

Foreign Bank Presence and Business Regulations

Γεώργιος Κουρέτας
Οικονομικό Πανεπιστήμιο Αθηνών

Διάλεξη στο Ερευνητικό Σεμινάριο ΣΔΟ, ΤΕΙ Κρήτης
Παρασκευή 9/1/2015, ώρα 12:00, αίθουσα Σεμιναρίων ΣΔΟ

Over the last decade most empirical research examines how the business regulation and the institutional environment in the host countries affect the establishment and operation of foreign banks. In this paper we thoroughly investigate the other side of the picture: How the presence of foreign banks has an institutional impact in host countries over time. We measure business regulations at the country level using two alternative indices which are aggregate measures of the efficiency of government regulation of business which are by construction suitable for panel data analysis. Our main explanatory variable is the logarithm of the percent of foreign banks over the total number of banks. We also use a large number of control variables that includes an array of macroeconomic variables and bank characteristics. We build a large unbalanced dataset for 136 advanced and emerging using annual data for the 1995-2011 period. The main findings of our analysis show that the foreign bank presence impacts positively both business regulation indices. This finding is robust when different groups of control variables are used. Furthermore, a robustness check leads to the conclusion that the causality does not run from business regulation to foreign bank entrance. Finally, it is shown that the impact of foreign bank presence on host countries' business regulation is more pronounced when we consider the banks from the 10% of more efficient regulated home countries.