



## Is China financialised? The significance of two historic transformations of Chinese finance

Yuning Shi

**To cite this article:** Yuning Shi (12 Sep 2023): Is China financialised? The significance of two historic transformations of Chinese finance, *New Political Economy*, DOI: [10.1080/13563467.2023.2253158](https://doi.org/10.1080/13563467.2023.2253158)

**To link to this article:** <https://doi.org/10.1080/13563467.2023.2253158>



© 2023 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group



Published online: 12 Sep 2023.



Submit your article to this journal [↗](#)



Article views: 248




View related articles [↗](#)



View Crossmark data [↗](#)

# Is China financialised? The significance of two historic transformations of Chinese finance

Yuning Shi 

Department of Economics, SOAS University of London, London, UK

## ABSTRACT

This article tackles the question of whether financialisation is present in the Chinese economy by analysing two key transformations of the country's financial system. The first was a state-led reform process through which the Chinese financial system introduced market practices, similarly to the rest of the economy. The second was a market-led process, reflected in the emergence and rise of shadow banking, which originates from within financial markets with the aim of bypassing loan restrictions. The article shows that despite the two transformations and the enormous growth of finance during the past four decades, the underlying character of the Chinese financial system exhibits remarkable continuity. Namely, it remains bank based – albeit partially liberalised – with a predominant role for bank credit and a strong presence for the state. The relational and government-controlled structures of Chinese finance have not been replaced by arm's length and private mechanisms. On these grounds, it is premature to consider the Chinese economy to be financialised.

## ARTICLE HISTORY

Revised 31 May 2023  
Accepted 25 August 2023

## KEYWORDS

China; financial reform;  
financial system;  
financialisation; shadow  
banking

## Introduction

Until the 1970s, China featured a mono-bank system of finance broadly following the experience of the Soviet Union. However, with the commencement of the Opening and Reform in the late 1970s, Chinese financial system shifted quickly in the direction of liberalisation and the introduction of markets, a process that then accelerated in the 1990s. Specifically, state-owned banks adopted commercial practices and were encouraged to adopt a corporate outlook. Moreover, the state control of the interest rate was increasingly relaxed, with market-based finance emerging and flourishing. This can be considered as the first transformation of China's financial system. Now, after more than forty years of such financial reforms, China possesses an enormous financial system.

It is notable that, while state-owned banks remained the backbone of the national financial system and gained international prominence, market-based finance has also grown rapidly. China's bond market is ranked as the third largest in the world, and the Shanghai Stock Exchange was also ranked third globally by market capitalisation in 2022.<sup>1</sup> Strikingly, shadow banking as an integral component of China's financial system also grew exponentially in the years following the Global Financial Crisis (GFC) in 2008. Estimates of the scale of China's shadow banking by independent researchers vary greatly – from 8 to 80 per cent of GDP (Elliott *et al.* 2015, Tsai 2015, Ehlers *et al.* 2018), whereas Chinese official estimates are much higher at 65–114 per cent of national GDP

**CONTACT** Yuning Shi  666043@soas.ac.uk

© 2023 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group  
This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. The terms on which this article has been published allow the posting of the Accepted Manuscript in a repository by the author(s) or with their consent.

(CBIRC 2020). The rise of shadow banking can be considered as the second transformation of China's financial system, also partially based on informal finance that has long existed in China.

While China was on the highway of liberalising its financial system, the approach of financialisation originated in the debate on the rise of finance of the US economy in the 1970s, which then expanded quickly to assess similar tendencies in developed countries such as the UK, France and Japan (Lapavitsas 2013, Lapavitsas and Powell 2013). The discussion of financialisation soon spread to the developing world. With the massive expansion of China's financial system after the Opening and Reform, scholars started to scrutinise China through the lens of financialisation. Several are in favour of the idea that China has been financialised (see, for example, Zhang and Zhuge 2013, Wang 2015, Zhao and Tian 2015, Naughton 2019, Zhang 2019, Petry 2020, Pan *et al.* 2021), while only a few are sceptical (see, for example, Karwowski and Stockhammer 2017).

This paper makes a contribution to the literature on financialisation by analysing the two transformations of China's financial sector since the launch of Opening and Reform, aiming to provide evidence on financialisation of Chinese economy from the perspective of its financial sector. The main argument is that China has certainly experienced great financial expansion, but this does not necessarily imply the occurrence of financialisation. Despite its transformations towards a western style of finance with a multi-tiered banking system and a full set of capital and money markets, the Chinese financial system displays continuity more than a change in its underlying character. Specifically, it remains a partially liberalised bank-based system where bank credit predominates, and the state continues to intervene systematically in the flows of finance. China has not yet shifted significantly toward a market-based financial system, as would be necessary for financialisation (Aglietta and Breton 2001, Lapavitsas 2009, Karwowski and Stockhammer 2017), and its relational and the government-controlled structures of credit have not yet been replaced by arm's length and private mechanisms of finance, as would also be required for financialisation (Lapavitsas 2009, 2013). The rise of finance in China has not yet brought a fundamental change to the character of the financial system. Thus, it is too early to speak of financialisation in China at the moment.

The remainder of this article proceeds as follows. Section two explores the existing research on variegated financialisation, including that of China's economy, facilitating the discussion of the two transformations in an appropriate context. Section three looks back at the first transformation of China's financial system, where the characteristics of the bank-based system are elaborated with an emphasis on the role of the state. Section four then introduces the second transformation, whereby the banks gradually moved into the shadow and created strong links with the financial markets, functioning as middlemen in various shadow banking businesses. Even so, the defining characteristics of China's shadow banking are found not to be market- and securitisation-based, but rather bank-based and credit-centric. Finally, section five concludes.

## Analysing financialisation in China

There is a lack of universal agreements on the definition of the term 'financialisation', the most widely accepted but rather loosely defined meaning of financialisation is 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies' (Epstein 2005, p.3). However, this definition does not sufficiently differentiate between financialisation and a general expansion of finance, nor does it take into account the country-specific historical, political and institutional background of financialisation. Consequently, this section differentiates between the related concepts of financialisation and financial development, and places China's rise of finance within the literature of financialisation by reviewing the variegated forms of financialisation, thus setting the terms for considering whether financialisation is present in China.

It is common in the literature to conflate financialisation with financial development as well as financial liberalisation and financial deepening, despite the inherent differences among these notions. This conflation is evident in Chinese-language literature (Zhang and Zhuge 2013, Zhao

and Tian 2015, Zhang 2019). Scholars tend to believe that the financialisation is the overdevelopment of finance. They hold this view because they believe in the U-shape relation between financial development and economic growth – a certain level of finance is beneficial for economic growth, but after a certain point, more financial development will show negative impact on economic growth, and the phase where the finance is over developed is regarded as financialisation.

This view is not necessarily fallacious since other literature finds that finance in general might have an inverted U-shape relation with economic development (Cecchetti and Kharroubi 2012, Law and Singh 2014). The point is, however, that financial development and financialisation are distinguished from each other by a lot more than simply their relative size and potential impact on economic growth. Financialisation certainly assumes the growth of finance but, if it only indicates financial overexpansion, then it is a very thin concept analytically and empirically.

