs of NPA disposal affect corporate bankruptcy reorganization?
3) Does recovery rate of NPA disposal affect corporate bankruptcy reorganization?

1.3 Objectives of the Study

Hua Xia Bank Guangzhou Panyu Sub-branch, a regional branch established by Hua Xia Bank in Guangdong Province in 2012, primarily serves local small and micro

enterprises as well as individual customers. However, it faces challenges in non-performing asset (NPA) management during its operations. Given that its clientele consists mainly of small and micro businesses with relatively weak risk resilienc, often characterized by insufficient collateral and opaque financial information, the branch is exposed to higher credit risks in its lending activities. Macroeconomic fluctuations or industry downturns can further impair borrowers' repayment capacity, leading to loan defaults and the accumulation of non-performing assets.

To address these risks, the branch has established a dedicated NPA resolution team, employing various measures such as debt restructuring, collection efforts, and write-offs. Nevertheless, as a regional bank, it still faces limitations in risk disposal expertise, professional talent, and operational efficiency in NPA valuation and resolution. Moving forward, the branch needs to further enhance its risk management framework and strengthen its disposal capabilities. This study to address the following research objectives:

1) To examine the effect of duration of NPA disposal on corporate bankruptcy reorganization.
2) To examine the effect of costs of NPA disposal on corporate bankruptcy reorganization.
3) To examine the effect of recovery rate of NPA disposal on corporate bankruptcy reorganization.

1.4 Scope of the Study

This study based on Information Asymmetry Theory to examine the relationship between non-performing asset (NPA) disposal and corporate bankruptcy reorganization, with a specific focus on Hua Xia Bank's Panyu Branch. The research systematically reviewed existing scholarly work in these interconnected domains, including conceptual frameworks for defining NPA disposal mechanisms and bankruptcy reorganization processes, along with their respective influencing factors and empirical findings. Utilizing questionnaire-based analysis of primary data collected from bank professionals, the investigation specifically analyzed how NPA disposal practices affected corporate reorganization outcomes within the studied financial institution. In bankruptcy reorganization processes, appropriately extending the disposal timeline, increasing resource allocation, and enhancing asset recovery efficiency may collectively lead to better reorganization outcomes. Building on these

findings, the study develops actionable improvement recommendations with corresponding implementation safeguards.

1.5 Significance of the Study

1.5.1 Theoretical Significance

Compared with Western developed countries, China's bankruptcy reorganization system was established relatively late. Although bankruptcy cases have been increasing year by year, the supporting laws and regulations have been slow to adapt in practice, leaving gaps in certain areas. Moreover, most existing studies on bankruptcy reorganization focus on creditors as a whole, with limited research specifically examining banks as key stakeholders.

Based on existing theoretical research and relevant legal frameworks, this study conducted a targeted study on the impact of corporate bankruptcy reorganization on banks' non-performing asset (NPA) disposal. These practical experiences and insights also contribute to enriching and refining the theoretical research on non-performing asset disposal and bankruptcy reorganization, thereby promoting further development and innovation in this field.

1.5.2 Practical Significance

This study examined the practical application of bank NPA disposal within bankruptcy reorganization proceedings. Through quantitative analysis, it identifies shortcomings in current NPA resolution methods, offering insights to optimize corporate restructuring processes. This study took Huaxia Bank Panyu Sub-branch as a case example to conduct an in-depth analysis of non-performing asset disposal practices. Its practical significance lay in providing direct references for how banks could play an active role in corporate bankruptcy reorganization processes through effective asset disposal strategies. This not only helped banks avoid financial risks and preserve asset value but also promoted the orderly restructuring of distressed enterprises, thereby maintaining local economic stability and employment. At the same time, this study held important practical guidance value for preventing and resolving systemic financial risks.

1.6 Definition of Key Terms

Corporate Bankruptcy Reorganization refers to a legal procedure aimed at enterprises that are already facing or likely to face bankruptcy but still possess maintenance value and revitalization potential. Upon application by relevant interested parties, and under the supervision of the court and with the participation of stakeholders, it involves operational restructuring and debt adjustment to assist the debtor in overcoming financial difficulties and restoring operational capacity.

Non-Performing Asset (NPA) Disposal refers to a series of activities conducted by banking institutions and financial asset management companies regarding non-performing financial assets. These activities include pre-disposal due diligence, selection of disposal methods, asset valuation and pricing, formulation of detailed disposal plans, as well as internal review, approval and execution processes .

Duration of NPA Disposal refers to the time required for financial institutions to complete the entire disposal process of non-performing assets within a given period.

Costs of NPA Disposal refer to the aggregate expenses and resource consumption incurred by financial institutions throughout the entire NPA resolution process.

