An Analysis of the Chinese Banking Sector Post WTO Accession

Submitted April 24th, 2006

by
Patricia Costa
C. Tyler Curtis
Jay R. Field

Prepared for the International Economic Development Program, Ford School of Public Policy,
University of Michigan
EXECUTIVE SUMMARY .......................................................................................................... 3
INTRODUCTION ......................................................................................................................... 3
WTO ACCESSION COMMITMENTS AND EFFECTS ON CHINESE BANKS .......... 4
Problems facing the Chinese Banking System ................................................................. 5  
  Non-performing loans ........................................................................................................ 5  
  Governance ....................................................................................................................... 6  
  Lack of Competition ......................................................................................................... 7  
Possible Solutions ................................................................................................................ 9  
  Government Regulation ................................................................................................... 9  
  International Institutions and Standards ......................................................................... 12  
  Market Competition ........................................................................................................ 14  
Recommendations ............................................................................................................... 17  
  Increase Financial Transparency and Enforcement of Accounting Standards .......... 17  
  Establish a Credit Bureau ................................................................................................. 17  
  Create credible alternative channels for capital formation through equity and debt markets
CONCLUSION ........................................................................................................................... 20
EXECUTIVE SUMMARY

As a WTO member China is required to allow foreign financial institutions full market access by the end of 2006. Chinese banks, however, are not yet ready to face international competition. All of the major Chinese banks continue to maintain large portfolios of non-performing loans, are governed poorly and inconsistently, and continue to operate in a noncompetitive environment. This paper will suggest that the banking sector in China would be greatly improved by enhancing accounting and financial disclosure standards, creating a Chinese consumer credit bureau, and establishing a private corporate debt market. The reform of the Chinese Banks is ultimately necessary if they expect to compete against the large international banks.

INTRODUCTION

Anyone visiting Beijing will immediately appreciate the significance of a decade of 10% economic growth. As an American official living in Beijing told us, “the China of five years ago no longer exists today.” In addition to China’s expanding economic power, huge inflows of foreign investment, and infrastructure construction boom, China faces a number of challenges unique to a large developing country transitioning from central planning to a market economy. One of the most fundamental differences between the China of 1970 and the China of 2010 will be the allocation of society’s resources through an increasingly open banking sector.

China’s banks have historically been used to funnel the country’s wealth into large State Owned Enterprises (SOEs) established by Communist Party members. This system instilled a culture of political compliance rather than economic efficiency. The banking sector in China is changing,
but reform has been slow. When China joined the WTO in 2001, it also agreed to expedite reform by deregulating the operation of foreign financial institutions in China by the end of 2006. The legacy of communist rule has left China’s banks with huge portfolios of bad debt (non-performing loans), a tradition of poor governance, and a lack of experience operating in a competitive environment. This paper will examine China’s efforts at reform and demonstrate why the government of China should further enforce accounting and financial disclosure requirements, establish a national credit bureau, and support the creation of a private corporate debt market to adequately strengthen the banking sector.

**WTO ACCESSION COMMITMENTS AND EFFECTS ON CHINESE BANKS**

China’s WTO accession agreement, signed in September 2001, requires that foreign banks and other financial service providers be permitted to provide a range of services to Chinese businesses and individuals by September 2006. Services to be allowed include the following:\(^1\):

- Collect deposits and other repayable funds from the public;
- Make loans, including consumer credit, mortgage credit, factoring and other financing of commercial transactions;
- Financial leasing;
- Offer payment and money transmission services, including credit, charge and debit cards, travelers checks and bankers drafts (including import and export settlement);
- Loan guarantees and commitments;
- Trading on own account or for account of customers;
- Foreign currency exchange;
- Motor vehicle finance;
- Financial data processing and transfer services.

