The Impact of the Financial Reform in China

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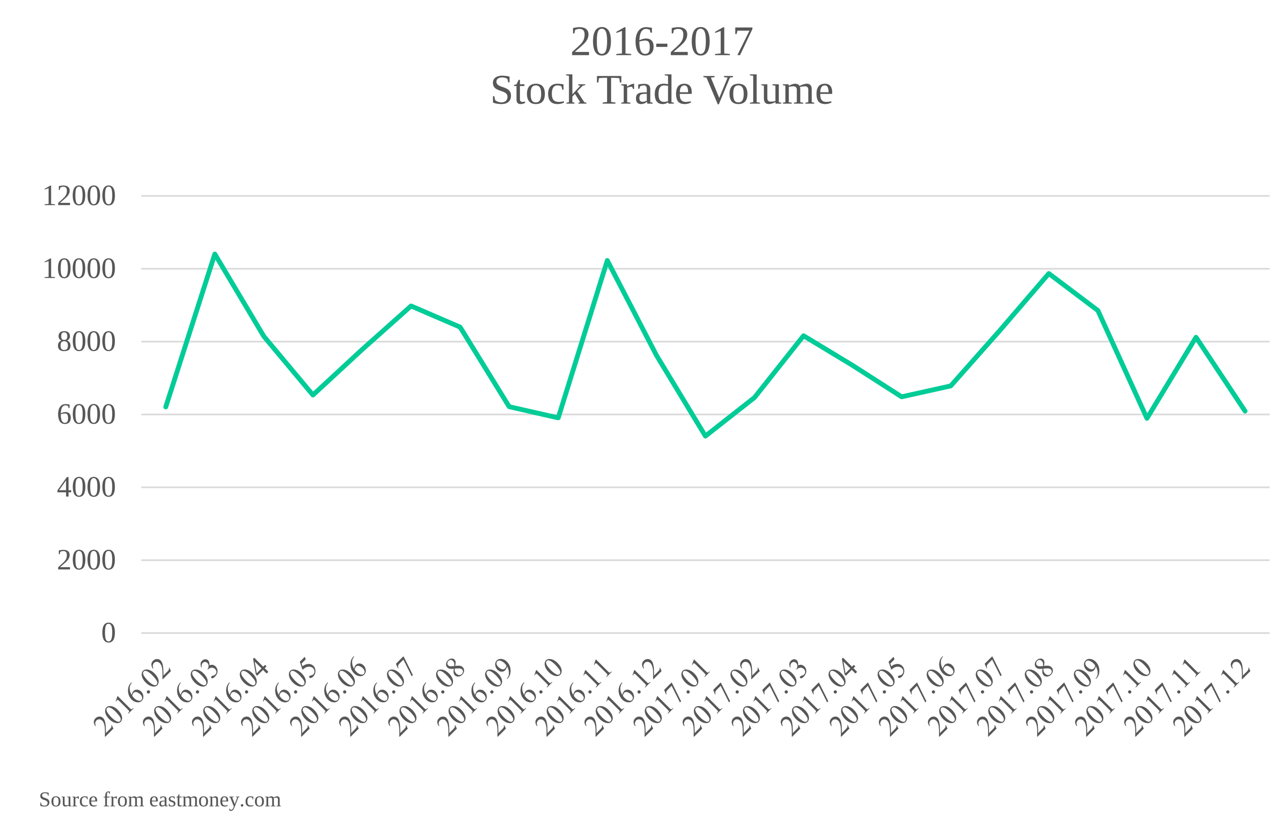
Introduction