Recovery rate of NPA Disposal refers to the ratio between the actual funds recovered by financial institutions through various disposal methods (including but not limited to debt restructuring, asset auctions, debt-to-equity swaps, and judicial collections) and the book value of the disposed NPAs

Chapter 2 Literature Review

2.1 Theoretical Foundation

2.1.1 Information Asymmetry Theory

Theory of Information Asymmetry is a fundamental concept in economics that addresses the unequal distribution of information among market participants during transactions. At its core, this theory holds that when parties to a transaction possess differing levels of knowledge about relevant information, information asymmetry arises. Such asymmetry can lead to various adverse market outcomes, including market failures (Wang & Ding, 2018). Typically, the better-informed party enjoys a distinct advantage in market transactions.

The existence of information asymmetry tends to give rise to adverse selection and moral hazard. Within the complex framework of market economies, this uneven distribution of information constitutes a hidden flaw in transactional activities. Information asymmetry refers to situations where one party possesses more comprehensive or timely information than their counterpart, creating a potential competitive advantage. For instance, in commercial transactions, sellers typically have far more detailed knowledge about the goods they are selling, while buyers must rely on limited information to make purchasing decisions (Xu et al., 2017). This uneven allocation of information enables the informationally advantaged party to leverage their position for additional economic benefits. Meanwhile, the less-informed party must continually seek to acquire more information to make rational decisions.

In commercial bank credit operations, borrowers may possess private information regarding their own financial conditions and debt repayment capabilities, whereas banks can only assess lending risks through application materials and external evaluations (Wang, 2014). This information asymmetry may prevent banks from accurately and comprehensively evaluating a borrower's risk level, thereby increasing the risk of non-performing loans.

In addition to information asymmetry between customers and banks, there is also internal information asymmetry within banks. Senior management typically has access to more comprehensive business information and future development plans, which may not be available to regular employees. This internal information gap may lead to insufficient understanding of the bank's strategic goals and decisions among staff, which in turn can affect their motivation and operational efficiency (Liu, 2018).

2.1.2 Ice Stick Effect Theory

Ice Stick Effect Theory originally emerged in the field of psychology and was introduced into the reform of state-owned enterprises in the 1980s. It is now widely applied in the disposal of non-performing assets (NPA) within financial institutions (Li, 2004). The theory illustrates that holding NPAs is like holding an ice stick: the longer one grips it, the more it melts and depreciates. Eventually, much like a melting ice stick, the value of the asset may almost completely diminish. Therefore, financial institutions should not respond ambiguously or indecisively to NPAs. Instead, they should initiate actions as soon as signs of default appear (Shi, 2010).

The earlier NPAs are resolved, the higher the recovery value will be, and the more advantageous the position the institution will secure. Multiple factors can influence the value of these assets, including market fluctuations, management capability, and intermediary procedures. Delayed or inefficient disposal may lead to situations such as a decline in the disposal value, inaccurate valuation, or excessively high handling costs (Luo, 2018). These outcomes are all manifestations of the value erosion described by the "Ice Stick Effect."

Chai (2017) argued that "ice stick" type assets, much like a real ice stick, rapidly "melted" over time, suffering significant value depreciation. Such assets required swift disposal and liquidation to prevent substantial losses. Financial institutions were advised to initiate disposal procedures as soon as possible, making every effort to isolate the negative impact of NPAs on overall operations. Establishing an efficient disposal mechanism and minimizing procedural losses during the process were considered crucial for mitigating the "Ice Stick Effect" of non-performing assets.

In practice, due to various factors involving financing enterprises, wealth management institutions, government entities, and disposal personnel, the progress of NPA disposal often falls short of the desired efficiency (He, 2013). To achieve rapid and effective resolution of non-performing assets, it is essential not only to emphasize the "Ice Stick Effect" but also to develop tailored strategies based on the specific types of assets.

2.2 Corporate Bankruptcy Reorganization

China's first version of the Enterprise Bankruptcy Law of the People's Republic

of China (Trial Implementation), promulgated in 1986, did not include provisions for bankruptcy reorganization. It was not until 2007 that bankruptcy reorganization was formally introduced as a legal institution in the Enterprise Bankruptcy Law of the People's Republic of China. The law provided judicial interpretations regarding the applicable scenarios, procedures, and methods for bankruptcy reorganization (Li, 2019), but did not assign a clear definition to the concept.

China's Enterprise Bankruptcy Law stipulated that when a corporate legal entity became incapable of repaying due debts, with its assets insufficient to cover all liabilities or showing clear insolvency, it underwent debt resolution procedures in accordance with this law (Wang & Huang, 2024). When these conditions were met, creditors (such as banks and suppliers) or the enterprise itself could petition the court for bankruptcy reorganization. The court would then rule on whether to initiate reorganization proceedings, appoint an administrator to take control of the enterprise, assess its assets and liabilities, and formulate a repayment plan.

