

Influence of credit Risk on the Financial Performance at Commercial Banks in Russia

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Abstract

This study examined the effect of credit risk on the performance of the 10 largest Russian banks during the period (2011–2020). This study used multiple regression to measure the effect of credit risk on the performance of Russian banks.

The study found that the Performance indicators were affected by credit risk, including a negative effect of overdue loans and a positive effect of the level of provisioning of credit debt. Commercial banks comply with the capital adequacy ratio.

And the study found a decrease in return on equity and return on assets, as well as a large fluctuation in the values of return on equity. It was also noted that credit risk scores were not in line with their standard values and the total credit to total assets (TL/TA) ratio was volatile with a standard deviation of 17.30.

Also, that the indicators of overdue debt in the loan portfolio to the total amount of loans (NPL / TL) had a negative impact on profitability indicators, this means that as non-performing loans increase, the efficiency of banks decreases.

The study concluded that the effect of credit risk on the performance of Russian banks is not a fixed effect but a changing one from one year to another, but in cases where credit leaves an impact on performance indicators this effect is often negative and significant. Also, the quality of credit has a significant and negative impact on performance indicators, but the volume of the credit has a limited impact.

Keywords: credit risk, financial performance, Russian commercial banks, return on assets, return on equity, multiple regression analysis, loan losses, capital adequacy