Creditor rights and the market power-stability relationship in banking

Swarnava (Sonny) Biswas

Department of Accounting and Finance, University of Bristol

Abstract

I use the staggered passage of creditor rights reforms in 13 countries to examine how changes in creditor rights affect a) bank stability and b) the bank market power-stability relationship. a) There is statistically weak evidence that stronger creditor rights enhance bank stability; the result is not robust across specifications. b) Market power positively affects stability. However, there is asymmetry in the effect of market power on stability, depending on whether there is an increase or a decrease in creditor rights. The market power-stability relationship is stronger when a country weakens its creditor rights vis-à-vis when it strengthens its creditor rights.

Keywords: Bank risk-taking, Lerner index, Bank competition, Law and Finance

JEL codes: D42, G24

1. Introduction

I analyse the market power-stability relationship in the context of the legal setting in which the bank operates. I examine whether the effect of market power on bank risk-taking differs, depending on an increase versus a decrease in creditor rights. I find that the effect of market power on bank stability is significantly smaller when there is an increase in creditor rights, compared to the situation when there is a decrease in creditor rights. The policy implications are potentially large: in countries with poor creditor rights (such as the French civil law countries), policies reducing competition could be a fruitful channel for fostering stability in the banking sector. However, similar policies will be less effective in countries with stronger creditor rights (such as the English common law countries).

In this paper, I explore how bank-level stability is affected by changes in creditor rights and the interaction of creditor rights and bank market power. I

15-19 Tyndalls Park Road Bristol, UK, BS8 1PQ, s.biswas@bristol.ac.uk.

Preprint submitted to Elsevier September 20, 2017
دریافت فوری
متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات

ISI Articles
مرجع مقالات تخصصی ایران