

## MASTER'S THESIS

### The role of guanxi in urban China's self-employment sector: a qualitative case study

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**The Role of *Guanxi* in Urban China's Self-Employment Sector:**

**A Qualitative Case Study**

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**A thesis submitted in partial fulfilment of the requirements**

**for the degree of**

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## Abstract

This research explores the role of *guanxi* in the self-employment sector in contemporary urban China. *Guanxi*, the Chinese idiom of social networks, is an informal strategy widely used by economic actors to cope with shortages of resources and the uncertainty of formal institutions. This research extends the understanding of social capital and *guanxi* and contributes empirical data to the discussion of the importance of *guanxi* in China's transitional economy. Having conducted a comprehensive and critical review of major studies on social capital and *guanxi*, the author argues that the insights of *guanxi* scholarship should be integrated into social capital theory. With this theoretical framework, the author analyzed the role of *guanxi* in the increasing marketization in China, which has resulted in large-scale institutional changes of varying speed, scope, and depth at the local level. Specifically, this research examines the concrete role of *guanxi* in the processes of self-employment activities in a highly marketized garment trading market in an eastern coastal city in China. Based on data from 33 in-depth interviews, it identifies the changing features and outcomes of *guanxi* in self-employment under social institutional changes. It shows that *guanxi* matters in self-employment activities today, but that its role changes dynamically within the transitional institutional contexts. On one hand, *guanxi* serving as an informal business cooperative strategy are always important and are pervasive in economic activities. *Guanxi* ties are often used to supplement, erode, and resist the formal rules. On the other hand, *guanxi*'s function as a back-door path to officials tends to decline after formal rules and regulations are established and implemented effectively.

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