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Essays on Household Finance and Happiness in China

(中国における家計金融と幸福に関する研究)

This research aims to gain a deeper understanding of the complexities underlying the growth of China's socio-economic welfare and subjective well-being. China, as the world's most populous developing nation, faces significant challenges in enhancing the living standards of its citizens, a task of paramount importance for policymakers. This dissertation investigates these challenges and proposes policy recommendations to improve life quality, leveraging empirical analyses based on extensive, nationally representative household survey data. It addresses key questions concerning: 1. The relationship between sibling size and individual happiness; 2. Formal and Informal Finance in China and its Relationship to Household Wealth; 3. Household Mobility between Formal and Informal Credit Channels and its Relationship to Economic and Social Status. The dissertation contains 5 chapters, and each chapter can be briefly described as follows.

Chapter 1 introduces the motivation of the dissertation, briefly explains the overview of China, outlines the structure and summarizes key findings, and discusses the limitations.

Chapter 2 empirically examined the direct and indirect influence of sibling size on happiness in China by using the data from the 2008 Chinese General Social Survey. As China grapples with the dual policy challenges of declining birth rates and the pursuit of individual happiness, understanding the relationship between these two factors is important. This analysis focused on how sibling size shapes individual income and education levels, which are both key determinants of happiness. It addressed the endogeneity issue inherent in sibling size by employing variations in the implementation of family planning policies across provinces in the 1970s as instrumental variables. The findings revealed an

indirect relationship between sibling size and happiness; an increase in sibling size negatively affected both income and education levels, subsequently reducing happiness. This study contributes to the ongoing dialogue on the relationship between family size and individual happiness in China by offering nuanced insights into the channels through which these effects occur. This study also highlights the policy implications, suggesting that initiatives to raise the birth rate should be accompanied by efforts to enhance income and educational opportunities to foster individual happiness.

Chapter 3 examines the relationship between household wealth and both types of finance and clarifies the different roles they play in household finances. This study employs a two-stage selection bias correction method within a multinomial logit framework to estimate and compare the effects of household wealth on borrowing amounts from both formal and informal finance. It utilizes nationally representative household survey data from the China Household Finance Survey (CHFS) of 2017 and 2019. In the first stage, the household borrowing channels—namely formal sources (banks), informal sources (family and friends, private money lenders and etc), and no borrowers—is estimated by multinomial logit model. In the second stage, using the results obtained from the first stage, borrowing amount of each household is estimated by OLS with the inclusion of selection bias correction terms. The results show that as household wealth increases, the propensity to use formal finance increases, and the propensity to use informal finance decreases. After correcting for selection bias, however, we also find that borrowing is positively associated with borrowers' asset holdings and income, regardless of whether they are informal or informal finance. The finding of a positive relationship between the amount of informal finance and assets, after correcting for selection bias, is novel and should prompt a correction of the conventional impression that informal finance is just for vulnerable groups. In informal finance, however, the magnitude of the asset coefficient was more modest, suggesting a mixed aspect involving both production and consumption.

Chapter 4 investigates the shifting patterns of borrowing among Chinese households, utilizing panel data from the CHFS 2015 and 2017. The study used a multinomial logit model to examine the factors influencing this mobility, highlighting the significant contributions of changes in both economic and social aspects and proposing that households may alternate between formal and informal channels depending on evolving circumstances and social networks. The results indicate that affluent households

with higher asset, income and extensive social networks demonstrate a propensity to engage with formal lending channels, whereas those with close kinship ties exhibit a preference for informal means of borrowing. The results highlight the necessity of integrating both formal and informal finance sectors in policy-making, recognizing the dynamic interplay of household choices influenced by economic and social factors, to effectively shape financial inclusion strategies.

Chapter 5 concludes the dissertation, synthesizing the research findings and their implications comprehensively.

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