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The importance of the capital market in China

Abstract

The purpose of the publication was to analyze the significance of the functioning capital market in China over a long period of time. The paper discusses the basic models of financial systems, measures of capital market development, as well as the specifics of the functioning of the capital market in China. Then, an analysis of selected financial indicators of the financial market (including the capital market) of China against the market of the United States was made. Statistical data obtained from the following databases were used to conduct the analysis: Financial Structure Database and Global Financial Development Database. These were annual data from 1992 to 2021.

Keywords: capital market, China, financial indicators.

JEL classification: G10.

Paper type: Research article.

Introduction

The capital market is part of the financial system, or more precisely, one of the segments of the financial market. In the literature it is defined in many ways. Authors focus on the complexity of the mechanisms of the capital market and the laws that regulate it. R. Blicharz believes that the capital market "encompasses a *set of mechanisms, infrastructure*

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and rules, allowing to conduct an exchange of certain goods and values, which in the capital market are usually funds and financial instruments" (Blicharz, 2013, p. 19). Other authors, such as F.S. Mishkin and S.G. Eakins, focus on the long-term nature of transactions. Stating that in the capital market "*long-term debt instruments with a maturity of at least one year and equity instruments are traded*" (Mishkin, Fakins, 2018, p. 60). At this point it should be recalled that an extremely important part of the capital market is the securities market. It is characterized by a wide range of financial instruments. What is more, it is characterized by high liquidity of exchange and over-the-counter transactions, moreover, it allows through it to acquire capital and multiply it (Daniluk, 2010, pp. 84-85).

In developed market economies, the securities market plays an important role in the financial systems of these economies. Through its functions, it enables the mobilization of capital, its transformation and valuation. The securities market facilitates the allocation of capital of those who have it in excess (have savings) to those who demand it. Stock exchanges, by virtue of their function of concentrating capital, enable the supply and demand sides to come into contact. Everything takes place under strictly defined and clear conditions. A well-developed securities market influences the creation of favorable conditions for economic growth in a given economy, by affecting the level of investment and savings and absorbing economic shocks (Pszczółka, 2013, pp. 75-77).

The purpose of this paper was to analyze the significance of China's functioning capital market over the long term. The paper focused on examining the long-term trend. The analysis of the problem was based on two pillars. The first was an analysis of the literature treating financial systems, measures of capital market development, as well as an analysis of the environment and conditions of the functioning capital market in China. The second was the analysis of selected financial indicators of the financial market (including the capital market) in China against the United States market. To achieve the goal, a comparative analysis of collected data extracted from the *Financial Structure Database* (World Bank, Financial Structure Database, 2024) and the *Global Financial Development Database* (World Bank, Global Financial Development Database, 2024) was used. These were annual data from 1992 to 2021.

This paper focuses on the capital market in China, but here it should be clarified that this should be understood as mainland China, i.e. Shanghai and Shenzhen. Consequently, a separate market located in Hong Kong – which is a Special Administrative Region of the People's Republic of China (PRC) – has been omitted.

1. Basic models of financial systems

The development of financial systems has resulted in two basic models of financial systems that operate in modern economies (Fallen, Gale, 2001, pp. 153-190):

- Anglo-Saxon – also known as a market-oriented system,
- Continental – also known as a bank-oriented system.

In the Anglo-Saxon model, the financial market and its segments compete strongly with the banking sector and play an essential role in the redistribution of financial resources in the economy (Osiński et al., 2004, p. 14). The key place in the redistribution of financial resources is occupied by investment banks and the stock market – through the issuance of securities (Banaszczak-Soroka, Zawadzka, 2012, p.16). The financial market plays a central role in this system in the allocation of capital. In addition, it facilitates comprehensive risk management, through market signals that allow investors to assess risk, as well as the profitability of investments and businesses. Analytical firms associated with the financial market provide information to the entire market (Osiński et al., 2004, p. 14).

