



3,397

Views

105

CrossRef citations to date

0

Altmetric

Original Articles

Bank profitability and GDP growth in China: a note

Yong Tan  & Christos Floros

Pages 267-273 | Received 12 Jul 2011, Accepted 08 Jan 2012, Published online: 16 Jul 2012

 Cite this article  <https://doi.org/10.1080/14765284.2012.703541>

Sample our
Economics, Finance,
Business & Industry Journals
>> **Sign in here** to start your access
to the latest two volumes for 14 days



 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

 Share

Abstract

This article examines the effect of GDP growth on bank profitability in China over the period 2003–2009. The one-step system GMM estimator is used to test the persistence of profitability in the Chinese banking industry. The empirical findings suggest that cost efficiency is positively related to bank profitability, while lower profitability can also be explained by higher taxes paid by banks. In addition, there is a negative relationship between GDP growth and bank profitability. Furthermore, the results show that (1) the profitability in the Chinese banking industry is significantly affected by the level of non-performing loans, and (2) Chinese banks with higher levels of capital have lower profitability. Finally, we find that the departure from a perfectly competitive market structure in the Chinese banking industry is relatively small.

Keywords:

JEL Classifications:

G21

E00

C23

Notes

1. It accounts for 66% of total financial assets and 17.5% of GDP (as of 2006).
2. The factors include asset turnover ratio, ratio of long-term debt to short-term debt, overdue loan ratio, stagnant loan ratio, lost loan ratio, core capital ratio, capital adequacy ratio, capital risk ratio, asset profitability ratio, and capital profitability ratio.
3. Logarithm of GDP is used as the indicator of economic growth.
4. The bank-specific variables include size, capitalization, liquidity, cost efficiency, credit risk, non-traditional activity. The inflation, unemployment rate and GDP growth rate are used as the macroeconomic determinants.
5. The bank-specific variables mainly include technical efficiency, liquidity, capitalization, etc, while the macroeconomic variables include concentration, GDP growth, inflation, volatility of interest rate, etc.
6. Correlation among variables is tested through the correlation matrix and shows that there is no multicollinearity problem in our sample; these results are available upon request.

Related research

People also read

Recommended articles

Cited by
105

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up