\(^1\) Some limitations and geographic restrictions will apply. Perhaps unsurprisingly Shanghai, Shenzhen, Tianjin and Dalian were the first areas to allow full competition from foreign banks, but all restrictions nationwide will be lifted five years after the accession, or in September 2006. Investment banking and advisory services to include credit reference and analysis, acquisitions and advice restructuring and strategy have just recently been opened. China has placed conditions on what foreign banks may operate in these services. Establishment of branch offices is limited to institutions with $20B in total assets, and establishment of Chinese-foreign JVs is permitted for institutions with $10B in total assets. Representative banks may also offer special shares on Chinese stock exchanges.
Problems facing the Chinese Banking System

Non-performing loans

China’s greatest banking obstacle is the large quantities of non-performing loans (NPLs). NPLs are loans for which either; (1) the bank no longer expects full payment of principal and interest, (2) the principal or interest is 90 days or more delinquent, or (3) the maturity date has passed and payment in full has not been made (McCracken). Decades of lenient lending practices have lead to a vast accumulation of NPLs. In 2003 alone, bank lending in China jumped by 56%, as the government encouraged growth (The Economist). Over the years, Chinese banks have lent vast sums for new factories, roads, and airports, many of which will never make money, and thus will never pay back these loans.

The poor performance of China’s banks and the legacy of NPLs are caused by poor management and a lack of better alternatives. The lack of equity and bond markets during China’s rapid industrialization meant that the only way to reinvest the country’s foreign earnings and individual savings was through the state-controlled commercial banks (The Economist). Bank managers sitting on hoards of cash lent unwisely, often at the urging of the government or state owned enterprises (SOEs). Loans also financed wasteful private projects due to a lack of project evaluation and risk management skills.

The NPLs caused by undisciplined lending have left Chinese banks with the lowest return on assets ratio (ROA) in Asia at 0.5%, and reserve capital-adequacy ratios of 8%, much lower than other developing countries. Ratings agency Standard and Poor’s estimates that ROA must improve to 2.1% to generate a better investment climate (The Economist). In order to attract foreign investors in banks, China has had to implement measures to reduce the number of NPLs.
The estimated size of non-performing loans for Chinese banks as a whole ranges between 25 to 45 percent of their total loans outstanding (He and Fan, 2005). In 2004 the estimated value of NPLs reached $205 billion (Bekier, Huang, and Wilson, 2005).

In addition to restructuring the NPLs, the government has had to bailout underperforming banks, particularly in rural areas. Much of the government intervention targets the under-capitalization of rural cooperatives and their incapability to rejuvenate the rural economy. To date, the government has injected up to $10 billion in these credit cooperatives. Like in the case of NPLs, restructuring and bailing out underperforming banks is extremely costly for China (Garcia-Herrero, Gavila, Santa Barbara, 2005, p.18).

**Governance**

Chinese banks lack governance because they traditionally do not have clearly identifiable owners, or, until very recently, a board of directors or specialized organs for monitoring management. In fact, Chinese banks are typically only truly accountable to the government (usually the Ministry of Finance) and therefore do not require complete disclosure. Another aspect of China’s lack of governance in banks is that management has traditionally been selected from the ministerial system, and thus closely monitored by the party. (Garcia-Herrero, Gavila, Santa Barbara, 2005, pg.11)

Despite the establishment of a regulatory commission, many Chinese banks lack basic corporate governance. (Beckier, Huang, and Wilson, 2005, pg. 3). Fraudulent loans continue to appear. According to multiple press reports, tens of millions of dollars have been stolen from a host of Chinese banks over the past year, mostly by former managers in inside jobs. Liu Mingkang, Chairman of the Chinese Banking Regulatory Commission, said the scandals were a
reflection of the "historic burden of a poor legal system", something that his commission was trying to redress. "There is a big gap, and in fact no connection, between the civil system and the rest of the legal system," he said. "We keep discussing with judicial houses about how to change the law and give greater penalties (McGregor, 2005, pg. 8).

**Lack of Competition**

Four state-owned banks dominate the Chinese commercial banking industry: the Bank of China (BOC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC), and the Industrial and Commercial Bank of China (ICBC). These large banks hold the worst bad debt ratios in the Chinese banking system – approximately 24-26% of loans in 2002 – and are much less profitable than smaller banks. Second-tier banks include the Bank of Communication, CITIC Industrial Bank, China Everbright Bank, Hua Xia Bank, China Minsheng Bank, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Shanghai Pudong development bank and Fujian Industrial Bank. The merchant and investment banking sector in China is relatively small and unsophisticated (US Commercial Service, 2005).

