“The impact of Social Capital on bank risk taking”

(in English)

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**Venue:** SO322, Dorothy Y. L. Wong Building

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**Abstract:**
The concept of “social capital” has received considerable attention these years. Social Capital is “feature life – networks, norms, and trust – that enable participants to act together more effectively to pursue shared objectives” (Putnam, 1993, Princeton University Press). Yet, few literatures have explored the connections between social capital and bank behavior. The issuance of loan contracts depends on not only the legal enforceability of contracts, but also the extent 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 over the period of 2000 to 2006.

All are welcome