A growing body of literature has examined financialisation of the Chinese economy from different perspectives. The literature includes papers in Chinese and English, with surprisingly few interactions. The bulk of the Chinese language literature does not differentiate between financialisation and financial development, while the English language literature focuses more closely on the character of financialisation by recognising the specificity of the Chinese economic and political system, and especially the role of the state in the rise of finance. Scholars argue that financialisation in China is led by the state (see, for example, Pan *et al.* 2021, Feng *et al.* 2022, Li *et al.* 2022) and some even believe that the financialisation of China's economy is the financialisation of the state (see, for example, Wang 2015, Naughton 2019).

These approaches emanate from essentially the same idea, namely that the Chinese state pursues its policy goals increasingly through financial means. Thus, Pan *et al.* (2021, p. 750) define financialisation as the 'state's growing use of financialised policies'; similarly, He *et al.* (2020, p. 633) believe that 'state-led financialisation' is 'a process that demands the active involvement of state apparatuses of different level and forms in the introduction of various financial tools aimed at transforming the (re)production of urban space'. Naughton (2019) was among the first to note that the governance of state-owned enterprises (SOEs) is increasingly exercised through financial means. Furthermore, he found that phenomenon is integral to China re-stating government-defined national goals which are pursued increasingly through financial means.

The difference between 'state-led financialisation' and 'financialisation of the state' appears to be that the former focuses on changes in the role of local government in China's massive public investment, urban planning and development (see, for example, He *et al.* 2020, Jiang and Waley 2021, Feng *et al.* 2022, Wu *et al.* 2022), whereas the latter does not differentiate different administrative levels of Chinese government, nor do they treat government bodies or Party organs separately (see, for example, Wang 2015, Naughton 2019, Petry 2020). Nevertheless, both strands of the literature have not sufficiently examined the nature of these financial tools before claiming that China is financialising. It is shown below that the financial tools that are increasingly used do not necessarily imply financialisation.

The approach adopted in this paper springs from the perspective of Marxist political economy, financialisation is an epochal transformation of capitalism (broadly along the lines of Harvey 1989, Arrighi 1994, Lapavistas 2013). In similar fashion, for French Regulationists, financialisation is an alternative accumulation regime – a finance-led accumulation regime (see, for example, Grahl and Teague 2000, Boyer 2008, Erturk *et al.* 2008). For these approaches, if financial development does not result in the wider changes in the conduct of the economy and the institutions of both economy and society, it lames little sense to talk of financialisation.

Furthermore, financialisation could even occur in developing countries, where financial development does not compare to that of developed countries (see, for example, Bonizzi 2013, Lapavistas and Soydan 2022). As long as the limited financial development brings fundamental transformation of economic conduct and the institutions of economy and society, it is possible to talk of financialisation. The experience of Brazil, Mexico, and South Africa could support this claim (see, for example, Ashman *et al.* 2011, Powell 2013, Kaltenbrunner and Paineira 2018). It follows that financialisation

cannot be identified by simply using several quantitative measurements of finance and other sectors of the economy; rather, it requires a political economy analysis of a country's historical and institutional background as well as the ensuing transformation of conduct following the rise of finance.

Financialisation can have different scope and connotation as it can be country-specific, contingent on country's specific historical, institutional and social backgrounds when describing an economy (Lapavitsas 2013, Powell 2013). Financialisation in core capitalist countries was originated from within their national economies, manifested alongside the deregulation of their financial systems that peaked in the 1990s and 2000s, especially in the US and the UK where it was underscored by the sophisticated and rapidly-growing financial innovations, typically securitisation, respectively (Krippner 2012, Karwowski and Stockhammer 2017). It often approached by examining the changing interactions with other sectors of the economy, namely, non-financial enterprises and households (Lapavitsas 2013, Karwowski *et al.* 2020). Despite the general common trends in these countries, it showcases different forms in different countries by existing research (Lapavitsas 2013, Lapavitsas and Powell 2013).

It is particularly notable that financialisation in developing countries was primarily channelled from the outside through financial liberalisation. Financialisation occurred in developing countries during mostly the three decades and has been marked by the shift of financial systems in a market-based direction, in the course of which the relational and the government-controlled structure were gradually replaced by arm's length and private mechanisms, signifying profound institutional change (Lapavitsas 2009, 2013, Dos Santos 2011, Bonizzi 2013). Thus, financialisation in developing countries is generally related to market-based finance, increased inflows of portfolio and bank lending, accumulating debts for enterprises and households as well as entry of foreign banks in the national economy (Lapavitsas 2009, 2013, Becker *et al.* 2010, Cho 2010, Rethel 2010, Dos Santos 2011, Bonizzi 2013, Karwowski and Stockhammer 2017, Kaltenbrunner and Paineira 2018). In these respects, it can be referred to as 'subordinate' or 'dependent' financialisation (Lapavitsas 2013, Powell 2013).

China's case shares similarities with 'subordinate' or 'dependent' financialisation, but with considerable differences. The transformation of China's financial sector originated from within its domestic economy and occurred within a prevalent liberalising ideology. However, the similarities does not go very far because China did not transform its financial system from bank-based to market-based and its relational and the government-controlled structures of credit have not been replaced by arm's length and private mechanisms, as is shown in thirds and fourth sections.

It is shown that the growth of finance in China's urban and regional development has occurred through various methods of debt-financing, whose core is still bank credit (He *et al.* 2020, Feng *et al.* 2022, Li *et al.* 2022). Thus, it is nothing more than a boom of conventional bank credits, instead of financialisation. Similarly, the financial tools that are increasingly used in state governance and intervention in SOEs are not signs of financialisation because they do not necessarily reflect a wider transformation of the economy. Arms's length and private mechanisms of finance are not developing out of these increasingly used financial tools. Thus, China is not yet financialising.

## **Emergence of China's financial sector and its first transformation**

### ***Emergence of China's financial sector***

At the beginning of the reform era, barely any genuine financial institution did exist in China, not to mention the financial system. Financial system was fully absorbed into the fiscal system (Zheng and Huang 2018). People's Bank of China (PBOC) was the only 'bank' in China under the planning system, serving as no more than a 'cash agent for the government' through allocating all the resources to the real economy under mandatory central planning (Bottelier 2009, p. 53; Lo *et al.* 2011).<sup>2</sup>

By 1984, all commercial activities had been separated from PBOC, with such responsibility assumed by four newly established state-owned specialty banks, each of which primarily specialised

in borrowing and lending businesses in a specific industrial and commercial sector. These four state-owned banks were collectively referred to as 'Big Four', comprising the Agriculture Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China. PBOC continued to relinquish its financial intermediary functions, which were assumed by the three newly established policy banks, namely China Development Bank, the Export-Import Bank and the Agricultural Development Bank. Consequently, PBOC began to serve the function of a central bank and a two-tier banking system manifested, with PBOC being positioned at the top of the hierarchy.