Chinese commercial banks offer much less sophisticated banking services to both consumers and businesses than their counterparts in developed nations. This is a result of their history: since the revolution Chinese banks have mostly been extensions of the state, financing large state owned enterprises and otherwise implementing government policies while providing minimal services to depositors. The banks’ de facto monopoly on financial services is still largely unchallenged, as there are few choices available to business and individuals outside of commercial banks. Chinese capital markets are extremely underdeveloped and capital accumulation and lending remains dominated by commercial banks, with few signs of short-term change. According to the central bank, in the first quarter of 2005 Chinese businesses turned to
banks for 99% of their financing needs due to a dormant stock market and a miniscule bond market. This lack of alternatives forces many start-ups and other private companies to borrow from “underground” banks at high rates of interest. Even when private firms become more established and credit worthy, they often continue to be shut out of the formal lending market because unsophisticated or risk-adverse bank credit managers are unable or unwilling to lend money. This often forces private companies to depend on retained earnings to finance expansion and thus frustrates growth and profits (Guerrerra and McGregor, 2005, pg. 13).

In the late 1990s, as the Chinese government urged citizens to purchase shares, the Shenzen and Shanghai stock exchanges were growing rapidly and were expected to eclipse the Hong Kong exchange in importance. Many millions of Chinese small investors who purchased in the 1990s have given up on the stock market during the last four years due to declining share values: in 2004 the Shanghai composite index fell 15% even as the economy grew 10%, and the total market value of Chinese public companies was lower in 2005 than in 2000, even though 513 new listings were offered on Chinese exchanges (Dryer and Guerrerra, 2005, pg. 15). Financial analysts blame the stock markets’ poor performance on the Chinese government’s motivations for establishing equity markets. Instead of structuring stock markets as a way to fund new internationally competitive companies and industries, the government saw them as a new way to fund ailing state-owned enterprises and relieve some of the non-performing loans pressure on state-owned banks. Initial public offerings (IPO) available to Chinese retail investors were purposefully undervalued allowing massive and immediate price appreciation. However, the government generally floated only 33% of shares in listed SOEs and maintained the rest. As investors realized that even loss-making SOEs would continue to operate without changing their...
business practices share prices dropped and have not recovered (Dyer and Guerrarra, 2005, pg.15).

Difficulties in the securities market are compounded by a corresponding lack of ability in the brokerage industry. Chinese securities houses are woefully mismanaged and often corrupt: many of the 130 licensed brokerage houses are near insolvency due to unprofitable sales of funds with a risky asset base but guaranteed return and rampant proprietary trading losses. As the situation worsens few brokers have the skills to underwrite any public equity offering, and the corporate bond market is practically non-existent (Dyer and Guerrerra, 2005, pg. 15).

**Possible Solutions**

*Government Regulation*

To bring international banking standards to the Chinese system, the government established a new banking regulator with the China Banking Regulatory Commission (CBRC). The CBRC has four particular objectives: to protect the interest of depositors and consumers by way of prudential and effective supervision, to maintain market confidence, to inform and educate the public on modern finance, to seek to reduce financial crime and maintain financial stability. In conjunction with the Chinese Central Bank the CBRC establishes differentiated reserve ratio that each bank must maintain. The required reserve ratio applicable to each bank will depend on its capital adequacy ratio and asset quality (People’s Central Bank, 2004). The lower the capital adequacy ratio of a financial institution and the higher its NPL, the higher the reserve ratio each bank will be forced to maintain. In addition to the reserve ratio the CBRC established the 20% cap on foreign ownership of domestic banks (Liping He, Xiaohang Fan, 2005, p 8). Liu Mingkang, the chairman of the China Banking Regulatory Commission, said the
State Council, China's cabinet, was looking to create seven to nine new offences for financial crimes and bank fraud to continue the trend of transparent banking.

To attempt to control the growth of the NPLs and further regulate the banking sector, the government established four Asset Management Companies to transfer and dispose NPLs of the large state-owned commercial banks. In legal form, AMCs are wholly state-owned, non-bank financial institutions which are legally independent. They have a very broad mandate which ranges from collecting NPLs to issuing bonds and borrowing for financial institutions to pay off the NPLs (Garcia-Herrero, Gavila, Santa Barbara, 2005, p.15).

