

Index

- Abdalla, I.S.A. 135
accountability 208, 226, 233, 234
accounting practices 341, 342, 347, 351
accounting standards 170, 195, 196,
201, 202, 227
Acharya, S. 319, 320
Adams, Dale W. 50, 51, 52, 316–17,
321, 327
adverse selection theory 106
Africa 8–9, 13–14, 46, 51, 279, 281,
324
agency costs 360–61, 363, 365, 386,
398, 399, 410–11
agency problems 156, 157, 165, 244–5,
367
agency theory 360–67
agents 105, 165, 186
agricultural credit 277, 279, 286, 323,
327
Aitken, B. 106, 135–6
AK models 41, 124–5, 126
Aleem, I. 323, 324–5
Amihud, Y. 9, 114–15, 116, 117, 118,
130–31
Anderson, Dennis, 335–6, 340
Ang, J.S. 390–91
APT model 122–3, 125
ARCH (autoregressive conditional
heteroscedasticity) 98, 102, 142
Ardener, S. 280, 287
Argentina 173, 174, 228–9, 257–8
Aryeetey, E. 320, 322, 324, 325–6, 343,
344, 345
ASCAs (accumulating savings and
credit associations) 49–50, 51–2,
280–81, 287, 295, 298, 307–8
Asia 14, 29–30, 233, 261, 264, 279, 325
Asian financial crisis 14, 29–30, 90,
135, 233, 264
asset demands 66, 67, 70
asset portfolio 288–9, 290, 291
asset prices 188, 189, 191, 192, 230,
247, 248
asset pricing models 104, 145
asset substitution 10, 361, 364, 365, 401
assets
banks 170, 173, 257
firms 9, 363, 398–9, 410
households 7, 9
poor people 283, 292, 293–5, 305–6,
363
tangibility 10, 11, 12, 398–9, 402
Atiyas, I. 73, 75, 79–80, 81, 82
Atje, R. 125, 126
Atkin, M. 377–8, 379
Australia 118–19, 127, 137, 139, 393,
394
Aylward, A. 137, 138–9
Bahmani-Oskooee, M. 134–5
Bahra, P. 81, 82
bailouts 198–9, 222–3, 265
balance of payments 188, 250, 254, 255,
257–62
Bangladesh 52, 282, 306, 309, 334
Bank of Thailand 172, 259
Bank Rakyat Indonesia (BRI) 308–9
bank regulation
and bank differentiation 213–16
and banking crises 167, 169, 170,
189–90
by central banks 13
and contracts 214
effectiveness 200–201
and efficiency 214, 215
and financial liberalization 206–7
and governments 169, 173
and incentives 197–200
and market discipline 229, 230, 235
and market mechanisms 214
objectives 214
policies 53, 55

- regulator accountability 226
- regulatory forbearance 163–5, 171, 177–8, 179, 222, 223, 224
- regulatory regime 185–7, 208–10, 234–6
- regulatory strategies 186, 198
- banking crises
 - and bad banking practices 195–7, 217–18
 - bank management 189
 - and bank regulation 167, 169, 179
 - and corporate governance 189, 202–3
 - costs 187
 - and financial liberalization 203
 - and foreign currency 193
 - and incentives 189, 197–200
 - and inflation 226
 - and information disclosure 189, 195
 - inheritance problem 194–5, 204
 - and intervention 177–8, 208, 221–6
 - and liability 218, 226
 - macroeconomic causes 188, 189, 191–4
 - and market-based regulation 171–2
 - and market discipline 202
 - and moral hazard 197–200, 217, 218
 - and property 188, 189, 192
 - and prudential regulation 155–7, 158, 160, 166–9, 217
 - and regulation 200–201
 - and regulatory forbearance 164–9, 171
 - and restructuring 224, 225, 226–7
 - and risk 189
 - social costs 156, 165, 231, 232
 - and supervision 188, 189
- bankruptcy
 - and capital structure 358–9, 361, 362, 364, 366, 367, 370–72, 374–5, 403–5, 411
 - costs 390–92, 399–400, 412
- banks
 - accountability 208, 233, 234
 - accounting standards 170, 195, 196, 201, 202, 227
 - activities 161–2
 - assets 170, 173, 189, 191, 192, 230
 - bailouts 198–9, 222–3
 - capital 160, 173, 175, 176, 194, 195, 200–201, 213–14, 217, 218, 221, 225, 232
 - capital flows 191, 193, 194, 199
 - and competition 205, 207, 208, 217, 227, 229–30
 - control 189, 194–5, 200, 205, 213, 214, 219, 220, 221, 231, 232
 - corporate governance 186, 194, 208, 218, 232–4, 235–6
 - and credit 175, 205
 - and debt 173–4, 189, 228–9, 231
 - deposit insurance schemes 156, 158, 160, 161, 162, 172, 173, 210, 217, 223, 229
 - and deposit rate 36, 174–5
 - and economic growth 3
 - efficiency 213
 - emerging stock markets 141
 - and exchange rates 195
 - and financial liberalization 13–14, 166, 175, 205–8, 257, 333
 - and financial reform sequencing 166
 - and foreign currency 195, 198
 - franchise values 207, 208
 - and governments 172, 178, 198–9, 201
 - incentives 186, 201–2, 205, 208, 209, 215–16, 216, 222, 223, 230, 235
 - and industrial companies 197–9
 - and inflation 205
 - and information 174, 178, 217, 227, 230, 231, 236
 - insolvency 156, 167, 170, 174, 177, 187, 221, 222, 223, 224
 - interest rates 189, 194, 257
 - interventions 177–8, 198–9, 208, 221–6
 - laws 158, 162, 164, 165, 178
 - liquidity 166, 167, 245
 - loans 161, 175–6, 189, 190, 194, 195–6, 201, 205, 227
 - management 165, 175, 178, 189, 194, 195, 200, 212, 213, 214, 219, 221, 234, 235
 - and markets 173–4, 179, 202, 208, 210, 218, 227–32, 235
 - monitoring 201–2, 208, 218, 219–27, 228, 230, 231, 232, 233, 234, 235
 - and moral hazard 165, 172, 173, 203, 217–18, 220, 222, 223, 225–6, 227, 230, 233