### ***The first transformation: bringing in the market***

The first transformation was a state-led process of promoting the market mechanism of the financial sector that commenced in late 1980s and concluded prior to the GFC in 2008. The banking sector continued its reform, undergoing the ownership reform, corporatisation and internationalisation. The two-tier banking system was successfully upgraded to a multi-tier one. Along with the institutional reform of the banking sector, the interest rate also started its liberalisation, which in turn encouraged and facilitated the emergence and growth of China's capital and money market. However, the advance of the market had not banished the state's presence in the financial sector, resulting in a mixed system in China's financial sector. Subsequently, the first transformation of the financial sector affirmed the unique characteristics of the Chinese financial system – bank based with a strong state presence, partially liberalised and credit-centric.

Within the banking sector, the first transformation was primarily upgrading the two-tier banking system to a multi-tier one. Specifically, the Big Four began to transform into the modern commercial banks which were required to operate in accordance with the market mechanisms, namely, to be responsible for own risks, losses and profits. By the time the first transformation was complete, the Big Four were already among the world leading commercial banks. With the ownership reform, the ownership of banks extended to non-state actors. In the mid-1990s, joint-stock commercial banks and the city commercial banks gradually emerged, becoming increasingly important components of China's banking sector. The former were partially owned by local governments and SOEs, with an increasing share of private ownership, and occasionally foreign ownership, while the latter is formed by restructuring and merging urban credit cooperatives, and thus were much smaller in terms of the size of assets (García-Herrero *et al.* 2006).

The first transformation of the banking sector concluded by successfully establishing a multi-tier banking system with the central bank at the top of the hierarchy, followed by three policy banks. The layer beneath the policy banks was populated by the Big Four, which had already expanded into six main state-owned commercial banks with the inclusion of the Bank of Communication and Postal Saving Bank of China. Then came lower tiers that consisted of 12 national joint-stock commercial banks, and 1,262 regional and city joint-stock commercial banks, respectively. The bottom layer comprised 965 rural cooperative banks (Sun 2020). Besides, there were also 17 private banks and a number of foreign subsidiary banks, as well as other companies with banking operation licences, such as assets management companies, money brokerage companies and trust companies by the end of 2017 (Sun 2020).

Beyond the banking sector, the first transformation also introduced elements of market finance into China's financial system. At the end of the 1990s, China began to establish its capital market and its money market to facilitate international trade and the large SOEs 'going global'. China's market finance bears two distinct characteristics: state presence and banks playing the central role in the markets. Several important sub-markets will be briefly introduced below, and these characteristics will become visible.

The bond market was among the earliest sub-markets developed in the capital market. The resumption of treasury bonds was commenced by the Ministry of Finance in 1981, signifying the start of China's bond market (Amstad and He 2020). From the beginning of the establishment of the bond market, state and state-owned entities have comprised the largest issuers in China's

bond market, namely, the SOEs, and state-owned commercial banks and local government financing vehicles and banks play the central role here (Cerutti and Obstfeld 2018, Amstad and He 2020).

Commercial banks were authorised to issue financial bonds in 1985, in order to diversify their financial assets and fundraising sources, and non-banking institutions also obtained such permission three years later (Lin 2009). After their establishment, the three policy banks became the major issuers of financial bonds. What is relevant but yet peculiar for China's bond market is that China's government bonds account for less than 60 per cent of the total outstanding bonds, which is lower than that of the proportion of the US treasury bills to its total outstanding bonds in the years after 2013 (Amstad and He 2020), but the state and state-owned entities are the largest issuers of government bonds. This could imply that the state and state-owned entities issued considerable amount of bonds which are not government bonds. This point is closely related to the second transformation that will be discussed at the end of section 4.

The bond market has achieved rapid growth in terms of its size but remains underdeveloped in many other dimensions. By the end of 2017, China's bond markets had become the third largest bond market globally, with its capitalisation representing half of Chinese GDP and 9 per cent of global GDP (Cerutti and Obstfeld 2018, Petry 2020), and two years later in 2019, it was almost equal to (98 per cent) Chinese GDP (Amstad and He 2020). For comparison, the capitalisation of the bond market in the US was over two-fold of its GDP in 2019 (Amstad and He 2020). Its growth is remarkable given the short timescale of its development, but the absolute size of China's bond market cannot compare with that of the US. Moreover, Chinese government bonds are not nearly as liquid as that of the US treasury bills (Amstad and He 2020). Foreign participation in Chinese bond market has risen, but still remains insignificant in terms of the total outstanding bonds, with the number stabilising at approximately 1.5 per cent of total market value, and the foreign holdings of Chinese bonds are concentrated in government bonds (Cerutti and Obstfeld 2018).

The stock market was introduced slightly later than the bond market, in order to facilitate the transformation of SOEs into the joint stock companies. Two stock exchanges were established by the end of 1990 in Shanghai and Shenzhen, respectively, with a third established in Beijing in September 2021, primarily serving the needs of domestic small and medium-sized enterprises. All three exchanges are state-owned under the supervision and governance of China Securities Regulatory Commission. In 2020, thirty years after the introduction of stock exchanges to China, the stock market capitalisation of listed domestic companies in China (more than \$12 trillion) was only slightly smaller than the national GDP (\$14.732 trillion).<sup>3</sup> Remarkably, by the end of 2020, Shanghai Stock Exchange was ranked second, third and fourth in terms of capital raised, total market capitalisation and total turnover, respectively, becoming one of the most active stock exchanges in the world.<sup>4</sup>

The function of the capital market in mature capitalist countries is to provide a marketplace for companies, enabling and facilitating the pursuit of private profit. However, with the state-owned actors playing a disproportionate role, the capital market in China is unable to operate in the same manner. Due to its ownership by the state, the exchanges are integrated into the national development plans, and intended to direct the market outcomes towards the achievement of the national development of such goals, as opposed to private profits (Petry 2020). On top of that, more than 90 per cent of investors (in terms of the number of accounts rather than the market capitalisation) in the stock market and commodity futures market are individuals, and thus the state has a greater incentive to maintain relative stability in the stock market in order to ensure the social and political stability (Jiang *et al.* 2016, Petry 2020). High-frequency trading is allowed but restricted (Petry 2020). Moreover, the capital market is under the 'see-through monitoring system' that allows these state-owned exchanges to trace every single trade to the original investors (Petry 2020, p. 220). For these reasons, China's capital market is claimed to be the only market in the world that does not encourage speculation.

Operating under these restrictions, Chinese capital market has faced challenges through its further exposure to the international financial system as the regulatory oversight in China's

capital market is unimaginably severe for international investors. By 2017, the foreign holdings in China's stock market as a percentage of the total market capitalisation had reached a historical high of 2.7 per cent, but still significantly lower than its BRIC counterpart India, and is not comparable with the US (Cerutti and Obstfeld 2018). Foreign brokers are also prohibited from operating in China (Petry 2020). In sum, the capital market in China has such a strong state presence that it is unable to develop arm's length and private mechanisms of finance throughout the economy.