Each of the Bank AMCs has registered capital of 10 billion yuan (approximately US$1.2 billion), directly funded by China's Ministry of Finance. In addition to the AMCs, the Chinese government also established new accounting standards. In June 2004, the equivalent of 15.6 billion and 18.1 billion USD in NPLs was auctioned from the Chinese Construction Bank (CCB) and Bank of China (BoC), respectively, to AMCs at 50% of face value (Garcia-Herrero, Gavila, Santa Barbara, 2005, p.17). By the end of 2005, the non-performing loan balance in China's shareholding commercial banks fell to 147.1 billion yuan from the CNY 203.5 billion at the end of 2001 (Sinocast, 2006). It is evident by the statistics presented and the premature state of the Chinese Banking system, that the issue of non-performing loans will continue to cause a threat to the financial health of Chinese banks. Despite the efforts of the Chinese government and regulatory commission, many of the NPL problems will persist because of the pure size of the problem.
Table 2. Reported NPLs in Chinese financial system


<table>
<thead>
<tr>
<th>Category</th>
<th>As of</th>
<th>NPL ratio</th>
<th>(% of total loans)</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>State owned commercial banks</td>
<td>Dec-03</td>
<td>232</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Joint Stock Commercial Banks</td>
<td>Mar-04</td>
<td>23</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Policy Banks</td>
<td>Jun-03</td>
<td>19</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>Credit cooperatives</td>
<td>Mar-04</td>
<td>23</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Banking system total</td>
<td>Dec-03</td>
<td>373</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td>Asset management companies</td>
<td>Mar-04</td>
<td>480</td>
<td>-</td>
<td>36</td>
</tr>
</tbody>
</table>

In recent years, the Chinese government has also undertaken some reforms intended to assuage investors and increase share prices. In 2004, offering of IPOs was suspended for six months as the authorities rewrote regulations to ensure greater transparency, and in 2005 the government announced reforms to move more government-controlled company shares into the private market. These reforms are unlikely to turn around the securities industry as long as investors believe that decisions are made by the government and not by market forces.

Creating a more efficient regulatory environment will allow Chinese banks to gain more credibility vis a vis the world and will therefore be beneficial to its economic development. Creating a more regulated backing sector will also lead to more financial stability within China. Financial instability can slow economic growth, as has been the case in many emerging markets experiencing financial crises, and can lead to political instability. Therefore, by creating a more
transparent and less fraudulent financial sector, China is safeguarding itself against possible economic and political turbulence. Another implication for decreasing fraudulence is increased international banking presence, which could help increase China’s economic development through increased FDI and increased international recognition.

*International Institutions and Standards*

In 2002 many analysts feared that deregulating China’s banking sector could lead to a financial crisis caused by the diversion of local savings into foreign owned banks (Chang, 2002). International Monetary Fund (IMF) officials have repeatedly stated that reform of the banking sector in China is essential for global economic stability (Rajan, 2005). China’s build up of foreign reserves (US$818 billion in December 2005) makes a crisis much less likely today, but it does not ensure adequate reform. Unfortunately, the IMF has no leverage over Chinese policy because the last IMF disbursement to China took place in 1987, and China has no outstanding obligations.

The World Bank is extremely active in China, but can only participate in projects that are accepted by the government. It is therefore very involved in the construction of infrastructure, but plays an advisory role in the formation of Chinese policy. Again, China’s stock of dollars makes it unlikely that the influence of the World Bank will increase substantially in the short-term. There are, however, a number of international standards and agreement that are influencing the development of China’s banking sector.

All of the major Chinese banks now offered public stock on the Hong Kong or other stock exchanges. As publicly traded companies, the banks are required to improve transparency of operations and accounting as well as meet higher reserve ratio requirements according to the Basel I Accord. In an effort to harmonize global lending practices, the Bank of International
Settlement’s Basel Committee on Banking Supervision has also created the Basel II Accord, encouraging even greater control and better banking practices.

The goal of Basel II is to reduce the risk of bank failure due to debt default or exogenous economic shocks by encouraging banks to hold adequate capital to balance losses, hold adequate reserves, and implement transparent reporting practices. The Basel II Accord can be considered the first attempt at creating one framework for the international financial community (Makosek, 2004). While the Basel Accords are not legally enforceable, financial authorities in developed nations have already implemented many of their guidelines. For developing countries like China, compliance will likely take much longer. In fact, Tang Shuangning, Vice-chairman of China’s Banking Regulatory Commission stated that China was not ready for Basel II and that the country will review its readiness in 2007. One of the concerns that many developing nations, like China, have is the monetary cost of implementation. At a time when China is already experiencing financial burdens to resolve its NPLs, the CBRC does not see Basel II as a priority. China has made greater progress toward adopting international accounting standards.

