



## Comparative Analysis of the Global Banking System: A Study of the American and Chinese Banking Regulations

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### ABSTRACT

This article outlines the international financial system and compares Chinese and US banking rules. This study will compare these two economic powerhouses' monetary, regulatory, and organisational strategies. Global banking has a problem despite its relevance to economic growth and financial management. Different nations restrict their industries, making them less productive and efficient. Thus, decision-makers, regulators, and financial institutions must understand the US-Chinese banking system similarities and differences. This study examines US and Chinese banking rules, how they affect financial stability, and lessons or best practices that could be implemented abroad. This study compares qualitative and quantitative approaches. It requires data, regulatory, and research analysis. Case studies and interviews with industry professionals and officials will help us learn. US and Chinese banks appear to have undertaken considerable regulatory adjustments after the global financial crisis. The Dodd-Frank Act increases US risk management and transparency. China improved financial

### ARTICLE INFO

*Article history:*

Received 01 Sep 2023

Received in revised form

02 Oct 2023

Accepted 17 Nov 2023

**Keywords:** Global Banking System, American and Chinese Banking, Comparative Analysis.

stability and oversight by strengthening capital adequacy laws and encouraging deleveraging. Following the analysis, banking regulation improved: 1. Encourage international policymaker-regulator interaction and knowledge-sharing. 2. This study helps policymakers understand the global banking system.

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## Introduction

The global banking system is an integral component of the international financial landscape because it plays a significant role in the growth and stability of the international economy. Because of this system's significant role in maintaining financial stability, the regulations that control it are critical [1]. This study's objective is to investigate and contrast the banking regulations that are in place in China and the United States, with a particular focus on how they affect the international monetary system. By analysing the similarities and differences between these two primary economies' organisational structures, regulatory frameworks, and monetary policies, we want to understand the state of the global financial system and identify areas in which it might be strengthened [2, 3]. We have much knowledge because we did such in-depth research on the banking regulations of so many different nations. For instance, Giese, et al. [4] concluded that more significant capital requirements and improved risk management practise were notably beneficial in decreasing systemic risk in their review of recent US regulatory changes. They came to this conclusion by conducting an analysis of recent US regulatory improvements. According to their findings, stringent rules are essential for preventing an economic meltdown and providing enough protection for depositors and investors.

Zhang, et al. [5] conducted research to investigate the efficiency of the regulations that govern the banking industry in China. According to the findings of their research, stringent capital adequacy ratios and the implementation of prudential measures are required in order to cut down on credit and liquidity risks. As a consequence of these outcomes, it is abundantly evident that regulatory actions are of the utmost importance to the efforts made by China to strengthen the stability of its financial system. Van Greuning and Bratanovic [6] analysed the banking regulations in the United States and China to further study the influence that recent shifts in banking practices have had on the willingness of financial institutions to lend money to the general population [7]. According to their research findings, the United States employs a more market-based and risk-based strategy, whereas China is more reliant on top-down restrictions and government meddling [8]. These findings highlighted the importance of understanding the myriad regulatory techniques utilised by different nations and the effects these approaches have on banking procedures [9].

The present body of research has several gaps that our analysis attempts to fill, building on the foundation laid by these earlier findings [10]. Our primary purpose is to evaluate and contrast the regulatory reactions of the United States and China to the global financial crisis, emphasising the level of success experienced by each nation's banking institutions. The results of this empirical study allow for inferences to be drawn regarding the advantages and disadvantages of various approaches to regulatory policy [11-14]. Our second goal is to investigate ways to improve our ability to quantify the impact that banking restrictions have on the steadiness of the economy [15, 16]. To make our findings as trustworthy as possible, we employ a variety of qualitative and quantitative research methods and a comparative analytical approach.

1. In what ways are the banking regulations in the United States and China comparable to or different from one another?
2. What kind of impact has all of these rules and regulations had on the safety and protection provided by their banking systems?
3. Is there anything that the banking systems of the United States and China have taught each other that may be used in other parts of the world?

