Closing Report
Faculty Research Grant, Summer 2016
Bank Efficiency and Economic Growth: Evidence from China
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1. Description of grant-supported activity

The research project that I worked on in summer 2016 was investigating the effect of financial development quality on economic growth in China. I measure the quality of financial development in China using bank cost efficiency because the banking sector dominates in the Chinese financial system. The grant allowed me to spend the summer 2016 collecting data from various sources including the China Statistical Bureau and Bankscope to construct a panel of data consisting per capita real GDP, bank efficiency and other control variables over various years across different provinces and municipalities in China. I was able to conduct regression analysis using the software STATA to analyze the impact of bank efficiency on provincial economic growth in China.

2. Were you able to complete the project? Describe any difficulty you had.

I was able to complete the planned activities in the summer 2016. I have prepared a preliminary draft including introduction, literature review, econometric model, data description, results and analysis. The challenge is that the finding of this project is contrary to other existing studies. This project finds a negative and significant effect of bank efficiency on growth but other studies on developed countries find that bank efficiency stimulates economic growth. Further investigation is needed to explore why bank efficiency deters economic growth in China.

3. Did, or will, the project result in a specific product -- a manuscript, composition, syllabus, etc? If so, please describe and indicate state of development.

As described above, a preliminary draft is developed. The next stage is to further improve the draft by exploring why bank efficiency in China fails to stimulate economic growth. Then I plan to submit proposals to present my research at scholarly conferences such as the Midwest Economics Association Conference, Eastern Economic Association Meeting, China Economist Society Meeting. Furthermore, I also plan to submit the work to a refereed scholarly journal for publication.