Chen (2021) characterized bankruptcy reorganization as a specialized mechanism designed for enterprises that met the bankruptcy threshold yet sought to continue operations. Similarly, Zhang (2021) viewed it as a legal framework specifically created to assist debtors in overcoming financial distress and restoring business viability. This study considers the definition of bankruptcy reorganization proposed by Shi (2010) to be relatively comprehensive and accurate: Bankruptcy reorganization refers to a legal procedure aimed at enterprises that are already facing or likely to face bankruptcy but still possess maintenance value and revitalization potential. Upon application by relevant interested parties, and under the supervision of the court and with the participation of stakeholders, it involves operational restructuring and debt adjustment to assist the debtor in overcoming financial difficulties and restoring operational capacity.

2.3 Non-performing Asset (NPA) Disposal

Non-performing assets (NPA) of commercial banks refer to loans, debts, or investments held by banks that cannot be recovered in accordance with their original terms, both in principal and interest, due to the borrower's failure to fulfill contractual obligations or other default events, thereby impairing the asset quality of the bank (Zhan, 2015). These NPAs typically manifest as overdue loans, doubtful accounts, provisions for bad debts on balance sheets, and similar forms. The scope of non-performing assets may include corporate and individual borrowings, delinquent

credit card payments, defaulted bonds, and other assets that cannot be recovered or realized at their intended value (Liu, 2018). The impact of NPAs on commercial banks extends beyond the loss of principal and interest; it also adversely affects their profitability, capital adequacy, reputation, and market position.

In the operation of commercial banks, managing and disposing of NPAs is crucial. Banks need to adopt effective measures to mitigate the risks associated with such assets, protect their own interests, and ensure the smooth conduct of normal business and profitable activities. In the disposal of NPAs, methods such as asset restructuring, write-off of bad debts, and debt-for-asset swaps can be employed to reorganize and reallocate resources. These approaches help enhance the value of non-performing assets, improve loan quality, and promote the efficient circulation of capital (Zhang, 2022). Effective resource allocation plays a critical role in regional economic development, social progress, environmental protection, and the enhancement of corporate competitiveness.

In this study, Non-Performing Asset (NPA) Disposal refers to a series of activities conducted by banking institutions and financial asset management companies regarding non-performing financial assets. These activities include pre-disposal due diligence, selection of disposal methods, asset valuation and pricing, formulation of detailed disposal plans, as well as internal review, approval and execution processes .

2.3.1 Duration of NPA Disposal

The duration of NPA disposal refers to the time required for financial institutions to complete the entire disposal process of non-performing assets within a given period. Corporate bankruptcy reorganization is inherently a complex and time-consuming process (Chang 2021). During this period, the company must negotiate with creditors, including banks, to develop and implement a reorganization plan. This process involves extensive legal procedures, asset valuations, debt restructuring, and other tasks, all of which require considerable time to complete.

Chinese legislation established distinct temporal frameworks for civil litigation and bankruptcy procedures, each carrying significant implications for NPA resolution timelines (Zhou, 2024). The Enterprise Bankruptcy Law presents a more complex temporal dynamic for bankruptcy reorganization. While requiring submission of initial reorganization plans within six months of court approval (extendable by three months), the legislation contains no provisions limiting the duration for subsequent

plan submissions following initial rejection (Wang & Huang, 2024). This regulatory vacuum frequently enables indefinite procedural delays, creating substantial uncertainty in NPA resolution timelines. The apparent nine-month deadline for bankruptcy reorganization proves misleading in practice, as the absence of statutory constraints on resubmissions permits potentially endless extensions of the restructuring process.

This structural disparity between the defined timelines of civil litigation and the open-ended nature of bankruptcy reorganization produces fundamentally different temporal expectations for creditors. Where litigation offers predictable, if extendable, timeframes, bankruptcy reorganization introduces substantial uncertainty due to its capacity for unlimited procedural prolongation (Guo et al., 2020). The resulting unpredictability in bankruptcy-based NPA resolution directly impacts recovery rate projections and strategic decision-making for financial institutions.

2.3.2 Costs of NPA Disposal

Costs of NPA disposal refer to the aggregate expenses and resource consumption incurred by financial institutions throughout the entire NPA resolution process. These costs encompass both direct expenditures (such as litigation fees, appraisal charges, and transaction commissions) and indirect costs (including capital carrying costs, opportunity costs, and administrative expenses). The bankruptcy reorganization system must balance the interests of creditors, debtors, majority shareholders, minority shareholders, all participating parties, and society at large (Yang, 2022). A sound reorganization plan should ensure all stakeholders bear appropriate costs while adhering to fundamental civil law principles of equity, justice, equivalent compensation, and the unity of responsibilities, rights, and benefits.

From a legal perspective, bankruptcy reorganization involves complex procedures and regulations. When participating in the process, banks typically engage professional teams (e.g., lawyers, financial advisors) to address legal and financial complexities, their fees constitute a significant portion of NPA disposal costs. Additionally, potential disputes during reorganization often require litigation or arbitration, further increasing legal expenditures (Guo et al., 2020). Even in the U.S., where bankruptcy laws are highly developed, the system has faced criticism for excessive costs.