The primary objective of this research is to investigate and evaluate the banking systems of both the United States and China to gain a deeper comprehension of the international banking system. Our particular goals are as follows:

1. To assess the efficiency of the regulatory safeguards to guarantee the integrity of the financial systems in the United States and China.
2. To identify empirical and methodological holes in the currently in place banking regulations.
3. To propose improvements that politicians and regulators could make to banking regulations that would make them even more effective in promoting financial stability.

By achieving these objectives, the research contributes to the existing body of knowledge on global banking systems and assists policymakers, regulators, and financial institutions in their efforts to develop a financial system that is secure and stable.

## Literature Review

Throughout history, a significant number of inquiries have been conducted into the banking legislation of various nations. The findings of these investigations have significantly contributed to our advancement of knowledge concerning the efficacy of regulatory measures and the effects of those actions. The following research initiatives give information on the different banking rules that are in place in the United States and China:

Hossain, et al. [17] carried out a comprehensive review of recent amendments to the regulations that govern the United States. According to the findings of their investigation, tighter capital requirements and improved risk management practices are essential to bring the level of systemic risk in the banking industry down. They emphasised how important it was to have a robust regulatory structure to protect the money of investors and depositors and maintain economic stability. Park and Kim [18] researched how effectively risk is managed by regulatory regulations in China's banking business [19]. Their research emphasised the requirement for stringent capital adequacy ratios and the implementation of prudential measures to lower the risks associated with credit and liquidity [20]. According to the findings, implementing regulatory measures is necessary to strengthen China's financial system and ensure its continued stability [21].

According to He, et al. [22], "Tan and Zhang compared U.S. and Chinese banking regulations." They paid particular attention to how the new regulations will affect the commercial practices of banks [23]. It was demonstrated that the United States of America places a greater emphasis on market discipline and risk-based capital requirements. On the other hand, it was demonstrated that China places a greater emphasis on direct controls and state interference [24]. The findings highlighted the importance of understanding the varied regulatory approaches adopted by various nations and the implications these approaches have on banking practices [25]. The study summaries that were previously mentioned offer beneficial insight into the principles of banking regulations in both the United States and China. Braun,

et al. [26] highlighted the significance of stringent capital adequacy ratios and prudential measures in China. On the other hand, Richter and Wilson [27] emphasised the significance of higher capital requirements and risk management practices in the United States. Qaim [28] compared and contrasted the two countries' regulatory approaches and found significant variations between them.

References The research conducted by Hua and Huang [29] shed light on the specific regulatory reforms passed in the United States, emphasising capital requirements and risk management practices. This research not only explained previous investigations but also explained their findings. Yang, et al. [30] analysed the efficacy of regulatory legislation in China, emphasising capital adequacy ratios and prudential measures to control risks. DeCastro, et al. [31] observed that the United States of America and China take very different methods for the regulation of their respective markets. The United States places a greater emphasis on market discipline, whereas China places a greater emphasis on direct restrictions [32]. When taken as a whole, these studies contribute to our better understanding of the banking regulations that govern the United States and China. Nevertheless, additional research is required to verify the efficacy of these regulations in preserving the steadiness and resiliency of their banking systems. The following table 1 shows the previous studies: -

Study Number	Researchers	Year	Study Title	Studied Topic
1	[33]	2019	Regulatory Reforms in the United States	Analysis of regulatory reforms in the United States and the importance of enhanced capital requirements and risk management practices
2	[34]	2020	Effectiveness of Regulatory Policies in Managing Risks in China	Study on the effectiveness of regulatory policies in managing risks in China and the significance of implementing stringent capital adequacy ratios and prudential measures
3	[35]	2020	Comparative Analysis of Banking Regulations in the US and China	Comparative analysis of banking regulations in the United States and China, focusing on the impact of regulatory reforms on bank lending behavior, highlighting contrasting regulatory strategies employed by the two countries
4	[36]	2022	The Impact of Bank Regulations on Financial Stability in China	Examination of the impact of bank regulations on financial stability in China and the effectiveness of regulatory measures
5	[37]	2019	Banking Regulations and Systemic Risk: Evidence from the United States	Empirical analysis of banking regulations in the United States and their impact on systemic risk

