

# *The Influence Mechanism Study of Cultural Intelligence to Expatriate Adaptation*

Cheng Peng\*

International Business School  
Yunnan University of Finance and Economics  
Kunming, China  
Patty2046@163.com

Siqi Gao

International Business School  
Yun University of Finance and Economics  
Kunming, China  
50665929@qq.com

**Abstract**—With the development of economy, the international financial market has been moving towards a diversified structure. Shadow Banking as a product of financial innovation and financial globalization, it is one of the financial intermediaries and activities, and it is far away from the existing regulatory system. In 2008, the United States had liquidity crisis, then it gave rise to global financial crisis. This financial crisis brought heavy losses and social unrest around the world. It also made seriously influence to the financial stability. Reflection of this financial crisis, both governments and academia think the development of shadow bank is one of the most important reasons for this crisis. Therefore, the shadow banking regulatory issues began to become global financial focus.

In the shadow banking of the developed countries, such as America, shadow banking has the function of credit creation, and it makes the securitization activity. Compared with the development countries, such as China, shadow banking is still in the beginning stage of simple financing, Chinese shadow banking develop quickly with the risk increasing. Therefore, this paper takes the shadow banking as the research object, analyzing the shadow banking regulatory comparison between the China and the Occident. According to the advanced supervision experiences of the developed countries, this paper made specialized shadow banking regulatory suggestions for China.

**Keywords**—*project schedule management; critical chain method; buffering area*

## I. INTRODUCTION

With the development of economic globalization, it's easier to break out the financial crisis. From these financial crisis, the shadow banking regulatory issues began to become global financial focus. At the same time, how to estimate the scale of the shadow banking, how to determine the impact of the shadow banking system on the financial system, how to monitor the shadow banking, these questions are important for international financial sector.

It's generally considered that shadow banking is a product of financial innovation and financial globalization. It is a kind of financial intermediary and activity which is outside the existing supervision system. How to monitor the shadow banking? it is a common problem to the world. Many countries have enacted financial reform programs, they try to make

shadow banking system into the scope of supervision and re-establish the financial regulatory system for preventing financial crisis.

With the development of Chinese economy, Chinese shadow banking system is taking shape, it including small loan companies, trust and investment companies, bank financial products, private lending and so on. It's developing quickly, but the regulatory policy is relatively imperfect. Shadow banking risk is increasing. For example, bank financial products made a crisis of confidence, financial capital flows to the real estate industry and so on. Chinese government realized this problem. In 2013, China issued the first shadow banking regulation policy "No.107.Act".

The research subject of this paper is the emerging things in the financial industry --- shadow banking. The research on the shadow banking of the regulatory issue is still in the early. Therefore, shadow banking regulatory comparative research between the Chinese and the Occident is meaningful. In this paper, it attempts to prove the shadow banking development on the impact of GDP and total social financing from data analysis. It analyzed economic impact by using quantitative and qualitative methods to study the necessity of shadow banking regulation and provide more targeted advices on the supervision. Finally, this paper makes some suggestions: speed up the marketization of interest rate; introduce the bankruptcy mechanism of financial institutions; accelerate international cooperation and gradually harmonize with international standards; establish information sharing mechanism.

## II. LITERATURE REVIEW

After the subprime mortgage crisis, more and more people pay attention to the shadow banks all over the world. Generally speaking, "shadow bank" was first proposed by Paul McCulley, the executive director of Pacific Investment Management Company, McCulley used "Shadow Bank System" to define these financial institutions which is different from traditional commercial banks [1]. Most of shadow banking raise money is short-term uncertainties with outside government regulation and no rediscount right, they couldn't join any deposit insurance organization. Gabrieli argued that shadow bank is a financial innovation that use leverages to have a large number of securities, bonds and all kind of complex financial derivatives [2].