2.3.3 Recovery Rate of NPA Disposal

Recovery rate of NPA disposal refers to the ratio between the actual funds recovered by financial institutions through various disposal methods (including but not limited to debt restructuring, asset auctions, debt-to-equity swaps, and judicial collections) and the book value of the disposed NPAs (Li, 2022). The recovery rate of non-performing bank assets, as a key metric for assessing the realization of financial claims, directly influences banks' willingness and capacity to participate in corporate restructuring. When the anticipated recovery rate is relatively high, financial institutions demonstrate greater propensity to support reorganization plans and provide necessary financing, thereby creating favorable conditions for successful corporate rehabilitation (Ma, 2022).

Furthermore, during the restructuring plan formulation process, banks' risk preferences, shaped by historical recovery rate data, significantly impact their selection of debt restructuring methods. This is particularly evident in their strategic trade-offs between debt-to-equity swaps and cash settlement options (Ying, 2020). As creditors, banks can obtain a certain level of protection during bankruptcy reorganization. They may have the opportunity to receive a share of the company's future profits under the reorganization plan, rather than facing a total loss of the debt.

2.4 Conceptual Framework

Figure 2.1 is the conceptual framework of this study.

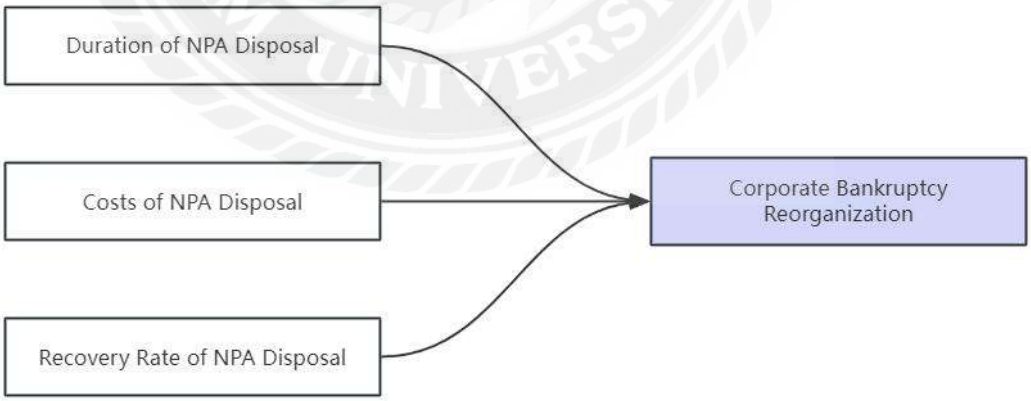

Figure 2.1 Conceptual Framework

Chapter 3 Research Methodology

3.1 Research Design

This study used a quantitative research approach, with Hua Xia Bank Panyu Branch as the case study. To determine whether the research objectives were achieved, this study distributed a survey questionnaire on non-performing asset (NPA) disposal to staff members in asset preservation and legal compliance departments at the branch. This study designed a questionnaire focusing on duration of NPA disposal, costs of NPA disposal, recovery rate of NPA disposal, and corporate bankruptcy reorganization to evaluate the influence of Hua Xia Bank Panyu Sub-Branch's non-performing asset (NPA) disposal practices on corporate bankruptcy reorganization processes.

3.2 Population and Sample

Huaxia Bank has been committed to the efficient management of its NPLs, and has gradually matured its practices through years of hands-on experience. Over the years, the bank has introduced multiple management measures, applying comprehensive, detailed, and standardized requirements to every step of the NPL disposal process. This has significantly improved disposal efficiency and reduced associated risks. While establishing a robust internal control system, Huaxia Bank also emphasizes the development of professional talent, forming specialized management teams and providing regular training to enhance their competence and diligence. This approach fundamentally ensures both the breadth and depth of NPL resolution, facilitates quicker response in safeguarding rights, mobilizes various recovery resources, and increases the value realized from asset disposal.

Therefore, in this study, questionnaires were distributed through Hua Xia Bank Panyu's internal system using targeted delivery. This study distributed a survey questionnaire on non-performing asset (NPA) disposal to staff members in asset preservation and legal compliance departments at the branch. Huaxia Bank's Guangzhou Panyu Branch was selected as the research sample due to its notable advantages in regional representativeness, practical business operations, and research feasibility. As a key area of Guangzhou characterized by dynamic economic activity and diverse industries, Panyu possesses a financial ecosystem that combines openness with complexity, reflecting the typical opportunities and challenges faced by

commercial banks within the context of the Guangdong-Hong Kong-Macao Greater Bay Area. Having operated in this region for many years, Huaxia Bank's Panyu Branch has not only accumulated extensive customer resources and business data but has also developed systematic and standardized management mechanisms for NPL disposal, demonstrating both operational rigor and practical innovation.

3.3 Hypothesis

Based on the research questions and objectives of this study, the following hypothesis are provided:

H1:Duration of NPA disposal has a significant impact on corporate bankruptcy reorganization

H2: Costs of NPA disposal has a significant impact on corporate bankruptcy reorganization?

