Geographical diversification and bank performance: Evidence from China

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Highlights

- We study the relation between geographic diversification and bank performance.
- We use bank deregulation policy to instrument for diversification.
- Diversification improves profitability but also increases operating costs.

Abstract

This study examines the impact of geographical diversification on financial performance of Chinese banks. The results show that, while geographical expansion improves the banks' market share, net interest margin and non-interest income, it also increases operating costs.

JEL classification

G1; G2; K2

Keywords

Geographical diversification; Bank performance; China
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