Lingnan University 嶺南大學

Department of Economics
Research Findings Seminar

"THE IMPACT OF SOCIAL CAPITAL ON BANK RISK TAKING"

(in English)

Presenter:	**Ms. XIE Wenjing** **MPhil Student**
Date:	9 April 2013 (Tuesday)
Time:	1:45 – 2:30 pm
Venue:	WYL314, Dorothy Y. L. Wong Building
Chief Supervisor:	Professor LIN Ping
Co-supervisor:	Dr ZHANG Yifan

Abstract:

The concept of "social capital" has received considerable attention in recent years. Social Capital consists of "networks, norms, and trust – that enable participants to act together more effectively to pursue shared objectives" (Putnam, 1993, Princeton University Press). Yet, few studies have explored the connections between social capital and bank behavior. The issuance of loan contracts depends on not only on the legal enforceability of contracts, but also the extent to which the financier trusts the financee. In high social capital economies, banks may trust borrowers more and have more confidence for borrowers to repay their loans. Thus greater social capital may reduce loan contract violations, thereby reducing loan default.

In this study, I will discuss the theory of social capital and its relevance to financial market behavior, then I will analyze the relationship of the level of social capital and bank risk taking across countries. To measure social capital, I will follow Knack and Keefer (1997) and use the data of trust collected in the World Values Survey. My measure of bank risk taking will be the Z-score of each bank, which equals the return on assets plus the capital-asset ratio divided by the standard deviation of asset returns. All the bank-level data is obtained from the Bankscope Database.

ALL ARE WELCOME

For enquiry: 26167190 (Yuki)