The money market in China is even less developed than the capital market as it emerged later. Despite several components of the money market nominally existing in China, namely, interbank lending market, repo market, bill market and others, their operations are not independent from the central authorities. Unlike the US money market, China's submarket's operation, as well as prosperity and depression are highly contingent on state's policy and national development goals. For example, the interbank lending market was significantly contracted under the strict central bank regulation during 1995-1999, so that banks sought alternatives to the interbank market. The repo market was then introduced by the state as an alternative, instead of being developed spontaneously by market forces (Xie 2001, Ying 2021). Although the Chinese money market has experienced extensive progress, its market operations remain incomplete.

## **The second transformation: turning into 'banks in the shadow'**

### ***The evolution of China's shadow banking***

The second transformation marked the rise of the shadow banking in China, which accelerated in post-GFC period. Unlike the first transformation, the second transformation started from within the financial system by market forces, but it was initially due to the state intervention when attempting to cope with the GFC (Cong *et al.* 2019, Wang *et al.* 2019, Chen *et al.* 2020).<sup>5</sup> In a certain respect, the second transformation represents the transformation of the financial system where more liberalised finance has been encouraged with the central role of the bank being enhanced at the same time. The formal banking sector has become increasingly involved in shadow banking activities as the middleman, transforming themselves into 'banks in the shadow', a fairly new term that in essence describes the informal banking practices that are not unfamiliar to the Chinese economy (Sun 2020).

Shadow banking in China evolved out of the informal finance, which is a typical legacy of the Chinese relational and government-controlled structure and has not yet developed into a proper arm's length and private mechanism of finance. SOEs were long privileged in receiving subsidised credits through banks, and particularly from state-owned commercial banks, while private firms had difficulties raising funds from the formal banking sector, and thus had to be forced to resort to informal finance since the early stage of Opening and Reform (Tsai 2015).

Of the reasons that why state-owned commercial banks prefer extending loans to SOEs, the most important is the special relations between them two, which are the most prominent components of China's relational and government-controlled structures. Chinese SOEs, even today, are never purely business entities, particularly those in strategic industries, such as energy, telecommunications, railways, and others. SOEs have been always selected to realise state or regional industrial priorities or other policies goals, which are normally referred to as 'policy burdens'. In this sense, state-owned commercial banks, as supportive intermediaries, as well as one of the crucial elements within the 'state system', are required to provide sufficient cheap credits for SOEs in order to see through those projects that mattered for the national or regional development.

Even if without the policy burden, state-owned commercial banks were institutionally biased towards SOEs because of the lack of a culture of private credit provision. The credit officers were unclear on how to process a request from an individual business, let alone evaluate its creditworthiness, as they 'were trained as bureaucrats, not commercial bankers' (Tsai 2002, p.35). In sum, they were unwilling to extend loans to private businesses. And since both SOEs and state-owned



commercial banks operate in the public sector, the credit officer would expect to be forgiven for authorising defaulted loans, if and when a default occurred. This gave banks more reasons for not extending loans to non-SOEs, who had to turn to informal finance eventually.

With the expansion of the market finance and the innovation of various financial facilities, as well as the relaxation of the regulation, informal banking practices were gradually formalised under the umbrella of the shadow banking. However, the arm's length and private mechanisms have not prevailed in China's financial sector even with the acceleration of the rise of shadow banking in post-GFC period. Rather, the relational and government-controlled structures of finance reinforced itself in certain shadow banking practices. The most evident example is local government financing vehicles, a particular type of SOEs, burgeoning after the GFC when the central government relaxed the restrictions on the financing of local governments. Local governments, therefore, were explicitly encouraged to take on bank loans through financing platforms or financing vehicles in order to push the stimulus package at the aftermath of the GFC (Chen *et al.* 2020). Consequently, the number of local government financing vehicles increased drastically across the country from nearly nonexistence to around 10,000 by the end of 2010 (Zheng and Huang 2018). Banks happened to be willing to lend to local government financing vehicles because banks could charge a higher rate than they typically do with other SOEs. However, the credit risks were relatively low because local government financing vehicles enjoy implicit local government guarantees (Sun 2019).

Local government financing vehicles themselves are not necessarily shadow banking entities *per se*, but they are constantly involved into off-balance-sheet shadow banking practice (Chen *et al.* 2020). Local government financing vehicles issue large amount of municipal corporate bonds – a type of corporate bond, and enjoy implicit local government guarantee (Sun 2019, Amstad and He 2020). Municipal corporate bonds gradually became one of the main destinations of the shadow funding after the rise of shadow banking, because their essence is transferring the on-balance-sheet bank loans outside the traditional banking sector, which are covered by the veneer of corporate bonds.

### ***The mechanism of China's shadow banking***

It should be noted that the shadow banking does not necessarily imply the presence of illegal financial practices, but rather those practices that can bypass regulations. Although scholars have not reached an agreement on the definition of shadow banking, it is broadly regarded as financial intermediaries that are located outside the conventional banking system, thus circumventing the regulation system and that are normally involved into financial market innovations, such as assets securitisation and financial derivatives (Financial Stability Board 2011, p. 1; IMF 2014). Because of the differences of financial structure and economic development levels in different countries, shadow banking are in various forms across the globe (Financial Stability Board 2013). Shadow banking in China evolves from informal finance, then becomes a means for banks moving bank loans out of balance sheets to bypass the loan regulation. For large enterprises, shadow banking becomes an effective tool to profit by lending idle funds to those industries that either encounter restriction in obtaining banking credits or where the direct lending and borrowing between them is forbidden.

Chinese shadow banking products primarily include shadow saving instruments and shadow lending instruments. The former is dominated by wealth management products (WMPs) and trust products (Ehlers *et al.* 2018), and the latter includes trust loans, undiscounted bankers' acceptances, peer-to-peer lending, and so forth (Ehlers *et al.* 2018, Chen *et al.* 2020). The estimate of the scale of shadow banking varies considerably, roughly ranging from 8 to 90 per cent of Chinese national GDP, depending on the definition of shadow banking (Elliott *et al.* 2015, Tsai 2015, Ehlers *et al.* 2018). China Banking and Insurance Regulatory Commission (CBIRC) estimated that the shadow banking sector was worth 51–90 trillion RMB by the end of 2016, which was

much higher than other estimations (CBIRC 2020). While the estimation of the volume of China's shadow banking is beyond the scale and the scope of this paper, total social financing can cast light on the primary components of shadow banking products. Total social financing reflects the total amount of funds provided by China's domestic financial sector to the real economy within a given timeframe, often used as a broad measure of credit and liquidity in the economy as it includes both the on-balance-sheet and off-balance-sheet forms of financing. Among the off-balance-sheet elements, the entrusted loan has been the largest component. It is obvious that the shadow banking instruments exist in various forms of loans, reflecting the credit-centric nature of China's financial system (Figure 1).