- non-performing loans (NPLs) 166–7, 168, 170, 177, 187, 247
- ownership 218, 226, 234, 236
- and politics 200, 201, 217–18, 222, 226, 227
- and poor people 14, 298–9, 309–10
- principal–agent relationships 232
- and property 166, 175, 197
- reserves 15–16, 257, 258–9
- and risk 173, 174, 175, 189, 190, 196–7, 205, 206, 207, 208, 210, 211, 213–14, 222, 223, 228, 234
- risk analysis 194, 195, 203, 212, 214, 219, 220–21
- rules 185, 201, 208, 211–13, 221–2, 226, 235, 236
- safety nets 223, 232
- and savings 55
- shareholders 123–4, 218, 228–9, 232, 233
- shocks 178
- and small and medium sized enterprises (SMEs) 333, 334, 346, 347
- supervision 13, 157, 158, 160, 161, 162, 163–4, 166, 169, 173, 186, 198, 201–2, 206, 213, 214, 215, 216–17, 219–27, 232, 233, 235, 236, 262–3
- and market regulation 228, 230, 231–2
- transparency 178, 202, 217, 227, 233, 234
- uncertainty 204–5
 - see also* bank regulation; prudential regulation
- Barro regressions 3, 5
- Barth, J. 160, 173
- Barton, S.L. 392–3
- Bartov, E. 132–4
- Baskin, J. 394, 398
- Basle Accord 213
- Basle Committee on Banking Supervision 158, 169, 176, 216, 217, 217–18, 221, 231–2, 233, 234, 262–3
- Bayoumi, T. 33–4, 36
- behavioural finance 90–91, 145, 413
- Bell, C. 317
- Bhaduri, A. 279, 325
- Bhattacharya, S. 217
- Bid–ask spread 105–7, 114, 117, 118, 120
- Billett, M. 209
- BIS 216, 217, 222, 263–4
- Bisignano, J. 194, 206, 376, 377, 378
- Black, J. 213
- Blanchard, O. 124, 125–6
- Bodnar, G.M. 132–4
- Bolivia 50, 52
- bonds 241, 243, 251, 360, 361, 364, 366
- Bongini, P. 171
- Bonser-Neal, C. 115, 140
- Boot, A.W. 164–5
- Booth, L. 380, 381
- borrowing constraints 38, 39
- Bouman, F.J.A. 49, 50, 51, 53, 285
- Bradbury, M. 391
- Brainard, W.C. 67, 68–9, 384, 385
- Brazil 253, 254
- Brean, D.J. 130, 131
- Breedon, D.T. 70–71
- Brennan, M. 369–70, 375
- Brock, W.A. 118, 120
- Bruni, F. 222–3
- Burmeister, E. 122
- business groups 169, 170, 377, 388–90
- businesses *see* firms; large-scale enterprises; small and medium sized enterprises (SMEs)
- BVAR model 134–5
- call auction floor trading systems 108–10, 111, 112–13, 116, 117
- Calomiris, C. 173, 228
- CAMEL principles 158, 169
- Canada 127, 128–9, 131, 132, 137, 139
- Canavesi, M.L. 50, 51, 52
- capital
 - accumulation 64, 76
 - banks 160, 173, 175, 176, 194, 195, 200–201, 213–14, 217, 218, 221, 225, 232
 - costs 90–91, 358–60, 370–71
 - and development finance institutions (DFIs) 32
 - and financial markets 320
 - firms 335
 - and flow of funds 80