H3: Recovery rate of NPA disposal has a significant impact on corporate bankruptcy reorganization?

3.4 Research Instrument

Based on a comprehensive review of domestic and international literature regarding the evaluation methods for corporate asset restructuring, and taking into account the practical context and feasibility of this research, a questionnaire was designed accordingly. The questionnaire consists of three parts:

The first part collects background information of employees, including gender, bank position, asset size, and ownership type.

The second part measures the bank's NPA disposal performance through three dimensions: duration, costs, and recovery rate of NPA disposal.

The third part evaluates corporate asset restructuring, tailored to reflect the actual circumstances of the bank.

The questionnaire employs a five-point Likert scale, which measures the degree of agreement using the following options: strongly agree, agree, neutral, disagree, and strongly disagree. These responses are assigned values of 5, 4, 3, 2, and 1, respectively.

A higher score indicates a stronger level of employee agreement, while a lower score reflects weaker agreement.

Table 3.1 Questionnaire Design

Duration of NPA disposal Scale	
1	The timeframes for each stage of the NPA disposal process are clear, and responsibilities are well-defined.
2	The overall NPA disposal progress aligns with the expected timeline.
3	The internal approval process is efficient and does not cause unnecessary delays.
4	Our team responds promptly to unexpected issues, avoiding disruptions.
5	The average duration of historical disposal cases is within a reasonable industry range.
Costs of NPA disposal Scale	
6	Human resource costs during the disposal process are kept within a reasonable range.
7	Asset maintenance and management costs are effectively controlled.
8	The fee structures of external partners (e.g., Asset Management Companies) are reasonable.
9	Unexpected expenses (e.g., sudden litigation, asset devaluation) during disposal are effectively managed.
Recovery rate of NPA disposal Scale	
10	The process has maximized the realization of asset value.
11	Different types of assets (e.g., real estate, equity) have achieved satisfactory recovery levels.
12	The design of the disposal plan significantly improved the ultimate recovery value.
13	The asset valuation results are consistent with the actual recovery amount.
14	The disposal technologies adopted (e.g., big data analysis, intelligent pricing) have improved recovery performance.
Corporate bankruptcy reorganization Scale	

15	The bankruptcy reorganization procedures we participated in are compliant and well-structured.
16	The reorganization plan adequately considers the interests of all stakeholders.
17	Restructured enterprises have sustainable operating capabilities and profit prospects.
18	The bank effectively protected its creditor rights during the reorganization process.
19	The risk assessment tools used provide reliable support for reorganization decisions.

3.5 Reliability and Validity Analysis of the Scale

3.5.1 Questionnaire Reliability Analysis

Table 3.2 Reliability Analysis Results

Scale	Cronbach's α	N
Duration of NPA disposal	0.785	5
Costs of NPA disposal	0.813	4
Recovery rate of NPA disposal	0.801	5
Corporate bankruptcy reorganization	0.792	5

As a key indicator for assessing the reliability of questionnaires, Cronbach's α coefficient reflects the internal consistency of the measure, with values closer to 1 indicating higher consistency. In this study, the overall α coefficients for all three variables exceeds 0.7, demonstrating high reliability of the questionnaire and providing strong support for the robustness of the research.

3.5.2 Questionnaire Validity Analysis

Validity refers to the degree to which a measurement accurately captures the intended construct, that is, the extent to which an instrument measures the characteristic is designed to assess. This section focuses primarily on structural validity, which examines the alignment between the measurement results and the theoretical structure they are intended to represent. The validity of the survey questionnaire was analyzed using the Kaiser Meyer Olkin KMO measure and Bartletts test of sphericity to ensure the structural validity of the questionnaire scales. The KMO value should be greater than 0.7, and the significance level of Bartlett's test of sphericity must be less than 0.05. Fulfillment of both conditions indicates good

structural validity of the scale.

Table 3.3 Validity Analysis Results

The KMO Values and the Bartlett's Sphericity Test		
Number of KMO Sampling Suitability Quantities		0.853
The Sphericity Test of the Bartlett	Sig.	0.000

The test results in Table 3.3 indicate a KMO value of 0.853, and Bartlett's test of sphericity shows a significance level of 0.000 ($p < 0.01$). These results demonstrate good structural validity of the scale.

3.6 Data Collection

The research adopted an online survey methodology. The survey links were sent to approximately 347 employees, with 331 responses collected - representing a 94.8% response rate. After eliminating incomplete responses, logically inconsistent answers, and outliers, this study obtained 326 valid questionnaires, resulting in a 93.9% validity rate.

3.7 Data Analysis

This study employed SPSS software to analyze the collected data. The analysis began with descriptive statistics to provide a preliminary examination of employees' personal background information. Subsequently, correlation analysis was conducted to explore the relationships between corporate bankruptcy reorganization and three key variables: disposal duration, disposal costs, and recovery rate, with the strength of associations indicated by Pearson correlation coefficients. Finally, regression analysis was performed to further validate the causal relationships and the extent of influence among the variables, thereby testing the research hypotheses proposed in this study.