In the continental model, banks play a key role. They collect information about companies, as well as company executives. Then, after analyzing the acquired information, they allocate capital. This makes this allocation more efficient. Banks also provide the opportunity to manage various risks. In this case, this is reflected in the intensified efficiency of investment activities in the economy. Moreover, they also play an important role in capital mobilization. By financing ventures to take advantage of economies of scale (Marcinkowska et al., 2014, pp. 26-27). Banks are also a major component of money transfer through credit and loans (Banaszczak-Soroka, Zawadzka, p. 16).

Certain factors influence the formation of an optimal financial system model in a country. First, there is the level of economic development of the country. For countries with a growing GDP *per capita*, there is a tendency to evolve towards the Anglo-Saxon model. This is due to the fact that financial markets have a more diverse, as well as more flexible way of financing, and on the other hand, allow for more efficient placement of funds. Another factor is the risk appetite of economic agents (businesses and households) of the system. Cultural conditions are key in this regard. In this case, the creation of more favorable conditions for the development of a market-oriented system is influenced by the greater risk appetite shown by participants of the financial system. The next factor is the choice of forms of financing by enterprises. This is an extremely important issue. It has a decisive impact on the development of the financial market and/or the banking system. Another important factor is also the effectiveness of the legal system that regulates the operation of financial markets, as well

as the legal system that protecting shareholders. In this case, legal solutions that allow the effective application of the law in the capital market area create more favorable conditions for a market-oriented system (Osiński et al., p. 15).

As examples of countries with the Anglo-Saxon model, where the ratio of stock market capitalization to GDP is higher than the ratio of bank credit to GDP, the United States, the United Kingdom, as well as Canada, Switzerland are most often cited. For the continental model, on the other hand, examples include countries such as Japan, Germany, South Korea, and Austria. The boundary between the described systems is very fluid. It should be added that today, in many countries, financial systems combine, to varying degrees, elements of a market-oriented system with elements of a bank-oriented system (Bukowski, 2011, p. 15).

2. Measures of capital market development

The development of the financial sector is one of the elements of broad financial development. S.I. Bukowski is of the opinion that "*the development of the financial system in the long term and its impact on economic development can be quantitative and qualitative*" (Bukowski, 2009 b, p. 16).

S.I. Bukowski used in his work to measure the development of the capital market, among others the following indicators: number of listed companies on the stock market, stock market capitalization, ratio of stock market capitalization to GDP, ratio of stock market capitalization to gross capital accumulation (in %), capital raised through stock market issues (% of GDP), capital raised through stock market issues to gross capital accumulation in the economy (in %), capitalization in the stock market for bonds, government debt/GDP (in %), capitalization in the stock market for government bonds to GDP (in %), ratio of capitalization in the stock market for corporate bonds to GDP, ratio of bank deposits to GDP (in %), ratio of bank loans to the private sector to GDP (in %) (Bukowski, 2011, pp. 78-86).

Table 1. shows the most commonly used measures of capital market development according to Ł. Goczek, K. Kurowska, K. Zduniak.

Table 1. Capital market development measures

Group of variables	Variable	Description
Capital market development measures	CAP	Market capitalization of listed companies as a percentage of GDP
	TURN	The value of trading on the stock market as a percentage of GDP
	RATIO	Market liquidity index calculated as the ratio of stock market turnover to capitalization
	LISTC	Number of companies listed on the main stock exchange
	INDEXG	Annual growth of the stock market's primary index

Source: Own study based on: Goczek et al., 2014, p. 143

According to Ł. Goczek, K. Kurowska, K. Zduniak, the measures of capital market development presented in Table 1. are among the most widely used in the literature, starting with Levine (Goczek et al., p. 143).

It can be said that depending on the model of the financial system (Anglo-Saxon or Continental) operating in a country, other indicators of the financial and/or capital market development stand out. In the case of the Anglo-Saxon model, these could be, for example, stock market capitalization/GDP, the number of listed companies or the stock market capitalization of companies listed on a given stock exchange. While in the second model, bank deposits/GDP, bank loans to the private sector/GDP or capitalization in the corporate bond market/GDP (Bukowski, 2009 a, pp. 186-187).