In 1993, the Chinese Ministry of Finance (MOF) received World Bank funding assistance to develop a set of internationally consistent accounting standards appropriate to the transitioning economy in China. The consulting firm Deloitte Touche Tohmatsu (DTT) was hired to develop the new standards. The initial standards were augmented when the MOF promulgated the new *Accounting System for Business Enterprises* (ASBE) in 2000. ASBE standards originally applied only to enterprises with part foreign ownership, but they have been extended to all firms created after January 1, 2003. The MOF established separate standards for financial institutions and small business, *Accounting System or Financial Institutions* (ASFI) and the *Accounting System for Small Business Enterprises* (ASSBE) respectively (Deloitte, 2005).
China’s new accounting standards still do not fully comply with all International Accounting Standards (IASs), but they are relatively strict if enforced would substantially improve financially based lending. There is, however, evidence that most of China’s firms are not in compliance with ASBE requirements for disclosure (Leung, Morris and Gray 2005). Furthermore, most of the standards do not apply to the large SOEs established before 2001 that constitute the bulk of the historical problem.

Market Competition

Chinese regulators understand the weaknesses of the system and the need for strong government and private oversight, and support foreign investment in Chinese banks. In November 2005 the vice-chairman of the CBRC stated that Chinese banks should welcome investment from foreign banks “with experience in banking operations and management,” adding that China’s banks “do not lack capital; what they lack is advanced corporate governance experience and techniques” (Asia Pulse, 2005).

Western banks have been maneuvering to get a foothold in the potentially lucrative Chinese market. At the end of 2005, Chinese regulators had approved 19 investments by foreign investors in 16 Chinese banks (McGregor, 2005). However, the Chinese state will maintain control of the country’s biggest banks. Foreign investment in Chinese banks is limited to a 20% holding for a single investor, or 25% of total shares for aggregate investors. To limit speculation and encourage transfer of knowledge foreign banks must hold at least five percent of the banks shares for at least three years (Asia Pulse, 2005). There is evidence that this restriction is slowly being lifted. A group of foreign banks, led by Citi-group, may be permitted to purchase an 85% stake in the Guangdong Development Bank, one of the worst performing banks in China,
marking the first time a foreign institution has gained control over a Chinese bank (Business Week, 2006).

Notable investments include a $1.7 billion investment in the Bank of Communications by HSBC; investments in the BOC of $3.1 billion by the Royal Bank of Scotland, $3.1 billion by Temasek, and $500 million by UBS; a sale of 9% and 5.1% shares of CCB to Bank of America and Temasek, respectively; and investments by Germany’s Allianz and by Goldman Sachs in ICBC. China is also permitting some banks to list shares on stock exchanges in Hong Kong: CCB raised $66 billion in an IPO, and BOC an ICBC plan IPOs in 2006 and 2007 (The Economist, 2005).
China is keen to leverage on foreign capital and expertise in order to bring greater sophistication to its financial market. The Chinese Central Banking Authorities will likely put financial institutions under more stringent prudential supervision even as they face increasing foreign competition. The pace of the market's opening may therefore actually exceed China’s WTO commitments.
Recommendations

This paper has identified both the major hindrances to creating an efficient, market based banking system in China and the efforts undertaken by the Chinese government to overcome those obstacles. The following recommendations are actions that China could take to expedite the process of reform and address many of the current flaws and imbalances in the banking sector.

*Increase Financial Transparency and Enforcement of Accounting Standards*

China should impose and enforce the same accounting standards on SOEs as new firms and joint ventures. None of the regulatory or managerial reforms taking place in China will be effective unless accurate information is available on the financial performance of borrowing and lending firms. China’s current approach to reform relies on organic change. New firms and domestic-foreign joint ventures are required to meet tough international standards for accounting and disclosure, but many older SOEs are permitted to change gradually and continue to operate as they have for decades. The role of SOEs in China is diminishing, but they still represent a vast portion of the economy. If China is to become a well-governed market economy, firms with ties to the government should receive no special treatment. Instead, SOEs should face the most stringent regulation.

