

Corporate governance and bank performance in China

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Abstract: This paper examines the effects of corporate governance on bank performance in China over the data period 1995-2008. Bank performance has improved significantly and the mean profit efficiency level is estimated at 61 percent. The results suggest that differences in corporate governance have significant impacts on bank performance: banks with majority foreign ownership are most profitable while banks with majority state ownership are most unprofitable. We find no evidence that foreign minority ownership in domestic banks improves performance. Banks with more dispersed ownership are found to be more profit efficient.

Key words: SFA; Chinese Banking; Corporate governance.

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