

# **BANKING AND FINANCE ISSUES IN EMERGING MARKETS**

# **International Symposia in Economic Theory and Econometrics**

**Series Editor:** *William A. Barnett*

- Volume 14:** *Economic Complexity*  
Edited by William A. Barnett, C. Deissenberg and G. Feichtinger
- Volume 15:** *Modelling Our Future: Population Ageing, Social Security and Taxation*  
Edited by Ann Harding and Anil Gupta
- Volume 16:** *Modelling Our Future: Population Ageing, Health and Aged Care*  
Edited by Anil Gupta and Ann Harding
- Volume 17:** *Topics in Analytical Political Economy*  
Edited by Melvin Hinich and William A. Barnett
- Volume 18:** *Functional Structure Inference*  
Edited by William A. Barnett and Apostolos Serletis
- Volume 19:** *Challenges of the Muslim World: Present, Future and Past*  
Edited by William W. Cooper and Piyu Yue
- Volume 20:** *Nonlinear Modeling of Economic and Financial Time-Series*  
Edited by Fredj Jawadi and William A. Barnett
- Volume 21:** *The Collected Scientific Works of David Cass – Parts A–C*  
Edited by Stephen Spear
- Volume 22:** *Recent Developments in Alternative Finance: Empirical Assessments and Economic Implications*  
Edited by William A. Barnett and Fredj Jawadi
- Volume 23:** *Macroeconomic Analysis and International Finance*  
Edited by Georgios P. Kouretas and Athanasios P. Papadopoulos
- Volume 24:** *Monetary Policy in the Context of the Financial Crisis: New Challenges and Lessons*  
Edited by William A. Barnett and Fredj Jawadi

**International Symposia in Economic Theory and Econometrics**  
**Volume 25**

**BANKING AND FINANCE ISSUES  
IN EMERGING MARKETS**

EDITED BY

**WILLIAM A. BARNETT**

*University of Kansas, USA, and Center for  
Financial Stability, USA*

**BRUNO S. SERGI**

*Harvard University, USA, and University of  
Messina, Italy*



United Kingdom – North America – Japan  
India – Malaysia – China

Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2018

Copyright © 2018 Emerald Publishing Limited

**Reprints and permissions service**

Contact: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording, or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-78756-454-1 (Print)

ISBN: 978-1-78756-453-4 (Online)

ISBN: 978-1-78756-455-8 (Epub)

ISSN: 1571-0386 (Series)



ISOQAR certified  
Management System,  
awarded to Emerald  
for adherence to  
Environmental  
standard  
ISO 14001:2004.

Certificate Number 1985  
ISO 14001



INVESTOR IN PEOPLE

*Dedicated to the memory of the brilliant financial  
macroeconomist, Shu Wu, 1966–2018.*

# Contents

<b>List of Contributors</b> .....	<i>ix</i>
<b>Editorial Advisory Board Members</b> .....	<i>xi</i>
<b>Acknowledgments</b> .....	<i>xiii</i>
<b>About the Editors</b> .....	<i>xv</i>
Introduction	
<i>William A. Barnett and Bruno S. Sergi</i>	<i>1</i>
1 ASEAN-5 Economic and Exchange Rate Integration	
<i>Tatre Jantarakolica and Korbkul Jantarakolica</i>	<i>9</i>
2 The Macroeconomic Effects of RMB Internationalization: The Perspective of Overseas Circulation	
<i>Cong Wang and Xue Wang</i>	<i>31</i>
3 Dynamic Connectedness in Emerging Asian Equity Markets	
<i>Pym Manopimoke, Suthawan Prukumpai and Yuthana Sethapramote</i>	<i>51</i>
4 Stock Market Contagion from a Spatial Perspective	
<i>William W. Chow</i>	<i>85</i>
5 Deposit Rate Asymmetry and Edgeworth Cycles after Hong Kong's Interest Rate Deregulation	
<i>Michael K. Fung</i>	<i>105</i>
6 India's Bad Loan Conundrum: Recurrent Concern for Banking System Stability and the Way Forward	
<i>Soumya Bhadury and Bhanu Pratap</i>	<i>123</i>

7	An International Perspective on the Loan Puzzle in Emerging Markets <i>Asli Leblebicioglu and Victor J. Valcarcel</i>	163
8	Is Japanese Regional Banks' Overseas Business in Emerging Markets Hopeful?: An Observation through X-means Clustering <i>Masaki Yamaguchi</i>	193
9	A Paradigm Shift in Banking: Unfolding Asia's FinTech Adventures <i>Agrata Gupta and Chun Xia</i>	215
10	Acceptance of Financial Technology in Thailand: Case Study of Algorithm Trading <i>Korbkul Jantarakolica and Tatre Jantarakolica</i>	255
11	Financial Innovation and Technology Firms: A Smart New World with Machines <i>Kevin Chen</i>	279
	<b>Index</b>	293

## List of Contributors

Soumya Bhadury, *Associate Fellow, National Council of Applied Economic Research, New Delhi, India* (Ch. 6)

Kevin Chen, *Center for Global Affairs, New York University and Hywin Capital, USA* (Ch. 11)

William W. Chow, *Division of Business and Management, United International College, Zhuhai, China* (Ch. 4)

Michael K. Fung, *School of Accounting and Finance, Hong Kong Polytechnic University, Hong Kong* (Ch. 5)

Agrata Gupta, *Senior Analyst, Goldman Sachs, London, UK* (Ch. 9)

Korbkul Jantarakolica, *College of Innovation Management, Rajamangala University of Technology Rattanakosin, Nakhonpathom, Thailand* (Chs. 1, 10)

