



Graduate Seminar

Department of
Economics and Finance

College of Business
and Economics

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A study on China's Shadow Banking Development

This paper studies the development of China's shadow banking since the global financial crisis in 2008. In particular, China's shadow banking has grown rapidly recently in most commercial banks, who have the dominant status in China's shadow banking system. These banks have taken part in shadow banking activities aggressively to avoid regulations imposed by PBOC since 2010 and to take advantage of regulatory arbitrage. This paper analyzes the causes of China's shadow banking development, the structure of China's shadow banking, and the size of China's shadow banking and its impact on financial stability. Moreover, I conduct an Error Correction Model (ECM) to analyze the relationship between China's shadow banking size and the tightening monetary policy. The empirical result reveals that, with the tightening monetary policy, which is measured by a falling M2 growth rate, China's shadow banking growth rate will increase, implying the tightening monetary policy was a major factor that influenced the development of China's shadow banking before 2014.

Date: Tuesday August 15th 2017

Time: 3:00pm

Room: Mackinnon 720