Chapter 4 Findings

4.1 Demographic Characteristics of Respondents

This survey collected a total of 326 valid responses. Through descriptive analysis, the gender distribution was relatively balanced, with males accounting for 52.8% (172 respondents) and females 47.2% (154 respondents). In terms of position distribution, asset preservation represented the highest proportion at 45.7% (149 respondents), followed by legal compliance at 38.3% (125 respondents), with other positions comprising 16% (52 respondents). This distribution indicates that survey respondents were primarily engaged in risk management and compliance-related functions within banks.

Regarding the scale of enterprises involved in non-performing asset (NPA) disposal, medium-sized enterprises accounted for the largest share at 41.7% (136 cases), followed by small enterprises at 34.3% (112 cases), while large enterprises (14.5%, 47 cases) and micro enterprises (9.5%, 31 cases) represented relatively smaller proportions. This pattern reflects the predominant focus of NPA disposal on small and medium-sized enterprises. In terms of enterprise ownership structure, non-state-owned enterprises constituted a significantly higher proportion at 51.8% (169 cases), far exceeding state-owned enterprises (6.4%, 21 cases), with other types accounting for 41.8% (136 cases). This distribution may suggest that non-state-owned enterprises face greater challenges in risk management or operational stability, making them the primary targets for bank NPA disposal.

Table 4.1 Demographic Analysis Results

Item	Option	Number of Participants	Percentage (%)
Gender	Male	172	52.8
	Female	154	47.2
Bank Position	Asset preservation	149	45.7
	Legal compliance	125	38.3
	Other	52	16
Asset size	Micro	31	9.5
	Small	112	34.3
	Medium	136	41.7
	Large	47	14.5
Enterprise ownership type	State-Owned Enterprise	21	6.4
	Non-State-Owned	169	51.8

	Enterprise		
	Other	136	41.8
Total		326	100

4.2 Correlation Analysis

This study used correlation analysis to examine the relationships between bankruptcy reorganization and three key variables: disposal duration, disposal costs, and recovery rate. Pearson correlation coefficients were used to measure the strength of these relationships.

As shown in Table 4.2, bankruptcy reorganization demonstrated statistically significant correlations with all three variables. The correlation coefficients were 0.531 (disposal duration), 0.498 (disposal costs), and 0.462 (recovery rate), all of which were positive and statistically significant ($p < 0.05$). This indicates that bankruptcy reorganization has a significant positive correlation with disposal duration, disposal costs, and recovery rate, meaning that as bankruptcy reorganization efforts increase, these variables also tend to increase.

Table 4.2 Correlation Analysis Results

	Duration of NPA disposal	Costs of NPA disposal	Recovery rate of NPA disposal	Corporate bankruptcy reorganization
Duration of NPA disposal	1			
Costs of NPA disposal	0.478**	1		
Recovery rate of NPA disposal	0.512**	0.477**	1	
Corporate bankruptcy reorganization	0.531**	0.498**	0.462**	1

4.3 Multiple Regression Analysis

This study used SPSS multiple regression analysis to examine the relationship between bankruptcy reorganization outcomes and three key factors of NPA disposal: non-performing asset (NPA) disposal duration, disposal costs, and recovery rate. The results demonstrate that the overall regression model is statistically significant

(F=137.214, p<0.001), with an adjusted R-squared of 0.511, indicating that these three independent variables collectively explain 51.7% of the variance in bankruptcy reorganization effectiveness. Specifically, the analysis reveals that disposal costs exert the strongest influence on reorganization outcomes (standardized coefficient Beta=0.421, p=0.006), followed by disposal duration (Beta=0.390, p=0.003), while the recovery rate shows a relatively smaller yet still significant effect (Beta=0.275, p=0.017). All standardized coefficients are positive, suggesting that increased disposal duration, higher disposal costs, and improved recovery rates all contribute positively to bankruptcy reorganization effectiveness.

These findings imply that in bankruptcy reorganization processes, appropriately extending the disposal timeline, increasing resource allocation, and enhancing asset recovery efficiency may collectively lead to better reorganization outcomes.

Table 4.3 Multiple Regression Analysis Results

	Standardized coefficient Beta	p	F	R^2	Adjusting R^2
(Constant)	-	0.000	137.214	0.511	0.517
Duration of NPA disposal	0.390	0.003			
Costs of NPA disposal	0.421	0.006			
Recovery rate of NPA disposal	0.275	0.017			

Chapter 5 Conclusion and Recommendation

5.1 Conclusion

First, correlation analysis revealed that the duration, cost, and recovery rate of the bank's NPA disposal all have a significant positive impact on corporate bankruptcy reorganization, confirming the relevance of these three dimensions—disposal duration, disposal cost, and recovery rate.