3. Capital Market in Mainland China

Of the ten largest stock exchanges in the world, three are located in China. These include the Shanghai, Shenzhen and Hong Kong stock exchanges.

The *Shanghai Stock Exchange* (SSE), was established on November 26, 1990, and began formal operations on December 19, 1990. The exchange operates under the strong leadership of the Communist Party of China (CPC) Central Committee and the State Council, and the direct guidance of the China Securities Regulatory Commission (China Stock Market Handbook Editorial Board, 2008, pp. 17-23).

The Shanghai Stock Exchange has grown rapidly over its three decades of operation. It offers products in the form of stocks, bonds, funds and derivatives. The exchange has world-class trading systems and communication infrastructure that contribute to the efficient and stable operation of the Shanghai securities market. The Shanghai Securities Market has grown rapidly both in term of size, but also in terms of the number of investors. This, in turn, has made the Shanghai Stock Exchange one of the most representative emerging capital markets. Based on statistics from the World Federation of Exchanges (WFE), at the end of November 2022, the Shanghai Stock Exchange ranked 3rd in terms of total market capitalization, 5th in terms of total turnover and 1st in terms of capital raised, becoming one of the world's top exchanges (Shanghai Stock Exchange, 2024).

The *Shenzhen Stock Exchange* (SEZ) was established on December 1, 1990, and is an entity supervised by the China Securities Regulatory Commission. This exchange organizes, supervises the trading of securities, and performs duties that are prescribed by law, regulations and policies. It contributes to supporting the Chinese economy, as well as transforming the country's economic growth model. The SEZ pays special attention to product and technological innovation, through which the capacity of multi-level capital markets is continuously improved. It includes shares of Chinese companies listed on the main market (Shenzhen Stock

Exchange, 2024). As with the Shanghai Stock Exchange, world-class trading systems ranked among the most modern in the world are used here. In addition, on the Shenzhen Stock Exchange, there is also a safety limit to prevent excessive price fluctuations – a maximum increase/decrease of up to 10% per day (Shenzhen Stock Exchange, 2024). The Shenzhen Stock Exchange offers products in the form of stocks, bonds, mutual funds and derivatives (Shenzhen Stock Exchange, 2024).

A number of exchange-managed products have been developed to support the operation of stock exchanges in mainland China and enable their further development. Among the main ones are *Qualified Foreign Institutional Investor* (QFII), as well as *Shanghai-Hong Kong Stock Connect*, *Small and Medium Enterprise Board* (SME Board) and *ChiNext*.

The Chinese authorities, since the period of the establishment of China's stock exchanges, have imposed restrictions to control the supply and demand of shares. On the supply side, the volume of share issue was rigidly regulated. On the demand side, on the other hand, the demand side was influenced by, for example, the categorization of shares, the ban on their acquisition by financial institutions, and later also by all state-owned enterprises (Wong, 2006, pp. 397-398).

Despite the profound economic reforms initiated in the late 1970s to open up the Chinese economy, China's financial system remained under tight state control. Prior to 1978, the People's Bank of China (PBoC) played a key role in this system. The PBoC was tasked with the functions of both a central bank (issuing and regulating the circulation of cash money, managing the state's foreign exchange reserves, setting interest rates) and a commercial bank. As such, the People's Bank of China was also responsible for mobilizing savings from households and businesses, as well as providing credit. The stream of finance went almost exclusively to state-owned enterprises (Bieliński, Gostomski, 2018, p. 180).

For a general breakdown, at present, China's banks can be divided into state-owned and commercial banks. The purpose of the former is to support the country's economic development, whose activities are included in the country's annual budget plan. These include three banks: *Agricultural Development Bank of China*, *China Development Bank* and *Export-Import Bank of China*. Commercial banks, on the other hand, are focus on profit maximization, for which they, among other things: collect deposits, make loans, handle domestic and international settlements, as well as issue bonds or buy/sell government bonds. They make operational decisions on their own, but are also fully responsible for the risk incurred. The activities of China's commercial banks are therefore reduced to fulfilling their core functions, due to the restrictions imposed by the central government. Commercial banks in the People's Republic of China are further divided into: commercialized state-owned banks and private banks.

