# Employment Type, Residential Status, and Consumer Financial Capability: Evidence from China Household Finance Survey

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**Abstract**

We use data from the 2011 China Household Finance Survey (CHFS) to investigate whether employment type and residential status are associated with consumer financial capability in China. The hypotheses in this study are: H1: Compared to the other type of employees, employees in the government- managed system have better financial capability. H2: People with urban household residence registration have better financial capability than people with rural household residence registration. H3: People with local urban household residence registration have better financial capability than people with non-local urban household residence registration. H4: People with non-local rural household residence registration have better financial capability than people with local rural household residence registration.

Consumer financial capability is measured by the range of financial assets. In the 2011 CHFS survey, detailed data of families' financial assets is available, including demand deposits, time deposits, stocks, bonds, mutual funds, derivatives, wealth management products, non RMB denominated assets and gold. A dummy variable for each type of financial asset is set to 1 if a household holds that kind of asset and 0 otherwise. The financial asset range is the sum of the 9 dummy variables with possible scores from 0 to 9. We believe this measure is unique and a good proxy as it measures financial capability from all three perspectives: financial literacy, financial behavior, and financial status.

Results from OLS and Poisson regressions show that employees in the government-managed working system and people have urban residence registration have better financial capability. Among rural people, non-local people have better financial capability. Consumer with young age, low income, low education, do not use credit card, in non-financial service occupations and who are in northeast region tend to have a lower level of financial capability. The results have policy implications for consumer financial education and supporting vulnerable consumers.

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