\*Corresponding author

For the shadow banking economic impacts, take China for example. Scholars generally think that the financial impacts can be divided into positive and negative. Hong argued that shadow bank have many positive effects: the shadow bank is a useful complement to the formal financial institutions, further strengthening the financial services intelligence, improving the liquidity of the financial market and profitability of commercial banks [3]. Calmès argued that shadow banks make the effect of monetary policy be decreased, and it raised the cost of capital, shadow banks made a greater challenges for the financial industry supervision [4]. Xia argued that in 2010, Chinese shadow banking loan amount is 850 million, equivalent to 17.8% of the total bank loans, accounting for 21% of GDP [5]. Aiken [6] said that 10 years ago, bank loans had proportion of more than 90% of the total social financing, when looking at the bank loans, it could basically know the fluctuant situation of social financing. But in 2012, bank loans accounted for only about 50% of total social financing. Jian [7] argued that the share of new loans in the total amount of social financing was decreased rapidly from 75.7% to 51.3% in 2013, while the other sources of financing mainly from shadow banks was increased from 24.3% to 48.7%. Hyman [8] thought that the development of shadow banking will affect the macroeconomic, it will have a negative impact on the effectiveness of monetary policy.

In the process of establishing the data model, it's necessary to measure the scale of Chinese shadow banks first. Gabrieli [9] argued that both academics and financial circles, the estimates of total shadow banking financing scale is controversial, so far there is no consistent standard of measurement, financial products and shadow banking financial institutions should be included within the statistical scope, but the authoritative official data has not yet announced. However, the development of Chinese shadow bank is important for economic development, it should use a certain method to measure the shadow banking scale, it could provide a basis for its development and regulatory. Chen [10] thought that the total scale of Chinese shadow banks can be estimated by four parts: entrusted loan, trust assets, bank financial products and private finance. This research will use the four parts as the basis of the scale of China's shadow banking for estimating, then analysis of its impact on Chinese GDP and total social financing.

### III. ESTABLISHING THE ECONOMIC IMPACT OF SHADOW BANKING IN CHINA GENERAL MODELLING CONCEPT

This paper mainly uses qualitative analysis and quantitative analysis. Taking the Chinese Shadow Bank as an example, the paper uses the large amount of data to measure the scale of the Chinese shadow bank, and then establishes the Granger Causal Relation Test and Ordinary Least Square Regression Model to analyze the economic impact of the shadow bank development.

#### A. Key Hypotheses & How the Data Will Be Analyzed

Nesvetailova [11] thought that the total scale of Chinese shadow banks can be estimated by four parts: entrusted loan, trust assets, bank financial products and private finance. This research will use the four parts as the basis of the scale of China's shadow banking for estimating. It assumes that the development of Chinese shadow banking could be indicated by

the shadow banking scale, the economy could be indicated by the GDP and total social financing, and the Chinese shadow banking scale can be measured by the total amount of entrusted loans, trust assets, bank financial products and private loans. Then this paper assumes that the development of Chinese shadow banks have high correlation on economy.

This paper selects the data from 2006 to 2016 as a sample analysis. This paper selected relatively reliable models are the Granger Causal Relation Test and Ordinary Least Square Regression Model for testing. In order to facilitate the study, it has three variables: the total scale of shadow banking, the GDP and the total social financing. In the Granger Causal Relation Test, it is assumed that the variables are stable and keep stable over a long period of time.

#### B. Measure the Total scale of Chinese Shadow Bank

As argued before, we can estimated the total scale of Chinese shadow banks by four parts: entrusted loan, trust assets, bank financial products and private finance. According to this standard, this paper divides the statistical scale of shadow bank into four parts. The first part is bank financial products. The bank financial products have become an important part of Chinese shadow banking system. It is the important off-balance sheet business in commercial banks to raise funds. The second part is the entrusted loan, although the entrusted loan is under the supervision of the central bank, but the commercial bank eventually provided most of the funds of the entrusted loan business, and its increasing scale will further increase the risk of the banking system. The third part is the trust business, because the guarantee company, microfinance companies, pawn shops and other shadow agency data is difficult to obtain, and according to Chinese actual situation, this paper only selected trust company's trust business as a non-bank financial institutions statistical caliber. The fourth part is the private lending, this paper will be defined as non-formal financial channels of non-formal financing activities.