In the case of the former, these include the so-called "big four": Bank of China, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China (Heep, 2014, p. 37). These four banks are currently the world's largest in the terms of assets size.

A key moment for the development of China's financial market was China's accession to the *World Trade Organization* (WTO) in 2001. Since that event, the process of liberalizing the banking sector has accelerated significantly. As part of its accession to the WTO, China pledged to open its market to foreign investors (Bieliński, Gostomski, 2016, p. 122).

In addition to reforms in the banking sector, China has also been carrying out capital market reforms. Formally, in its current form, China's capital market has been in place since 1992, but the first bond market mechanisms were already in operation in the 1980s. As in the banking sector, so in the capital market, the watershed moment was China's accession to the WTO. Until then, A shares denominated in Chinese currency (RMB) could only be bought by domestic residents, while B shares denominated in foreign currencies, could only be bought by foreign entities. This division of shares on China's stock exchanges was introduced to control transactions by foreign investors. These entities in order to operate on Chinese stock exchanges had to obtain such a right in advance, under a license (Palonka, 2019, pp. 298-299).

The structure of China's financial system has long been dominated by the banking sector. As such, it seems reasonable to refer to it as a bank-oriented system. However, it should be noted that in recent years there has been an increase in the importance of the capital market in China. Which is confirmed by the significant development of the China's stock exchanges and the high position they occupy internationally, despite their relatively short period of operation in their current form.

4. Data analysis

This part of the article focuses on the analysis of selected financial indicators of the financial market (including the capital market) in China. In order to examine the importance of China's capital market, indicators extracted from the *Financial Structure Database* (World Bank, Financial Structure Database, 2024) and the *Global Financial Development Database* (World Bank, Global Financial Development Database, 2024) were used: stock market capitalization/GDP (%), stock market turnover value/GDP (%), stock market turnover ratio (%), number of listed companies per 1 million population, private sector bank loans/GDP (%), bank deposits/GDP (%), corporate bond market capitalization/GDP (%), government bond market capitalization/GDP (%). In order to better illustration, the data for the above-mentioned indicators were juxtaposed with data for the market in the United States. This is not a random choice of countries – these are the two economic powers of the world. Both the United States and China are the largest

economies in the world in terms of *real* GDP value (constant prices 2015 = 100) (World Bank, World Development Indicators, 2024). In addition, they are countries that are characterized by a different financial system model.

Our own research used annual data from 1992-2021. The beginning of the adopted research period was dictated by the start of the operation of stock exchanges in China – in its current form, the capital market in China has been formally operating since 1992. The unavailability of statistical data from recent years does not allow for the extension of the research period. However, this does not prevent us from fulfilling the research objective and indicating the long-term trend.

The United States is an example of a country with an Anglo-Saxon model. The main source of financing for long-term investments over the years in the United States has become the securities market (Jaworski, 2010, p. 24). The role of banks is mainly reduced to clearing and payment purposes, or providing short-term loans (Golec, 2016, pp. 19-20). Among the institutions licensed in the United States, most are small and medium-sized banks, which are independent local banks. Licensed banking institutions include commercial banks, savings and loan associations and mutual savings banks (Mika, 2012, pp. 418-420). Societies (building societies and self-help societies) and funds are also an important element in the structure of the financial system (Heffernan, 2007, pp. 270-293).

In this paper, data on the capital market in the United States collectively includes data from two stock exchanges: *the New York Stock Exchange* (NYSE) and *the National Association of Securities Dealers Automated Quotations* (NASDAQ). The NYSE formally began operating in 1817. Today, it is the world's largest stock exchange in terms of stock market capitalization (NYSE, 2024). NASDAQ, on the other hand, has been formally operating since 1971 (NASDAQ, 2024). Both the NYSE and NASDAQ exchanges have their headquarters located in New York. The stock market in the United States is the largest in the world in terms of stock market capitalization. Before attempting to analyze selected financial indicators, it is worth noting that China's capital market (in its current form) is much younger than that of the United States.