Furthermore, multiple regression analysis indicated that the regression coefficients of the bank's NPA disposal duration, disposal cost, and recovery rate on corporate bankruptcy reorganization are positive, suggesting that these factors enhance the performance of corporate bankruptcy reorganization. Thus, the proposed hypotheses 1, 2, and 3 are all supported.

A significant positive correlation was observed among disposal duration, disposal cost, and recovery rate, indicating that if the bank can enhance efficiency (by shortening the duration), optimize resource allocation (by controlling costs), and achieve higher value recovery (by improving the recovery rate) during the NPA disposal process, it will directly contribute to advancing the corporate bankruptcy reorganization process and enhancing the quality of the restructuring.

5.2 Recommendation

5.2.1 Improving the Provisions on Time Limits for Bankruptcy Case Handling

Based on China's bankruptcy adjudication practices, a scientifically sound and well-structured time limit standard system should be established. Specifically, differentiated standards should be developed according to the complexity and impact scope of cases. For straightforward cases with clear asset relationships and fewer creditors, a baseline adjudication period of 3-6 months should be set, while for reorganization cases involving multiple stakeholders and complex asset structures, a flexible timeframe of 12-18 months may be appropriate.

Concurrently, a critical-node time control mechanism should be implemented, with particular emphasis on establishing phased deadlines for core procedural steps such as creditor claims verification and reorganization plan submission. This nodal management approach will ensure overall adjudication efficiency. To guarantee

effective implementation of these time limits, it is recommended to establish supporting mechanisms including overdue case alerts and accountability measures. Cases approaching deadlines should be subject to supervision by court presidents, and adjudication efficiency should be incorporated into judges' performance evaluation metrics.

5.2.2 Establishing a Dynamic Cost-Control Mechanism Based on Enterprise Value in Bankruptcy Reorganization Proceedings

During the pre-reorganization phase, a tiered valuation approach should be implemented, prioritizing assessment accuracy for core assets. Professional valuation resources should be allocated to critical assets that maintain operational value, while leveraging government big data platforms (such as business registration and tax systems) can enable rapid valuation of non-core assets, thereby effectively reducing due diligence costs.

At the reorganization plan formulation stage, a cost-value preservation correlation model should be developed to conduct value sensitivity testing for each expenditure item. Priority should be given to cost items that are crucial for maintaining operational capacity and reorganization success. Particular attention must be paid to optimizing the cost-benefit ratio of asset preservation measures, implementing differentiated preservation strategies based on each asset's significance to business continuity.

5.2.3 Enhancing the Interdepartmental Asset Information Sharing Platform to Reduce Valuation Discrepancies

The platform should utilize blockchain technology to enable real-time cross-departmental data verification and sharing. It must centrally integrate critical asset data, including financial institution credit claims, real estate registration records, intellectual property pledge filings, and tax payment histories, to establish a dynamically updated digital profile of corporate assets.

A tiered authorization mechanism should be implemented, granting administrators full data access while providing creditors with sanitized asset valuation ranges. The system should also interface with third-party appraisal databases to enable automated price bench marking.

References

Chai, J. (2017). Research on the development of non-performing credit asset securitization in Chinese commercial banks. *Financial Community*, (12).

Chang, B. (2021). A brief analysis of big data-driven non-performing asset management models in banking. *Business Observation*, (08), 65–67.

Chen, Z. (2021). Research on legal issues of corporate bankruptcy reorganization. *Enterprise Reform and Management*, 21(11), 15-16.

Guo, X., Ma, Y., & Shi, Y. (2020). Research on the current situation, causes and countermeasures of commercial banks' non-performing loans. *Contemporary Economic Management*, 42(6), 79-88.

He, L. (2013). Risk management of credit asset securitization in commercial banks. *Times Finance*, (265).

Li, D. (2004). Approaches and methods for disposing of non-performing assets in China's banking industry. *Journal of Financial Research*, (03), 28–36.

Li, Q. (2022). Disposal strategies of non-performing assets of commercial banks in China. *Science and Wealth*, (6), 120-121.

Li, W. Z. (2019). Research on the causes and countermeasures of non-performing assets of Tongcheng Rural Commercial Bank under the new normal. *Times Finance*, (35), 44–45.

Liao, X. Y., & Duan, H. L. (2008). International comparison of non-performing asset disposal models in commercial banks and its implications. *Journal of Hunan University of Science and Technology*, (05).

Liu, J. (2022). Research on solving the self-management problems of China's non-performing asset management industry through newly established industry associations. *Shanxi Finance and Taxation*, 20(9), 51-54.

Liu, L. Y. (2018). On the strategies of investment companies using debt restructuring to dispose of financial non-performing assets. *Times Finance*, (23), 180–182.

Luo, Y. H. (2018). Long-term prevention and control mechanism for non-performing assets in China's banking industry. *Reform of Economic System*, (01).

Ma, H. (2022). Research on the current situation and disposal countermeasures of non-performing assets of commercial banks in China. *National Circulation Economy*, 7(32), 122-125.

Shi, T. T. (2010). *Commercial jurisprudence*. Law Press China.