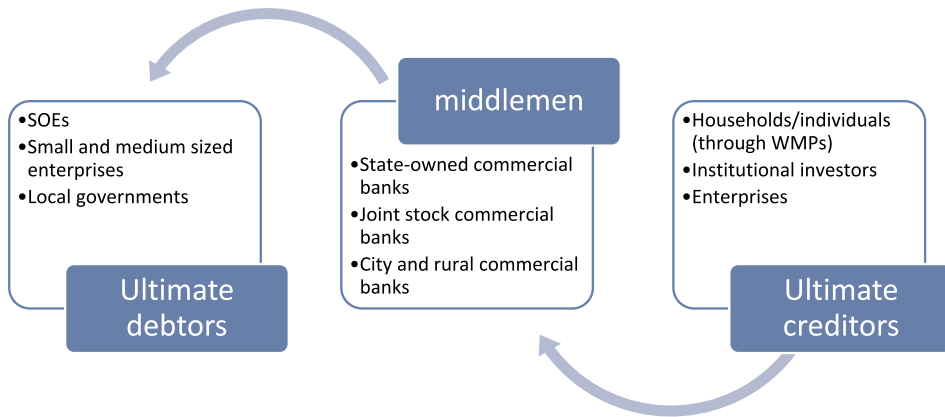
In a general sense, shadow banking in China works in the way that banks collect deposits from ultimate creditors, namely, retail depositors, institutional investors and enterprises in the form of WMPs, as a close substitute for banking deposits. Through several stages of credit intermediation, such as trust loans, entrusted loans, bond markets, and many others, the raised funds from ultimate creditors eventually lend to ultimate debtors, namely, SOEs (including large SOEs and local government financing vehicles), governments, and other enterprises, may or may not through a third-party financial institution.

The most used shadow saving instruments is the WMP, an investment product issued by banks or trust companies that provides returns based on the performance of a pool of underlying assets (Elliott *et al.* 2015). Bank-issued WMPs have now become the uppermost alternative of bank deposits to households and individuals as the returns are not constrained by the deposit ceiling (Dang *et al.* 2014, Ehlers *et al.* 2018). In the past two decades, the average return of WMPs was roughly twice as much as bank deposit rate in China, as shown in Figure 2. WMP is also one of the most important shadow instruments to connect back to the banking system, with approximately 40 per cent of the WMPs invested in the bond market, and the rest of them invested in other money market instruments, including bank deposits (Ehlers *et al.* 2018, Amstad and He 2020).

Investor's desire for a higher-return investment has spurred the growth of shadow saving instruments, not least WMPs. However, they are less protected by switching from the traditional bank deposits to WMPs. By the end of 2016, 80 per cent of the total outstanding WMPs were not guaranteed, meaning that the banks have no obligations to compensate the investors in the case of a default, including both the principal and the return. These non-guaranteed WMPs are not recorded on bank's balance sheets (Ehlers *et al.* 2018). Guaranteed WMPs were completely abolished at the end of 2021. However, for those WMPs which are sold in banks, especially state-owned commercial banks, retail investors may perceive that they are ultimately guaranteed by the state (Ehlers *et al.*

Year	TSF (stock)	RMB loans	Foreign currency-denominated loans (RMB equivalent)	Entrusted loans	Trust loans	Undiscounted bankers' acceptances	Loans proportion	Shadow banking proportion
2015	138.28	92.75	3.02	11.01	5.45	5.85	69.26%	16.13%
2016	156.00	105.19	2.63	13.2	6.31	3.90	69.12%	15.01%
2017	174.71	119.03	2.48	13.97	8.53	4.44	69.55%	15.42%
2018	200.75	134.69	2.21	12.36	7.85	3.81	68.19%	11.97%
2019	251.41	151.57	2.11	11.44	7.45	3.33	61.13%	8.84%
2020	284.75	171.60	2.10	11.06	6.34	3.51	61.00%	7.34%
2021	314.12	191.54	2.23	10.87	4.36	3.01	61.69%	5.81%
2022	344.22	212.43	1.84	11.24	3.75	2.66	62.25%	5.12%

**Figure 1.** Selected components of total social financing (TSF) for China between 2015 and 2022. Source: People's Bank of China.



**Figure 2.** Comparison of the average deposit rate and the average expected rate of return for WMPs (%), Source: *Wind*.

2018), which is actually not the case. That is to say, households and individuals who treat WMPs as their alternative to bank deposits, are dragged into the risky and less regulated shadow banking system without any protection.

The largest component of shadow borrowing instruments is the entrusted loan, a credit transaction between two non-financial firms with a financial institution in the middle fulfilling the role of a trustee, normally a commercial bank or a non-bank financial company (Chen *et al.* 2018, Ehlers *et al.* 2018). Entrusted loans have become the second largest financing sources of loans after the traditional bank loans since 2009 (see Figure 2 for the data after 2015). The majority of the entrusted loans are from the large and well-capitalised enterprises with considerable savings at their disposal looking for a better return, and these loans largely end up in the real estate sector or other industries with excessive capacity (Chen *et al.* 2018, Ehlers *et al.* 2018, Allen *et al.* 2019, Sun 2020). In this sense, entrusted loans become the vehicle that helps commercial banks to dodge the safe-loan regulation, as well as a new means for cash abundant firms to profit.

There are two different types of entrusted loans: affiliated loans and non-affiliated loans (Allen *et al.* 2019). The former is the entrusted loans that are made in between two companies with prior relations, in most cases, from a parent company to a subsidiary or between supplier and customer (Allen *et al.* 2019). And the latter is made between two companies without prior relations. Affiliated loans are essentially pass-through loans whose rate is essentially the same as the official bank loan rate and tend to be within-industry loans, whereas the non-affiliated loans are lent to borrowers at a higher rate, which is roughly twice as much as that of official bank loans (Allen *et al.* 2019). The non-affiliated loans are highly likely to be drawn by industries with over capacity or real estate sectors, which face restrictions when applying for the formal bank credits (Allen *et al.* 2019). Entrusted loans, therefore, are essentially a market creation to cope with the credit shortage of enterprises in certain industries. so the entrusted loans increase when the bank credits become tight (Allen *et al.* 2019).

### **Characteristics of China's shadow banking**

In general, the shadow banking in China has two distinct features which set it apart from shadow banking in other countries – the commercial bank plays a central role in the shadow banking system, and the bank credit instead of securitisation makes the core of shadow banking in China. The characteristics and the origin of the shadow banking precisely reflect the fundamental nature of China's financial system: bank-based, credit-centric, partially liberalised and state-presented.

Also, the shadow banking in China has not successfully changed the relational and government-controlled structure in finance to the arm's length and private mechanisms. Rather, the Chinese-type shadow banking reinforced the former.