Tatre Jantarakolica, *Faculty of Economics, Thammasat University, Bangkok, Thailand* (Chs. 1, 10)

Asli Leblebicioglu, *School of Economic, Political and Policy Sciences, University of Texas at Dallas, USA* (Ch. 7)

Pym Manopimoke, *Principal Economist, Puey Ungphakorn Institute for Economic Research, Bank of Thailand, Bangkok, Thailand* (Ch. 3)

Bhanu Pratap, *Manager, Department of Economic and Policy Research, Reserve Bank of India, Mumbai, India* (Ch. 6)

Suthawan Prukumpai, *Faculty of Business Administration, Kasetsart University, Thailand* (Ch. 3)

Yuthana Sethapramote, *School of Development Economics, National Institute of Development Administration, Thailand* (Ch. 3)

Victor J. Valcarcel, *School of Economic, Political and Policy Sciences, University of Texas at Dallas, USA* (Ch. 7)

Cong Wang, *Department of Finance, Jinan University, China* (Ch. 2)

Xue Wang, *Department of Finance, Jinan University, China* (Ch. 2)



Chun Xia, *Head of Research, Noah Holdings Group, Shanghai, China, and Visiting Associate Professor, The Faculty of Business and Economics, The University of Hong Kong, Hong Kong* (Ch. 9)

Masaki Yamaguchi, *Faculty of Humanities and Social Sciences, Yamagata University, Japan* (Ch. 8)

# **Editorial Advisory Board Members**

## *Scientific Committee*

William A. Barnett, University of Kansas, Lawrence, Kansas, and Center for Financial Stability, New York City, USA.

F. Bec, University of Cergy Pontoise, France.

H. Ben Ameer, INSEEC, France.

M. Ben Salem, Erudite (UPEMLV) and Paris School of Economics, France.

Ma. Bellalah, University of Jules Verne, France.

R. Davidson, McGill University, Canada and AMSE-GREQAM, France.

G. Dufrénot, Aix-Marseille University, France.

B. Dumas, INSEAD, France.

B. Egert, OECD, France.

Ph. Franses, Erasmus University Rotterdam, the Netherlands.

G. Gallais-Hamonno, University of Orléans, France.

E. Girardin, Aix-Marseille University, France.

J. Glachant, University of Evry, France.

S. Grégoir, EDHEC Business School, France

K. Hadri, Queen's University Belfast, UK.

S. Hall, Leicester University, UK.

F. Jawadi, University of Evry, France.

A. Kirman, Aix-Marseille University & EHESS, France.

- S. Laurent, Maastricht University, the Netherlands.
- B. Lehmann, University of California, San Diego, USA.
- Th. Lux, University of Kiel, Germany.
- F. Mihoubi, University of Evry, France.
- B. Mizrach, Rutgers University, USA.
- S. Onnée, INSEEC, France.
- D. Peel, Lancaster University, UK.
- A. Péguin-Feissolle, Aix-Marseille School of Economics, France.
- G. Prat, University of Paris West Nanterre and CNRS, France.
- Ch. Rault, University of Orléans, France.
- S. Reitz, University of Kiel, Germany.
- Ph. Rothman, East Carolina University, USA.
- L. Sarno, City University London, UK.
- O. Scaillet, HEC of Geneva, Switzerland.
- A. Scannavino, University of Paris 2 Pantheon Assas, France.
- R. Sousa, University of Minho, Portugal.
- G. Talmain, University of Glasgow, UK.
- A. Tarazi, University of Limoges, France.
- T. Teräsvirta, Aarhus University, Denmark.
- R. Tsay, University of Chicago, USA.
- R. Uctum, University of Paris West Nanterre and CNRS, France.
- D. Van Dijk, Econometric Institute, Erasmus University Rotterdam, the Netherlands.

## **Acknowledgments**

From the first step of the proposal submission throughout the editorial work and the final production of volume 25 in the Emerald Publishing's book series International Symposia in Economic Theory and Econometrics, we have received help from several colleagues. We are deeply thankful to reviewers who have offered their expertise, valuable comments, and insights to both this volume's contributors and us. Also, we would like to express our gratitude to Nick Wolterman for his very supportive assistance and expert editorial supervision. We would like to thank the attentive and responsive people at Emerald Publishing who have managed the production of this book from start to finish. We would like to thank Sujatha Subramaniane and all the book's copyeditors for an outstanding editing and proofreading of the final text.

## About the Editors

**William A. Barnett** is the Oswald Distinguished Professor of Macroeconomics at the University of Kansas, Director of the Center for Financial Stability in New York City, President of the Society for Economic Measurement, and Editor of the Cambridge University Press journal, *Macroeconomic Dynamics*. His book, *Getting It Wrong: How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy*, published by MIT Press, won the American Publishers' Award for Professional and Scholarly Excellence for the best book published in economics during 2012. With Nobel Laureate Paul Samuelson, he also coauthored the book, *Inside the Economist's Mind*, translated into seven languages.

**Bruno S. Sergi** is a Teacher and Scholar whose area of research interest centers on the emerging markets. At Harvard University, he is Instructor on the economics of emerging markets and the political economy of Russia and China, Associate of the Davis Center for Russian and Eurasian Studies, and Faculty Affiliate in the Institute for Quantitative Social Science. In addition, he teaches International Economics at the University of Messina, is Associate Editor of *The American Economist* (an official publication of Omicron Delta Epsilon, The International Honor Society in Economics), and Cofounder and Scientific Director of the International Center for Emerging Markets in Moscow. He is the author and/or coauthor of several books and over 150 scholarly papers.