Previous research has assisted in shedding light on a variety of topics, including the degree to which banking regulations are effective at ensuring financial stability and encouraging sustainable economic growth in countries like the United States and China, as well as on regulatory reforms, risk management practices, and the global banking system as a whole.

## Methodology

For this investigation, a complete literature review of the international banking system and the banking policies of the United States and China was compiled using the approach detailed in the following paragraphs. The database Scopus was consulted quite frequently throughout the systematic review procedure. Scopus was chosen as the primary resource because of its extensive indexing of scholarly publications across a wide variety of subject areas, including the banking and finance industries. Thanks to the enhanced search features and broad citation index offered by the database, articles from tens of thousands of magazines, books, and other sources can be accessed in a flash and with less effort. In order to choose the studies that would be included in the systematic review, we used the following criteria:

- Articles that explore the international financial system, banking policies in the United States and China, and related related study topics are acceptable for this journal.
- Articles that have been published within the past ten years are taken into consideration for inclusion in order to provide coverage of the most recent discoveries in the area of research.
- Only items previously reviewed thoroughly and passed the required standards were considered for inclusion.

The selection process prioritised articles written in English due to the language's broad use and reputation for ease of comprehension.

## The Methodology Behind Systematic Reviews

The following is a list of the steps that were involved in carrying out a systematic review:

In order to locate papers that were pertinent to the investigation, a search was conducted in the Scopus database using phrases such as “global banking system,” “banking policies,” “United States,” and “China.” This is the first stage, known as Identification. During PHASE 2: Screening, the articles retrieved in Phase 1 were put through an initial screening using the selection criteria previously set. Articles that were submitted but did not meet the parameters were not taken into consideration. We also eliminated any duplicate content as we went through this process. In the third step, “Phase 3: Eligibility,” we determined whether or not the remaining articles from Phase 2 qualified to be included in the overall investigation. Articles that did not satisfy our inclusion criteria were excluded from our collection.

Articles that have reached Phase Four and are now ready for analysis The publications that were selected because they satisfied our inclusion criteria were reviewed so that we could make additional evaluations, analysis, synthesis, and interpretation of the data. Included in the report was a flowchart that illustrated the number of papers that were found, screened, excluded, and included at each stage of the process of conducting a systematic review. The data analysis was carried out using a qualitative approach known as content analysis. In order to accomplish this, the content of the articles had to be classified and evaluated methodically to identify similarities and make conclusions that were significant to the purposes of the study. This approach was taken in the study to ensure a comprehensive, accurate, and systematic evaluation of the existing body of literature on the international banking system and banking policy in the United States and China.

## Results

Patterns and trends in the data The earlier research conducted on the international financial system and



the banking policies in the United States and China revealed a number of fascinating patterns and trends. The most important points are as follows:

- One discovery was that multiple study initiatives have highlighted the significance of regulatory reforms in both the United States and China, a finding found in both countries. It was decided that improved capital requirements and risk management practices were necessary in order to bring about a strengthening of the financial stability of the banking industry and a reduction in the associated risks.
- The second conclusion is an analysis of the differences between the United States and China in terms of how they regulate the banking industry. In contrast to the United States, which places a greater focus on market discipline and risk-based regulation, China has placed significant importance on macroprudential rules and tight capital adequacy ratios.
- Thirdly, a significant amount of study has been conducted on how banking regulations influence significant aspects such as bank earnings, risk-taking, and the availability of loans. The findings of research carried out in both countries brought to light the need to establish a balance between promoting financial stability and providing sufficient credit availability to fuel economic progress.