First and foremost, the commercial bank plays a decisive role in China's shadow banking (Ehlers *et al.* 2018, Sun 2020, 2019). The flow of funds in the shadow banking system that displays in Figure 3 is the best evidence of bank's central role. Precisely, in a more direct manner, banks provide loans to SOEs, local government financing vehicles and other private enterprises with the funds that they collected from WMPs (Ehlers *et al.* 2018). Or, in a more indirect manner, banks play intermediary roles in entrusted loans and peer-to-peer (P2P) lending where they stand in the middle between two non-financial firms, that are not permitted to borrow or lend from one another, as trustee banks to charge channelling fees and commissions (Chen *et al.* 2018, Ehlers *et al.* 2018).

Banks also innovatively involve themselves in the broader financial market through bank-trust or bank-securities cooperation in order to bypass the regulation (Ehlers *et al.* 2018). The typical way of this operation is that a bank transfers an on-balance-sheet loan to a trust company. The direct loan transfer is prohibited, the trust company, thus, issues a trust product whose underlying asset is the transferred bank loan. Then, the trust product is issued to the bank by the trust company as trust beneficiary rights (Ehlers *et al.* 2018). The T-account in Figure 4 illustrates how the loans move between the balance sheet of the bank and that of the trust companies (where the same font represents the corresponding direct transfer relations). This could also be achieved with bank and securities companies, in which case the debt securities will be transferred to an asset management firm that then issues a direct asset management product (DAMP) to the bank in return (Ehlers *et al.* 2018).

Banks are at the centre of the shadow banking activities by distributing and intermediating a wide range of shadow banking products. In the process of bank-trust cooperation or bank-securities cooperation, banks do not necessarily take on credit risks onto their own balance sheets, but to earn the handling fees. It is the same in the entrusted loans – banks, as passive facilitators, earn a handling fee by being the trustees. Allen *et al.* (2019) argue that banks do not bear the risk of trust beneficiary rights. However, this is not a settled debate. Chen *et al.* (2018) believe that banks bring back the risk of entrusted loans into their own balance sheets by purchasing the trust beneficiary rights as investments. The author leans towards the latter because banks do not bear risks in channelling the loans, but when they buy back the trust beneficiary rights as investments, the risk of the trust beneficiary rights comes along with the asset, thus appearing on bank's balance sheet.

The shadow banking in China, however, remains credit-centric, which is the second characteristics of China's shadow banking that set it apart from that of the US. Shadow banking in China hardly involves any securitisations, a process in which the financial assets are pooled so that they can be repacked into new assets that are tradable on financial markets (Ehlers *et al.* 2018). Instead, with the central role of the commercial banks, China's shadow banking is much more alike the traditional banking that the funds flow from the ultimate lenders (creditors) to the ultimate borrowers (debtors)

	Current account deposit rate	Annualised expected rate of return for 1-week WMP	Time deposit rate	Expected rate of return for 1-year WMP	Inflation rate
2012	0.40	3.41	3.38	5.34	3.78
2013	-	3.53	-	5.14	2.61
2014	0.35	4.16	3.00	5.65	2.29
2015	0.34	3.95	2.27	5.13	1.43

**Figure 3.** The flow of funds in the shadow banking system.

T-account for the bank

Asset	Liability
Loans -100	
<b>TBRs +100</b>	

T-account for the trust company

Asset	Liability
Loans +100	<b>Trust instrument</b>
	<b>+100</b>

Note: 100 is an indicative example.

**Figure 4.** Illustration of a loan transfer between the formal banking sector and a shadow banking entity. Note: 100 is an indicative example.

via one or multiple middlemen, as opposed to the market-based (non-bank) credit intermediation in the US. Because of the credit-centric and bank-based characteristics, China's shadow banking is less complicated than that of the US. China's credit intermediation normally involves only one or two steps, whereas a typical US shadow credit intermediation vertically slices the traditional bank's credit intermediation into a typical seven-step process from loan origination to wholesale funding through various steps of asset-backed security issuance, warehousing and intermediation (Pozsar *et al.* 2010).

To look at the often-used shadow banking activities in China, the essence of the entrusted loan remains bank credit, and even the corporate bonds, in a significant extent, can be considered as a form of disguised bank financing as the on-balance-sheet loans inside the formal banking sector are channelled out to become off-balance-sheet assets, such as corporate bonds under the facilitation of the shadow banking (Amstad and He 2020). In this sense, China's shadow banking is literally the 'shadow' of commercial banks. Consequently, the arm's length and private mechanisms have not nurtured in China's financial system, and the core of the bank-based, credit-centric, partially liberalised and state-presented financial system shows steady continuity. Thus, financialisation is too early to be identified in the current Chinese financial system.

## Conclusion

This article has approached financialisation of the Chinese economy from the trajectory of financial reform by analysing two historical transformations of China's financial system. This paper argues that despite the two transformations of China's financial system over the past four decades, China's financial system does not appear to have changed fundamentally, remaining a partially liberalised bank-based system where the bank credit predominates, and the state intervenes directly. The consistency of China's financial system implies that the arm's length and private mechanisms of finance have not replaced the relational and government-controlled structure. Thus, it is too soon to conclude financialisation in China.

Precisely, the first transformation was a state-led reform process that occurred in between the Opening and Reform in the late 1970s and the onset of the GFC. This transformation upgraded the Soviet-type mono-bank financial system to a US-type system with a multi-tier banking system in the dominate position and a full set of market finance, namely, a capital market and a money market. The first transformation set the tone for the nature and characteristics of China's financial system. Until the conclusion of the first transformation, the rise of finance in China barely had similarities with financialisation.

The second transformation was more of a spontaneous transformation that was initiated by the state intervention in the post-GFC period and then led by the rise of shadow banking. This article

innovatively regards the shadow banking as an integral component of China's financial reform. Shadow banking has transformed the formal banking sector into 'banks in the shadow' or the 'shadow of commercial banks' without challenging the core of China's financial system, which remains partially liberalised, bank-based, credit-centric and state-presented. On top of that, with the facilitation of shadow banking, the collusion within the state sector is even stronger, particularly among the SOEs, state-owned commercial banks and the local governments, implying that the arm's length and private mechanisms in China's financial sector have not replaced by the relational and government-controlled structure. In this light, China's shadow banking can hardly be considered as financialisation.

Even if this paper claims that financialisation has not already presented in China, the transformation and consistency of the Chinese financial system bear enormous domestic and international significance. Domestically, the relational and government-controlled structure plus the bank-centric nature of the financial system reinforced themselves in a peculiar way. Specifically, the collusion among state-owned commercial banks, SOEs and the local governments has been further facilitated by the rise of shadow banking, which will be likely to cause more profound changes to the conduct of the basic economic agents, and further to the wider economy, institution and society. For instance, SOEs have the tendency to become financial operators by being deeply involved in shadow lending activities. As mentioned in the second transformation, they lend their idle funds to other financially constrained firms, in most cases non-state small and medium-sized enterprises to earn financial incomes (Ehlers *et al.* 2018). Along the same lines, the large SOE business groups exercise more financial skills in both the banking sector and the market finance through their thriving financial arms. Moreover, the local government has already shown a tendency to become corporate actors (Oi 1992, Zheng and Huang 2018) through the chain of land sale, local infrastructure development, and the local government financing vehicles.