The first indicator analyzed is stock market capitalization/GDP (%), and the next is the stock market turnover value/GDP (%). Table 2. presents data on the aforementioned indicators for the studied countries from 1992 to 2021.

Table 2. Stock market capitalization/GDP (%) and Stock market turnover value/GDP (%) from 1992 to 2021

Indicators	Stock market capitalization/GDP (%)		Stock market turnover value/GDP (%)	
	China	United States	China	United States
1992	2,40	66,93	2,07	35,88
1993	6,57	71,67	8,41	43,59
1994	8,13	71,53	9,43	48,75
1995	6,28	79,40	10,23	57,95
1996	9,28	95,94	22,21	75,44
1997	16,84	112,51	35,57	94,84
1998	21,38	130,96	31,91	119,18
1999	25,84	144,12	22,62	161,61
2000	38,09	146,66	61,60	237,63
2001	41,64	138,85	45,36	242,08
2002	33,87	115,33	27,13	174,71
2003	30,23	111,19	21,72	145,56
2004	24,69	126,18	23,07	144,94
2005	18,74	128,95	19,96	173,35
2006	28,06	133,78	28,12	206,20
2007	78,45	137,61	103,54	255,07
2008	74,27	109,74	119,99	313,72
2009	52,40	92,76	114,91	284,78
2010	62,42	108,12	132,24	235,06
2011	51,08	107,21	102,63	250,55
2012	42,21	106,75	69,78	228,77
2013	40,43	127,99	67,01	196,77
2014	47,91	145,42	94,59	208,51
2015	64,10	141,88	231,53	221,82
2016	67,60	140,66	249,17	224,06
2017	65,50	153,21	144,69	211,11
2018	45,52	148,27	94,07	160,90
2019	59,63	158,57	127,79	108,51
2020	83,16	194,89	215,02	ND
2021	ND	ND	ND	ND

Source: Own study based on statistical data of the Financial Structure Database and the Global Financial Development Database

The ratio of stock market capitalization/GDP reflects the development of the stock market and the degree of its importance to a country's economy. Based on an analysis of the data in the table above, it can be concluded that the stock market in the United States was more important to the country's economy during the period under review. Importantly, the importance of stock exchanges in China has steadily increased, moreover, they have grown rapidly (from 2.40% of GDP in 1992 to 83.16% of GDP in 2020).

Based on the analysis of the data on the development of the stock market turnover value/GDP ratio (%), it can be noted that higher turnover among the studied economies was recorded in the United States. In addition, China saw a noticeable increase in interest in stock market trading during the period under study. The first and large increase took place in 2007, when the stock market turnover value/GDP ratio increased by 75.42 percentage points compared to the previous year. In contrast, in 2015 it was 231.53% reaching a higher value than in the United States.

Table 3. presents data on the development of the stock market turnover ratio (%) and the number of listed companies/1 million population for the countries studied from 1992 to 2021.

Table 3. Stock market turnover ratio (%) and No. of listed companies per 1 million population from 1992 to 2021

Indicators	Stock market turnover ratio (%)		No. of listed companies per 1 million population	
	China	United States	China	United States
1992	164,76	57,99	0,04	25,58
1993	149,99	69,87	0,10	26,59
1994	214,53	70,00	0,17	27,57
1995	108,81	85,38	0,27	28,12
1996	322,12	89,93	0,43	30,03
1997	230,33	96,01	0,65	28,99
1998	130,66	103,68	0,73	27,18
1999	134,74	135,56	0,76	25,91
2000	158,06	198,08	0,86	24,51
2001	81,38	142,13	0,91	21,68
2002	67,69	135,20	0,96	19,77
2003	77,30	125,94	1,00	18,25
2004	105,93	123,95	1,06	17,85
2005	91,59	153,42	1,06	17,41
2006	150,10	165,47	1,08	17,20
2007	226,39	215,48	1,16	16,96
2008	114,44	292,62	1,21	15,34
2009	292,91	255,96	1,28	14,35
2010	217,32	222,25	1,54	13,83
2011	173,01	246,32	1,74	13,39
2012	139,58	187,10	1,85	13,07
2013	198,90	154,76	1,83	13,23
2014	239,15	152,97	1,92	13,72
2015	556,91	160,16	2,06	13,66
2016	242,27	159,88	2,21	13,41
2017	215,90	133,27	2,51	13,34
2018	206,65	108,51	2,55	13,45
2019	214,29	68,43	2,68	12,99
2020	258,55	ND	2,94	ND
2021	ND	ND	ND	ND