Tian, H., & Luo, F. (2022). Empirical analysis of endogenous factors of Agricultural Bank of China's non-performing loan ratio. *Finance and Economy*, 12(4), 52-54.

Wang, H., & Ding, L. (2018). Application of fishbone diagram analysis in analyzing the causes of bank non-performing assets. *Finance and Economy*, (24), 79-81.

Wang, Z. H. (2014). Reflections on the disposal of non-performing assets in Chinese commercial banks. *Enterprise Reform and Management*, (12), 118–119.

Wang, Z., & Huang, R. (2024). Theories, methods and progress of foreign risk management research. *Foreign Economics and Management*,(2), 25-31.

Xiao, Y., Xiao, B., & Wang, J. (2024). Research on the formation mechanism of non-performing assets of regional small and medium-sized banks from the perspective of financial security: "Internal control" or "external prevention". *Financial Forum*, 27(4), 70-80.

Xu, F., Wang, T., & Qiao, H. (2017). Transition period after WTO accession: Comparative analysis and path selection of bank non-performing asset disposal models. *The Theory and Practice of Finance and Economics*, 17(3), 19-25.

Xue, B. (2023). Game analysis of the relationship between bank non-performing assets, financial risks and inflation. *Economic Research*, (7), 22-23.

Yang, H. (2022). Construction of new models for bank non-performing asset disposal in the context of digital transformation. *Shanghai Business,* (10), 89-91.

Ying, W. (2020). Analysis of legal risks and preventive measures in bank non-performing asset disposal. *Legal Expo*, (32), 61-62.

Zhan, C. C. (2015). Impact and risk study of credit asset securitization in commercial banks. *Times Finance*, No. 586(1).

Zhang, C. (2022). An AHP-based valuation model for non-performing loan assets. *Journal of Wuhan University of Technology*, 3(9), 99-102.

Zhang, C. T. (2013). An evaluation model for non-performing loan asset value based on analytic hierarchy process. *Journal of Wuhan University of Technology*, (09), 99 – 102.

Zhang, G. (2021). Reflections on HNA Group's bankruptcy reorganization. *Property Rights Guide*, 3(6), 48-51.

Zhou, W. (2024). Research on the financial effects of non-performing asset disposal. *China Small and Medium Enterprises*, 8(12), 201-202.

Appendix

Dear Banking Professional,

Greetings! We sincerely invite you to participate in this questionnaire survey. The purpose of this survey is to gather information regarding your involvement in non-performing asset (NPA) disposal projects within the banking sector. Your professional experience and valuable insights are of great importance to this research.

This study is solely for academic purposes. All data collected will be used only for aggregate analysis. We solemnly commit to maintaining strict confidentiality of any information you provide. The survey is conducted anonymously, and no personally identifiable or institution-specific details will be disclosed in any form.

Thank you for your support and cooperation!

1. Basic information

1. Your gender:

☐ Male ☐ Female

2. Your bank position:

☐ Asset preservation ☐ Legal compliance ☐ Other

3. Participated in the disposal of non-performing assets (NPA) from enterprises of varying asset sizes:

☐ Micro ☐ Small ☐ Medium ☐ Large

4. Participated in the disposal of non-performing assets (NPA) across enterprises of varying ownership types:

☐ State-Owned Enterprise ☐ Non-State-Owned Enterprise ☐ Other

2. Influence factors Scale

This questionnaire uses a 5-point Likert scale for all items, where:

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

Please mark "✔" in the position.

1	The timeframes for each stage of the NPA disposal process are clear, and responsibilities are well-defined.	**5**	**4**	**3**	**2**	**1**

2	The overall NPA disposal progress aligns with the expected timeline.					
3	The internal approval process is efficient and does not cause unnecessary delays.					
4	Our team responds promptly to unexpected issues, avoiding disruptions.					
5	The average duration of historical disposal cases is within a reasonable industry range.					
6	Human resource costs during the disposal process are kept within a reasonable range.					
7	Asset maintenance and management costs are effectively controlled.					
8	The fee structures of external partners (e.g., Asset Management Companies) are reasonable.					
9	Unexpected expenses (e.g., sudden litigation, asset devaluation) during disposal are effectively managed.					
10	The process has maximized the realization of asset value.					
11	Different types of assets (e.g., real estate, equity) have achieved satisfactory recovery levels.					
12	The design of the disposal plan significantly improved the ultimate recovery value.					
13	The asset valuation results are consistent with the actual recovery amount.					
14	The disposal technologies adopted (e.g., big data analysis, intelligent pricing) have improved recovery performance.					
15	The bankruptcy reorganization procedures we participated in are compliant and well-structured.					
16	The reorganization plan adequately considers the interests of all stakeholders.					
17	Restructured enterprises have sustainable operating capabilities and profit prospects.					
18	The bank effectively protected its creditor rights during the reorganization process.					

19	The risk assessment tools used provide reliable support for reorganization decisions.					