

In this thesis we have studied China's financial sector globalisation by analysing the determinants of Chinese banking sector profitability, and the relationship between GDP growth and FDI inflows. For estimating the Chinese banking sector profitability, we applied system GMM estimation on the annual data of 56 banks currently in China. The time period of the data is from 2002-2011. We found out that both internal and external factors have impact on the Chinese banking sector profitability. As we have expected financial sector globalisation has positive impact on the profitability of banking industry. For analysing the impacts of financial sector globalisation in terms of FDI contribution to the Chinese economy, we have tested the relationship between FDI and GDP by running the VAR model on the macro data over the time period of 1987-2011. We have found that GDP growth explains the rapid development of FDI, and FDI indirectly influences the GDP growth by influencing the domestic investments.