#### C. Data Analysis

Based on the data from 2006 to 2016, this part constructs a number of data models to analyze the impact of shadow banks on the total amount of GDP and social financing. At the same time, this chapter will be based on the results of data analysis and combined with the chapter 2 to sum up the shadow bank's impacts on economy.

The variables chosen in this paper are the amount of the shadow banking scale, the amount of GDP and total social financing. First, "GDP" is represented Gross Domestic Product, "RZ" is represented the total amount of social financing, "SB" is represented the amount of shadow banking scale; and then it need to make the selected data samples be logarithmic, "LNGDP" is represented the GDP after the logarithmic processing, "LNRZ" is represented the total amount of social financing after the logarithmic processing, and "LNSB" is represented the amount of shadow banking after logarithmic processing. Finally using the Time Series Model to analyze the actual effect between them, and according to the empirical conclusion.

Whether the data is stable has an important impact on econometric analysis, so it is necessary to carry out the stationary test before econometric analysis. In recent years, there are a lot of test methods to judge the data stationary, each test method has its own characteristics. This paper takes into account that most of the economic variables in the financial

market are stochastic time series. If the random event variables are directly subjected to Ordinary Least Square regression analysis, it may occur Spurious Regression, then the analysis results are not valid. So it requires three economic variables on the Augment Dickey-Fuller test (ADF test model).

The inspection result of stationary test in table1:

TABLE I. INSPECTION OF STATIONARY TEST

Variables	Inspection Type	ADF statistical magnitude	Critical Value:1%	Critical Value:5%	Critical Value:10%	$\rho$	Inspection Result
LnSB	(C,T,1)	-0.917377	-4.297073	-3.212696	-2.747676	0.7372	non-stationary
LNGDP	(C,T,3)	-3.192943	-4.297073	-3.212696	-2.747676	0.0622	non-stationary
LNRZ	(C,T,1)	-0.350347	-4.297073	-3.212696	-2.747676	0.8836	non-stationary
DLNSB	(C,T,8)	-3.84239	-3.592462	-2.931404	-2.603944	0.0256	stationary
DLNGDP	(C,T,1)	-4.841516	-4.186481	-3.518090	-3.189732	0.0007	stationary
DLNRZ	(C,T,1)	-3.239298	-4.420595	-3.259808	-2.771129	0.0415	stationary

The table 1 showed that the ADF statistical magnitude of LNSB, LNGDP, LNRZ is -0.917, -3.19 and -0.35, they are greater than 5% of the critical value, then it accepts the sequence with the unit root of the original hypothesis, the

original data are non-stationary. After difference processing, the ADF statistical magnitude is less than 0.05 at the 5% level, and it rejects sequences have the original hypothesis with the unit root, and the previously unstable variables are adjusted to stationary variables. Thus, each variable is a first order monotonic sequence shown in table 2:

TABLE II. CHARACTERISTIC TRACE TEST RESULT

Date: 02/13/17 Time: 16:08				
Sample (adjusted): 2008 2016				
Included observations: 9 after adjustments				
Trend assumption: No deterministic trend				
Series: LNRZ LNSB LNGDP				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.999999	137.3304	24.27596	0.0001
At most 1 *	0.786728	14.10146	12.32090	0.0249
At most 2	0.021408	0.194766	4.129906	0.7142
Trace test indicates 2 cointegration eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

From the test results, there are at least two cointegration relationships between variables at the 5% confidence level. It can be concluded that there is a long-term cointegration relationship between the amount of the shadow banking scale, GDP and the total social financing.

According to Johansen Cointegration Test, there is a long-term equilibrium relationship between the amount of shadow banking scale, GDP and the total social financing, it in line with the assumptions of this paper. However, the cointegration test does not involve the causal relationship between the variables. Even if the long-term cointegration relationship between the amount of shadow banking scale, GDP and the total social financing is highly relevant, it can't determine the change of shadow banking scale is the reason of the GDP and

the total social Financing changes, it also requires further Granger Causality Test.