Internationally, the transformation of China's financial sector and its economy will matter for the global capitalism. China's international capital flow is under rigid state control, and the central bank's intervention is mostly through centralised credit instruments, such as reloan and rediscount. Under such a controlled financial system, market finance is hard to grow by following its own internal dynamic. Given China's current predicament, that is, the country has the second largest economy in the world, but its currency and finance are still rather marginal to the international financial system, there is a contrast between its place in the world market and that in international money and finance. A further transformation towards a more internationally opened and market-based financial system would be required to give China a more balanced position, perhaps involving a stepping back of the state. Global capitalism would certainly look different, if China opened up its financial markets.

## Notes

1. The latest ranking for the world top 5 stock exchange by market capitalisation is available at the official website of Shanghai Stock Exchange (<http://english.sse.com.cn/aboutsse/overview/>, last accessed on 19 May 2023).
2. Zheng and Huang (2018, p. 345) refer to the PBOC at that time as 'accounting office in the Ministry of Finance'. While the phraseology is slightly different, the intention remains the same.
3. Data retrieved from the World Bank. GDP data available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN>, with the stock market cap data available at <https://data.worldbank.org/indicator/CM.MKT.LCAP.CD?locations=CN>, both sources last accessed on 20 March 2023.
4. Data can be found in the overview of the Shanghai Stock Exchange, available at <http://english.sse.com.cn/aboutsse/overview/>, last accessed on 21 March 2023.
5. Chen *et al.* (2020) refer to the rise of the shadow banking in China as 'the stimulus hangover effect'.

## Acknowledgements

The author deeply thanks Professor Costas Lapavistas and Dr Dic Lo for their constructive comments on the earlier versions of this paper.

## Disclosure statement

This article draws from author's PhD dissertation at SOAS, University of London.

## Notes on contributor

**Yuning Shi** is a PhD candidate in Economics at SOAS, University of London. She currently specialises on financialisation and the transformation of the Chinese economy after the Opening and Reform that commenced in the late 1970s. Her research interests include critical finance, the political economy of money and finance, the Chinese economy, and comparative studies of state-owned enterprises in China and other countries.

## ORCID

Yuning Shi  <http://orcid.org/0000-0001-5842-0014>

## References

- Aglietta, M., and Breton, R., 2001. Financial systems, corporate control and capital accumulation. *Economy and society*, 30, 433–66. doi:10.1080/03085140120089054.
- Allen, F., et al., 2019. Entrusted loans: a close look at China's shadow banking system. *Journal of financial economics*, 133, 18–41.
- Amstad, M., and He, Z., 2020. Chinese bond markets and interbank market. In: M. Amstad, G. Sun, and W. Xiong, eds. *The handbook of China's financial system*. Princeton, NJ: Princeton University Press, 105–47.
- Arrighi, G., 1994. *The long twentieth century: money, power, and the origins of our times*. London: Verso.
- Ashman, S., Fine, B., and Newman, S., 2011. The crisis in South Africa: neoliberalism, financialization and uneven and combined development. *Socialist register*, 47, 174–195.
- Becker, J., et al., 2010. Peripheral financialization and vulnerability to crisis: a regulationist perspective. *Competition & Change*, 14, 225–47.
- Bonizzi, B., 2013. Financialization in developing and emerging countries: a survey. *International journal of political economy*, 42, 83–107. doi:10.2753/IJP0891-1916420405.
- Bottelier, P., 2009. The evolution of banking and finance in China: domestic and international aspect. In: M. Zhu, J. Cai, and M. Avery, eds. *China's emerging financial markets: challenge and global impact*. Singapore: John Wiley & Sons (Asia), 53–70.
- Boyer, R., 2008. A finance-led growth regime? In: I. Erturk, et al., ed. *Financialization at work: Key texts and commentary*. 1st ed. London: Routledge, 175–90.
- CBIRC. 2020. *Report on China's shadow banking [中国影子银行报告]*. CBIRC Working Paper 9.
- Cecchetti, S.G., and Kharroubi, E. 2012. *Reassessing the Impact of finance on growth*. BIS Working Paper, 381.
- Cerutti, E.M., and Obstfeld, M. 2018. *China's bond market and global financial markets*. IMF Working Paper No.18/253.
- Chen, Z., He, Z., and Liu, C., 2020. The financing of local government in China: stimulus loan wanes and shadow banking waxes. *Journal of financial economics*, 137, 42–71. doi:10.1016/j.jfineco.2019.07.009.
- Chen, K., Ren, J., and Zha, T., 2018. The nexus of monetary policy and shadow banking in China. *American economic review*, 108, 3891–936.
- Cho, H., 2010. *South Korea's experience with banking sector liberalisation (research report)*. Centre for Research on Multinational Corporations.
- Cong, L.W., et al., 2019. Credit allocation under economic stimulus: evidence from China. *The review of financial studies*, 32, 3412–60.
- Dang, T.V., Wang, H., and Yao, A. 2014. *Chinese shadow banking: bank-centric misperceptions*. Hong Kong Institute for Monetary Research Working Paper No. 22/2014.
- Dos Santos, P. L. 2011. A policy wrapped in 'analysis'—the World Bank's case for foreign banks. In: K. Bayliss, B. Fine, and E. Van Waeyenberge, eds. *The political economy of development: The World Bank, neoliberalism and development research*. London: Pluto, 188–214.
- Ehlers, T., Kong, S., and Zhu, F. 2018. *Mapping shadow banking in China: structure and dynamics*. BIS Working Paper, 701.
- Elliott, D., Kroeber, A., and Qiao, Y., 2015. *Shadow banking in China: a primer, economics studies at brookings*. Washington: Brookings Institution. [https://www.brookings.edu/wp-content/uploads/2016/06/shadow\\_banking\\_china\\_elliott\\_kroeber\\_yu.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/shadow_banking_china_elliott_kroeber_yu.pdf).
- Epstein, G.A., 2005. Introduction: financialization and the world economy. In: G.A. Epstein, ed. *Financialization and the world economy*. Cheltenham: Edward Elgar, 3–16.
- Erturk, I., et al., eds. 2008. *Financialization at work: key texts and commentary*, 1st ed. London: Routledge.