Source: Own study based on statistical data of the Financial Structure Database and the Global Financial Development Database

Based on the analysis of the data in the table above, it can be concluded that the stock market in China has achieved higher turnover values among the countries studied. During the period under study, the value of average annual turnover was at the level of 189.11% in China, while 146.80% in the United States. In the extreme years of the period studied, China recorded a higher rate of stock market turnover ratio. The stock market in China enjoyed a clear interest from investors. In the case of the United States, no such dynamic changes were recorded for the indicator in question.

The ratio of the number of listed companies/1 million population allows us to assess the breadth of the market, which is related to its supply attractiveness. Based on the analysis of the data in the table above, it can be seen that this ratio has been gradually increasing in China. Despite its steady growth, it reached significantly lower values compared to the second country studied. It is also worth noting that in the United States there was a downward trend in the value of the indicator number of listed companies/1 million population.

Table 4. presents data showing the development of the ratio of the private sector bank loans/GDP (%) and bank deposits/GDP (%) for the surveyed countries in the years 1992-2021.

Table 4. Private sector bank loans/GDP (%) and Bank deposits/GDP (%) from 1992 to 2021

Indicators	Private sector bank loans/GDP (%)		Bank deposits/GDP (%)	
	China	United States	China	United States
1992	75,79	46,02	21,18	61,95
1993	78,34	43,94	22,60	58,75
1994	78,21	43,12	22,98	55,12
1995	75,74	44,34	22,72	54,55
1996	80,38	45,04	23,84	55,46
1997	88,36	45,21	26,77	56,29
1998	97,58	45,77	29,48	57,95
1999	104,06	46,01	32,34	59,53
2000	104,83	46,97	35,15	60,97
2001	104,79	49,28	37,14	64,07
2002	107,82	49,72	39,81	65,36
2003	113,14	50,11	42,30	65,15
2004	112,37	51,25	42,78	64,21
2005	106,31	53,14	41,74	64,45
2006	101,11	55,32	40,97	66,60
2007	96,29	57,54	40,47	70,62
2008	97,24	60,77	40,42	77,90
2009	107,94	58,00	44,81	83,04
2010	115,67	52,38	49,07	80,44
2011	116,30	51,29	47,81	79,26
2012	119,84	49,86	45,66	80,01
2013	125,16	49,27	44,74	80,59
2014	131,57	49,20	43,89	81,08
2015	139,92	49,78	44,80	80,61
2016	149,20	51,27	50,85	80,97
2017	150,60	51,64	54,68	80,83
2018	157,81	52,22	52,05	81,00
2019	165,39	52,18	50,56	84,53
2020	182,87	54,57	53,40	101,22
2021	178,13	ND	48,67	ND

Source: Own study based on statistical data of the Financial Structure Database and the Global Financial Development Database

Based on the analysis of the data in the table above, it appears that the market for bank loans to the private sector was more significant in China. At the beginning of the period under review, this ratio was almost double that of the United States, but in 2020 it reached a value more than three times higher. In the case of the United States, one can see clearly lower values throughout the period under study, while in the Chinese economy there was a clear increase in the importance of the indicator in question.

Based on the analysis of the data in the table above, it is clear that there was an upward trend in bank deposits/GDP for the countries analyzed. At the beginning of the period under study, the analyzed ratio in China was less than three times lower than in the United States, but in 2020 it was already almost twice as low (53.40%).