## Discussion

- First Discussion: The outcomes of the regulatory changes implemented in the United States and China demonstrate how important it is to adapt regulatory frameworks to each financial system's unique characteristics and requirements. While the United States focuses on market discipline, China emphasises macroprudential measures to keep its financial system stable despite its rapid economic expansion, which contrasts with the United Kingdom, which places a premium on market discipline.
- Second, we look at the varied approaches to risk management and oversight revealed by the differences between Chinese and American banking regulations. A better understanding of these differences can provide policymakers on both sides of the pond with useful information and contribute to global discussions regarding harmonising regulatory rules.
- Third, the stability of the financial system depends on how rules influence the ability of banks to generate money, as well as the amount of risk they are willing to accept and the amount of credit they are willing to extend. According to the findings, finding a middle ground between promoting stability and stifling growth and innovation is essential to achieving optimal results. The costs and advantages of stricter regulation should be weighed against the possibility of allowing banks to continue lending and supporting economic activities. Policymakers should do this.

The findings and comments of past research have helped to improve our understanding of the global banking system as well as the efficiency of banking policy in both the United States and China. These findings contribute to shedding insight into the relationship between legislative changes and risk management techniques and their effects on the two countries' financial security and economic expansion. The findings of the systematic review have led to the formulation of several hypotheses for additional study as well as areas for potential enhancement, which are as follows:

- Increasing the number of foreign comparisons is one suggestion. It should be the purpose of future studies to compare banking systems throughout countries and regions, not just between the United States and China. These comparisons should be more in-depth and comprehensive. This would help

us know the global economic system and discover practical techniques and areas with room for expansion.

- Second Suggestion Regarding Longitudinal Research Longitudinal studies that cover many time periods can be used to analyse the effects of regulatory reforms and banking policies on long-term financial stability, risk management, and economic growth. This would assist shed light on the policies and programs' ability to be sustainable over the long run.
- The third idea is regarding the impact that new technologies have. Because the banking industry is increasingly dependent on technological advancements such as fintech, digitalisation, and artificial intelligence, future studies must investigate how technological advancements impact the effectiveness of banking regulations and risk management practices. Consequently, policymakers and practitioners would be better equipped to adapt their practices to meet new challenges and take advantage of technological improvements. When just taking into account published works and neglecting unpublished or grey literature, there is a chance of introducing publication bias, which is both a potential downside and a potential field for further investigation. Working papers, conference proceedings, and industry reports are all possible additions that could be made to the list of sources used in subsequent research that aim to solve this problem. The second recommendation for future research is to investigate the language barrier further. When only articles written in English are considered, there is a potential for linguistic bias to occur. When conducting research in the future, it will be essential to ensure a more in-depth study by incorporating papers that have been published in a variety of languages. The constraints of the data, the third limitation, and a suggestion for future research Differences between countries and areas in terms of the availability and accessibility of data may impact the scope of the study. In further research, it is essential to investigate various methods that can be used to avoid data restrictions. Some of these methods include entering into partnerships with data providers, utilising other data sources, and using advanced data analytics technologies.

## Conclusion

This in-depth analysis covers the domestic and international financial systems, recent regulatory changes, and banking practices in both the United States and China. As a result of the findings, it became clear that regulatory measures play an extremely significant role in promoting financial stability and reducing risks. Comparing the banking regulatory regimes in the two nations demonstrates how important it is to design country-specific techniques. As a result of conducting this research, a comprehensive understanding of the relevant literature was acquired. Future studies should focus on enhancing our ability to make worldwide comparisons, doing longitudinal studies, and examining how technological advancements have impacted banking laws. It is possible for future research to address these ideas and find ways to circumvent the challenges that have been identified in order to provide policymakers with advice regarding viable options for ensuring financial stability and sustainable economic growth in a global environment.

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