- Feng, Y., Wu, F., and Zhang, F., 2022. Changing roles of the state in the financialization of urban development through Chengtuo in China. *Regional studies*, 56, 1259–70. doi:10.1080/00343404.2021.1900558.
- Financial Stability Board, 2011. *Shadow banking: scope and issues. A background note of the financial stability board*. Basel: Financial Stability Board Publications. [https://www.fsb.org/wp-content/uploads/r\\_110412a.pdf](https://www.fsb.org/wp-content/uploads/r_110412a.pdf).
- Financial Stability Board, 2013. *Global shadow banking monitoring report 2013*.
- García-Herrero, A., Gavila, S., and Santabárbara, D., 2006. China's banking reform: an assessment of its evolution and possible impact. *Cesifo economic studies*, 52, 304–63. doi:10.1093/cesifo/ifl006.
- Grahl, J., and Teague, P., 2000. The régulation school, the employment relation and financialization. *Economy and society*, 29, 160–78.
- Harvey, D., 1989. *Condition of postmodernity: an enquiry into the origins of cultural change*. Oxford: Basil Blackwell.
- He, S., Zhang, M., and Wei, Z., 2020. The state project of crisis management: China's Shantytown redevelopment schemes under state-led financialization. *Environment and planning A: economy and space*, 52, 632–53. doi:10.1177/0308518X19882427.
- IMF, 2014. *Risk taking, liquidity, and shadow banking: curbing excess while promoting growth*. New York: IMF. <https://www.imf.org/en/Publications/GFSR/Issues/2016/12/31/Risk-Taking-Liquidity-and-Shadow-Banking-Curbing-Excess-While-Promoting-Growth>.
- Jiang, J., Qian, K., and Gong, F., 2016. The analysis of Chinese securities investors [中国证券投资者结构分析]. *China securities*[中国证券], 6, 50–4.
- Jiang, P., and Waley, P., 2021. Financialization of urban development in China: fantasy, fact or somewhere in between? *Regional studies*, 56, 1271–81. doi:10.1080/00343404.2021.1932792.
- Kaltenbrunner, A., and Paineira, J.P., 2018. Subordinated financial integration and financialisation in emerging capitalist economies: The Brazilian experience. *New political economy*, 23, 290–313. doi:10.1080/13563467.2017.1349089.
- Karwowski, E., Shabani, M., and Stockhammer, E., 2020. Dimensions and determinants of financialisation: comparing OECD countries since 1997. *New political economy*, 25, 957–77. doi:10.1080/13563467.2019.1664446.
- Karwowski, E., and Stockhammer, E., 2017. Financialisation in emerging economies: a systematic overview and comparison with Anglo Saxon economies. *Economic and political studies*, 5, 60–86. doi:10.1080/20954816.2016.1274520.
- Krippner, G.R., 2012. *Capitalizing on crisis: The political origins of the rise of finance*. Cambridge: Harvard University Press.
- Lapavistas, C., 2009. Financialisation embroils developing countries. *Papeles de Europa*, 19, 108–139.
- Lapavistas, C., 2013. *Profiting without Producing: How Finance Exploits Us All?*. London: Verso.
- Lapavistas, C., and Powell, J., 2013. Financialisation varied: a comparative analysis of advanced economies. *Cambridge journal of regions, economy and society*, 6, 359–79. doi:10.1093/cjres/rst019.
- Lapavistas, C., and Soydan, A., 2022. Financialisation in developing countries: approaches, concepts, and metrics. *International review of applied economics*, 36 (3), 424–47. doi:10.1080/02692171.2022.2052714.
- Law, S.H., and Singh, N., 2014. Does too much finance harm economic growth. *Journal of banking & finance*, 41, 36–44.
- Li, Z., Wu, F., and Zhang, F., 2022. A multi-scalar view of urban financialization: urban development and local government bonds in China. *Regional studies*, 56, 1282–94. doi:10.1080/00343404.2021.1998419.
- Lin, Y., 2009. Opening, reforming and growing China's bond market. In: M. Zhu, J. Cai, and M. Avery, eds. *China's emerging financial markets: challenge and global impact*. Singapore: John Wiley & Sons (Asia), 307–328.
- Lo, D., Li, G., and Jiang, Y., 2011. Financial governance and economic development: making sense of the Chinese experience. *Psi quarterly review*, 64, 267–86.
- Naughton, B., 2019. The financialisation of the state sector in China. *East Asian policy*, 11, 46–60.
- Oi, J.C., 1992. Fiscal reform and the economic foundations of local state corporatism in China. *World politics*, 45, 99–126. doi:10.2307/2010520.
- Pan, F., Zhang, F., and Wu, F., 2021. State-led financialization in China: the case of the government-guided investment fund. *The China quarterly*, 247, 749–72. doi:10.1017/S0305741020000880.
- Petry, J., 2020. Financialization with Chinese characteristics? Exchanges, control and capital markets in authoritarian capitalism. *Economy and society*, 49, 213–38. doi:10.1080/03085147.2020.1718913.
- Powell, J., 2013. *Subordinate financialisation: A study of Mexico and Its Non-financial corporations*. London: SOAS, University of London.
- Pozsar, Z., Adrian, T., and Boesky, H. 2010. *Shadow banking (Staff Report No. 458)*, Federal Reserve Bank of New York staff report. Federal Reserve Bank of New York, New York.
- Rethel, L., 2010. Financialization and the Malaysian political economy. *Globalizations*, 7, 489–506.
- Sun, G. 2019. *China's shadow banking: bank's shadow and traditional shadow banking*. Bank for International Settlement Working Paper, 822.
- Sun, G., 2020. Banking institutions and banking regulations. In: M. Amstad, G. Sun, and W. Xiong, eds. *The handbook of China's financial system*. Princeton, NJ: Princeton University Press, 9–37.
- Tsai, K.S., 2002. *Back-Alley banking: private entrepreneurs in China*. Ithaca, NY: Cornell University Press.
- Tsai, K.S., 2015. The political economy of state capitalism and shadow banking in China. *Issues & studies*, 51, 55–97.
- Wang, Y., 2015. The rise of the 'shareholding state': financialization of economic management in China. *Socio-economic review*, 13, 603–25. doi:10.1093/ser/mwv016.



- Wang, Hao, et al. 2019. *Shadow banking: China's dual-track interest rate liberalization*. SSRN Working Paper. <http://doi.org/10.2139/ssrn.2606081>.
- Wu, F., Pan, F., and Chen, J., 2022. Financialization under state entrepreneurialism in China. *Regional studies*, 56, 1237–43. doi:10.1080/00343404.2022.2051471.
- Xie, D., 2001. An analysis of China's money market [中国货币市场发展的分析]. *Economic research [经济研究]*, 9, 3–30.
- Ying, Z., 2021. China's money market: economic analysis from a structural perspective [中国货币市场:结构视角的经济分析]. *Economic theory and economic management [经济理论与经济管理]*, 4, 12–26.
- Zhang, C., 2019. The logic and reflection of financialisation [金融化的逻辑与反思]. *Economic research [经济研究]*, 54, 4–20.
- Zhang, M., and Zhuge, H., 2013. Financialisation of Chinese economy against the backdrop of globalisation: Definition and empirical evidence [全球化背景下中国经济的金融化: 涵义与实证检验]. *Forum of world economics & politics [世界经济与政治论坛]*, 1, 122–38.
- Zhao, F., and Tian, J., 2015. The level and trend of China's current financialisation: an systemic and structural analysis [当前中国经济金融化的水平和趋势—一个结构的和比较的分析]. *China review of political economy [政治经济学评论]*, 6, 120–42.
- Zheng, Y., and Huang, Y., 2018. *Market in state: the political economy of domination in China*. Cambridge: Cambridge University Press.