Table 5. shows data on the development of the corporate bond market capitalization/GDP ratio (%) and government bond market capitalization/GDP ratio (%) for the countries studied from 1992 to 2021.

Table 5. Corporate bond market capitalization/GDP (%) and Government bond market capitalization/GDP (%) from 1992 to 2021

Indicators	Corporate bond market capitalization/GDP (%)		Government bond market capitalization/GDP (%)	
	China	United States	China	United States
1992	2,80	70,89	2,37	58,30
1993	2,82	72,03	2,67	60,04
1994	2,58	73,49	2,76	59,24
1995	2,51	77,15	2,98	57,99
1996	2,89	80,48	3,55	56,54
1997	3,51	82,91	4,22	53,95
1998	5,01	87,32	5,39	51,00
1999	6,44	92,00	6,80	47,66
2000	7,51	94,61	9,05	43,28
2001	7,91	98,83	9,91	41,06
2002	9,85	101,22	13,39	41,45
2003	11,45	102,96	14,98	43,45
2004	16,84	103,75	14,83	48,71
2005	24,53	105,72	14,60	52,67
2006	29,02	109,90	13,30	52,38
2007	28,64	113,73	17,34	51,65
2008	33,00	119,95	15,72	57,57
2009	33,37	116,52	16,25	68,06
2010	32,68	102,37	16,12	76,56
2011	30,25	91,86	15,70	82,57
2012	34,23	ND	15,31	ND
2013	34,82	ND	16,26	ND
2014	37,64	ND	16,42	ND
2015	46,15	ND	21,40	ND
2016	52,66	ND	28,88	ND
2017	57,47	ND	35,06	ND
2018	55,27	ND	55,27	ND
2019	61,46	ND	61,46	ND
2020	73,21	ND	73,21	ND
2021	ND	ND	ND	ND

Source: Own study based on statistical data of the Financial Structure Database and the Global Financial Development Database

Based on the analysis of the data in the table above, it can be seen that the indicators in question reached low values in China at the beginning of the period under study. However, over the period under study, and in relation to the United States, they developed more dynamically. This was significantly influenced by the policies pursued in the country and the economic reforms carried out in China. The incompleteness of the available statistical data does not allow for a comprehensive analysis.

Conclusion

Depending on the model of the financial system (Anglo-Saxon or Continental) operating in a country, other indicators of financial and/or capital market development stand out. In the case of the Anglo-Saxon model, these may include, for example, stock market capitalization/GDP, the number of listed companies or the stock market capitalization of companies listed on a given stock exchange. Whereas in the Continental model: bank deposits/GDP, bank loans to the private sector/GDP or capitalization in the corporate bond market/GDP.

In countries with the Anglo-Saxon model, the ratio of stock market capitalization to GDP is higher than the ratio of bank credit to GDP. A good example of a country with this type of model is the United States. In the case of China, the stock market capitalization/GDP ratio did not reach higher values than the bank loans/GDP ratio.

The structure of China's financial system has long been dominated by the banking sector. Such as, it seems reasonable to refer to it as a banking-oriented system. However, it should be noted that in recent years there has been an increase in the importance of the capital market in China. This is evidenced by the significant development of China's stock exchanges and the high position they occupy in the internationally, despite their relatively short period of operation in their current form (since 1992). Of the ten largest stock exchanges in the world, three are located in China. These include the Shanghai, Shenzhen and Hong Kong stock exchange. The gradual opening of the country's economy to the world, as well as China's accession to the World Trade Organization in 2001, played a huge role here.

Analysis of the data of selected financial indicators from 1992 to 2021 allows us to conclude that there has been an increase in the importance of the capital market in China – the ratio of stock market capitalization/GDP over studied period has gradually increased. The analysis of the statistical data in this article shows that all the studied financial indicators for China show an upward trend in the long term. Which, in turn, allows us to formulate the conclusion that the importance of China's capital market in the international arena, as well as against the background of world economic powers, including the United States, is increasing.

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