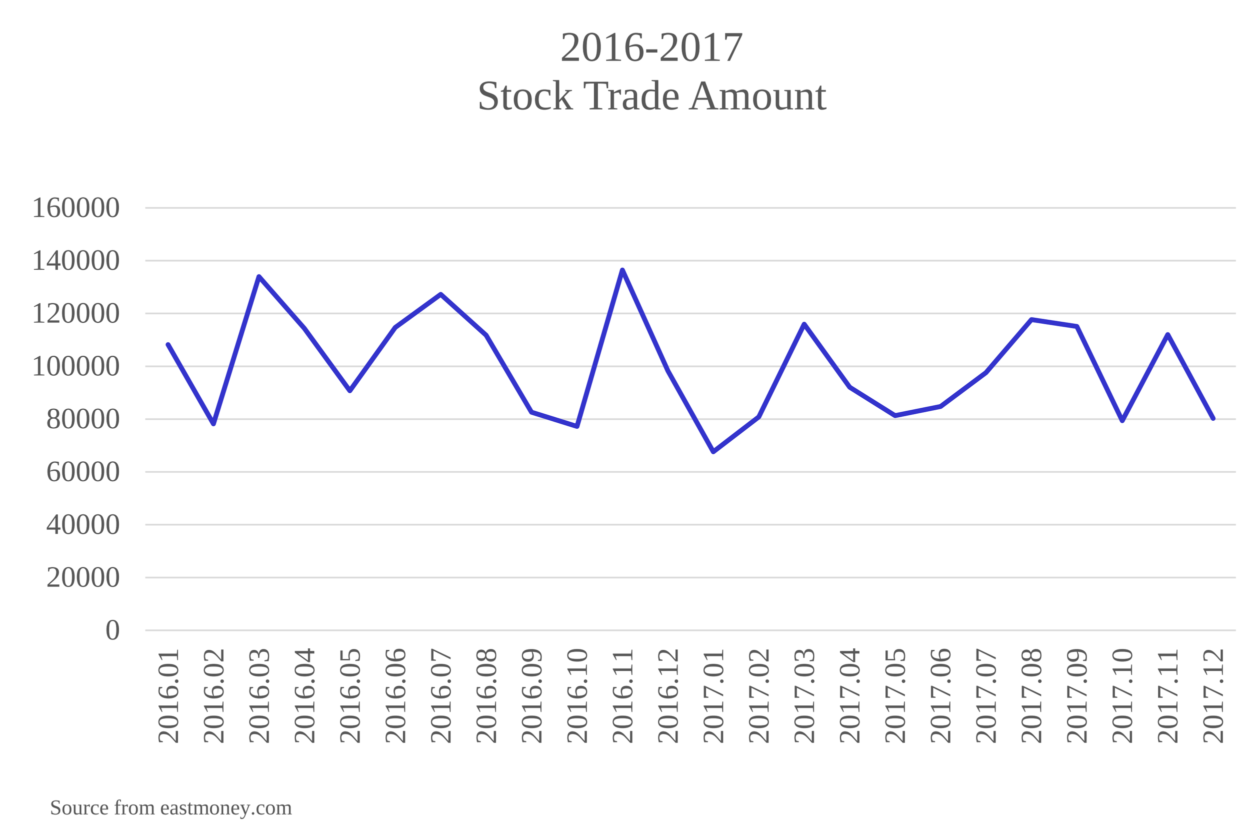
China has issued many policies to implement financial liberalization such as deregulation in the bank sector, refinements in financial markets, and allowing more freedom for Chinese and foreign investors to participate and interact domestically and overseas (Lee 2012). The purpose of these policies is to connect Chinese financial market with global markets closely. Here, we study the impact of the monetary policy issued by the People’s Bank of China in Nov. 2016 for allowing global investors to access the Chinese stock markets directly.

Finding

Since Chinese stock exchanges were established in 1990, it became one of the essential Chinese financial markets. The stock market has been influenced by many elements, such as government policies, economies, business market, and organizational performance. Recent years, the Chinese government has dedicated to establish the systematic management to improve and regulate the financial market, as well as open the financial markets.

The Chinese government has projected a series of financial reforms which has impacted the financial markets. According to Lee (2012), the research that studies the impact of financial liberalization from 1997 to 2007 on stock market liquidity indicated that a positive and significant liquidity impact has associated with the financial reforms. Based on Lee’s finding, the result could be inferred that the policy issued by Chinese central bank in Nov. 2016 could cause a positive impact on the stock market. According to the data of 2017, the stock market capital inflow increased to 23.4 billion dollars which were more than total amount of 2015 and 2016 because of Shanghai and Shenzhen – Hongkong connect which offers Chinese stocks.





Conclusion

- The recent financial reform is a test to allow a more open financial system and a venture to open a small door in China’s regulatory wall restricting money from moving across its borders. (Gough 2016)
- Chinese financial markets are still immature, so the policy enables to control the pace of liberalization while opening the door.
- Chinese technical stocks could get more investment and get benefits on development.

Reference:
1. Gough, N. (2016, November 25). Shenzhen Connect Offers Chinese Stocks. Will the World Buy? Retrieved February 18, 2018, from https://www.nytimes.com/2016/11/25/business/dealbook/china-hongkong-shenzhen-connect.html
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