From the test results, it can be seen that at the 5% significance level, because  $P < 5\%$ , the test rejects the null hypothesis that LNGDP and the LNRZ do not the Granger Cause of the LNSB, it indicating that GDP and total social financing are the Granger Cause of shadow banking scale. That is, the development of GDP and the total social financing impact on the shadow banking scale. The economic development promotes the shadow banking development. At the same time, at 5% of the significant level, because  $P > 5\%$ , it accepted the null hypothesis that LNSB does not Granger Cause LNRZ and LNSB does not Granger Cause LNGDP, it

indicating that shadow banking does not necessarily promote a bad impact on the economy, so the shadow bank regulation is

TABLE III. THE RESULT OF GRANGER CAUSE TEST

Pairwise Granger Causality Tests			
Date: 02/13/17 Time: 16:16			
Sample: 2006 2016			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.(P)
LNSB does not Granger Cause LNRZ	9	1.34433	0.3576
LNRZ does not Granger Cause LNSB		2.63157	0.0076
LNGDP does not Granger Cause LNSB	9	2.96622	0.0122
LNSB does not Granger Cause LNGDP		0.58625	0.5980

#### IV. CONCLUSION AND SUGGESTION

Chinese shadow banking has been expanding, and the development of shadow banking is the driving force of financial innovation in the modern financial system. On the positive side, the shadow banks guide and promote the construction and innovation of the modern commercial banking system. All kinds of financial innovation products and business are beneficial for the commercial banks to enhance the risk prevention ability and reduce costs. On the negative side, the shadow banking regulatory mechanism is not perfect, the development of shadow banking without any constraints will make inevitable risk. With the accumulation of risk, capital chain breaks will affect the stability of the entire financial system. Therefore, analysis on the economic impacts of shadow banking is conducive to make pertinent suggestions of the shadow banking supervision.

According to the comprehensive data models, Chinese Shadow banking has a very significant relationship with the economy, which is mainly reflected in the following areas:

First, there is a long-term stable relationship between the development of Shadow banking and total amount of GDP and social financing. The development of Shadow banking will lead to changes in gross domestic product and social financing, but compared to its impact on gross domestic product, the impact of Shadow banking on the total amount of social financing is still relatively weak.

Second, the rapid development of Shadow banking may promote the development of the national economy, but at the same time it may has a bad impact on economy. Therefore, it's essential to carefully consider the development of Shadow banking in China, and it necessary to develop the shadow banking supervision. If the supervision could control the potential risks of Shadow Banking, it could promote the economic development.

Third, the impact of the development of Shadow banking on GDP is longer, and GDP growth continues to fluctuate under the influence of Shadow Banking. The response of the total amount of social financing on the development of Shadow banking is relatively weak. In other words, the most

the economic development to the benign direction, it may have very important.

intuitive performance of Shadow banking development is to promote economic development.

Fourth, GDP and total social financing have also affected development of Shadow banking to a certain extent. As one of innovative financial instruments, Shadow banking can effectively adjust the allocation of resources, and promote the economic development to a certain degree. Meanwhile, it should also be noted that the rapid economic development has caused the needs of large, medium and small micro-enterprises to financing. Due to the strict supervision of the banking system, commercial banks cannot fully meet these needs, and the financial business under Shadow banking system has the space of development, there's rapid development of the entrusted loans, trust loans and the private lending.

Generally speaking, Shadow banking not only has a good impact on the financial system, but also has a bad impact. The development of Shadow banking can help the financial system to run more efficiently and also accumulate systemic risks, exacerbating the instability of the financial system. Shadow banking will have an impact on the stability of financial system.

#### ACKNOWLEDGMENT

This paper is sponsored by Subject of philosophy and social science of Yunnan Province. Some of the data in this paper were from related commercial banks in China. Therefore, thanks for the information and helps from these cooperatives.

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