*Establish a Credit Bureau*

China is in the process of instituting many regulatory procedures to reduce corruption and increase competitiveness. Despite these efforts, China lacks a National Credit Bureau Agency that would act as a centralized information and data center. Currently, banks are provided with very limited information regarding private borrowers and thus run huge risks. The National
Credit Bureau Agency could collect, manage, and distribute positive and negative information on the creditworthiness of borrowers. Both the IMF and the World Bank have encouraged China to adopt such an agency to foster economic development and stabilize the consumer lending environment (Stakelback, 2005). The creation of these bureaus will attract more foreign competition, which could create an incentive for Chinese domestic banks to be more productive.

The city of Shanghai currently has its own consumer credit bureau, the Shanghai Credit Information Services Co Ltd (SCIS), which uses data from 15 participating domestic banks, telecommunications businesses and energy companies (Stakeback, 2005). While the Shanghai Credit Information Services Company is not a full credit bureau, it can leverage its experiences to help create a national agency that will work towards the common goal of limiting corruption and bad loans.

One of the major impediments to the creation of a Chinese credit bureau is the lack of appropriate infrastructure in China, specifically IT and networks that would make data collection and sharing possible. Moreover, many small and rural bank employees lack the technological skills necessary to allow them to link to a national consumer credit bureau system. Building IT infrastructure and training employees would be extremely costly for most Chinese banks.

*Create credible alternative channels for capital formation through equity and debt markets*

The Chinese government supports the creation of an independent corporate debt market to increase competition in the financial services sector. As we have seen, the only way for Chinese industry to raise capital is through borrowing from commercial banks or to depend on retained earnings for expansion. The development of credible, efficient stock market and a strong corporate bond and commercial paper market would give banks much needed competition,
efficiently allocate capital, and better serve the capital needs of private industry. Such alternatives are required if Chinese companies are to emerge as truly global companies. The listings on the Shenzhen and Shanghai stock exchanges are not credible with Chinese retail and institutional investors because they understand that the government’s controlling stake in most listed companies restricts their independence. Investors are likely to shun the Chinese exchanges so long as they feel that listed firms’ investment decisions are made for political rather than market reasons. To allay these concerns the Chinese government would be forced to give up their controlling stakes in listed companies, or otherwise convince investors that the government would become a passive majority owner and not try to influence management or investment decisions. Neither of these options is likely to occur as it is highly improbable that the Chinese government would willingly reduce its stake and influence over large companies. As a result there is little chance in the near to medium term that the stock market will emerge as a credible alternative to commercial banks.

The prospects are better that the commercial bond market will emerge as an effective alternative to commercial banks due to foreign investment in Chinese financial services and the high levels of financial sophistication present in buyers of corporate bonds. Foreign financial institutions have been buying stakes in Chinese banks in order to get a foothold in the market, not because they are impressed with the banks management or return on capital invested. As the foreign bank influence grows they are expected to increase the level of sophistication and expertise in their Chinese partners, which will include structuring and pricing bonds for sale to large investors (perhaps in private placements until a reliable secondary bond market develops.) If Chinese banks and their foreign partners can develop credible, profitable bond offerings for credit worthy Chinese companies, than large international and institutional investors will buy the
bonds as a play on the growth of Chinese industry. Very few retail investors understand the complexities of the bond markets so the credibility of the market maker is less of an issue.

CONCLUSION

With full compliance with WTO accession rules becoming effective within the next year, China has a lot of work left ahead of them to reform the banking sector. As exposed in this paper, NPLs, lack of governance, and lack of foreign competition are some of the largest problems facing China’s banking sector. While China has began to solve these problems, issues inherent to its political make-up and cultural background, will likely slow down the process. Despite this slower pace, changes to the banking sector in China are inevitable and will continue to exist as more and more foreign banks begin operations in this lucrative market.
Resources


“China to enact further financial market reforms: regulators” Asia Pulse, November 2, 2005. (15 April 2006)


“The PBC Decided to Introduce Differentiated Required Reserve Ratios” 2004

“Year Of The Citi In China?,” Businessweek Online 23 January 2006 http://www.businessweek.com/magazine/content/06_04/b3968071.htm (10 March 2006)


Francesco Guerrera and Richard McGregor: 2005 “China’s banks smarten up as they switch from state control to commercial lending” Financial Times. London. 20 June