- and friends 335, 343, 346, 347
- and informal loan rate 36
- and interest rates 31
- in livelihood analysis 288, 289, 290, 291, 292
- regulation 200–201, 215–16
- and relatives 335, 343, 346, 347
- and savings 31
- small and medium sized enterprises (SMEs) 335–6, 339, 340, 342–3, 344
- Capital Asset Pricing Model (CAPM) 70
- capital controls
 - circumvention 252–3, 267
 - complementary measures 261–2
 - design 251–2
 - evaluating regimes 253–5
 - fiscal policy 260–62, 267
 - and monetary policy 255, 256
 - motivation for 250
 - prudential regulation 250, 267
 - and tax reform 262
- capital finance 64, 76
- capital flight 36, 72, 246
- capital flows
 - banks 160, 191, 193, 194, 199
 - and emerging markets 241–4
 - emerging stock markets 135–6
 - and financial crises 188
 - and interest rates 249
 - and investment 247–8
 - and macroeconomic policy 249
 - and private fixed investment 249
 - prudential regulation 256
 - and savings 247–8
 - short-term 246–8, 249
 - stabilization 256–7
- capital inflows
 - and financial crises 261
 - macroeconomic policies 259–61
 - and monetary policy 248
 - and open market operations (OMOs) 257–8
 - and public sector deposit management 258–9
 - and reserve requirement management 258–9, 267
 - short-term 247, 248, 249
 - sterilization 254, 257–60
- and taxation 251, 252, 253, 254, 255, 261–2
- capital markets 10, 11, 246–7
- capital structure
 - and agency theory 360–67, 410–11
 - and asset tangibility 398–9, 402
 - and bankruptcy 358–9, 361, 362, 364, 366, 367, 370–72, 374–5, 390–92, 403–5, 411
 - and business groups 377, 388–90
 - and capital market development 10, 11
 - and corporate strategy 356, 363–4
 - firms 7
 - and growth 401–3
 - and industrial classification 407–9
 - and information asymmetries 366, 368–72, 385, 386, 393–7, 398, 410–11, 412
 - and leverage 358–60, 361, 362, 363, 367, 370, 373, 376–8, 390, 395, 397–9, 400–402, 409, 413
 - micro and small unquoted enterprises (MSEs) 11–12
 - multivariate empirical research methods 381–5, 412
 - and ownership 385–8
 - and profitability 401
 - and risk 11, 403–5, 411
 - and size 399–401
 - and taxation 372–5, 405–7, 409, 411
 - univariate empirical research 375–81, 412
- Caprio, G. 173, 228, 231
- Cardenas, M. 37, 38–9
- cash 305, 306, 343, 361, 362, 364, 368, 395–6
- central banks 13, 76, 77, 78, 164, 169, 171, 257, 258–60
- chaebols 169, 170, 388, 390
- Chang, R.P. 9, 116–17, 118
- chaos 99, 100–101, 104
- Chile 37, 43, 177, 253, 254–5, 257, 259–60
- China 103, 253, 351
- Chowdhury, G. 384, 385, 413
- Chupabayeva, G. 16–17
- Claggett, E.T. 395
- clusters 340
- Cobb–Douglas production function 2

- Cobham, D. 379, 380
 collateral 294, 323, 324, 398
 Colombia 37, 38–9, 100, 102, 136, 137, 138, 254–5, 257
 colonialism 278–9
 Comerton-Forde, C. 108, 110, 118–19
 commercial banks *see* banks
 commercial finance 316, 317
 competition
 banks 208, 217
 and banks 205, 207, 227, 229–30
 and financial liberalization 13–14, 203–4
 microfinance institution (MFIs) 329
 and small and medium sized enterprises (SMEs) 339
 consumer protection 232, 267
 consumption 33, 34, 36–7, 37, 42, 43, 68, 71, 140, 248, 310–11
 ‘contagion’ 243, 246
 continuous auction trading systems (CATS) 108, 109, 110, 111, 112–13, 114–15, 116, 117
 contracts 214–15, 253, 267, 323–4
 cooperatives 280, 298–9
 Copeland, M.A. 64
 Corbett, J. 193, 194, 204, 376, 377, 378
 Corbo, V. 37, 38
 corporate finance
 developing countries 7
 funding choices 356
 Modigliani–Miller theory 359–60, 370–71, 372–3, 410
 promising research ideas 412–13
 traditional view (TV) 358–9
 see also capital structure
 corporate strategy 356, 363–4, 392–3
 corporate tax 123, 372–3, 374, 375, 405–7
 corruption 14, 304, 322
 Costa Rica 258
 costs
 banking crises 187
 bankruptcy 390–92
 of bankruptcy 390–92, 399–400, 412
 of capital 90–91, 358–60, 370–71
 capital control circumvention 252–3
 financial services 343, 344
 market making 105–6, 107, 110, 114, 115
 stock market trading 112, 114–15
 cottage industries 338
 credit
 availability 12
 banks 175
 and banks 205
 controls 39, 43, 319
 and development finance institutions (DFIs) 32
 and economic growth 5, 6
 financial crises 166
 and friends 281, 286, 295
 as goods 297
 and insurance 308
 and markets 325–6
 and neighbours 296
 poor people 306–8
 and relatives 281, 286, 295, 296
 screening 323, 324
 small and medium sized enterprises (SMEs) 333–4, 339, 341, 349, 350–51
 unofficial markets 12, 16
 credit associations 49–52, 279–82, 285, 287, 295, 298–300
 see also ASCAs (accumulating savings and credit associations); credit unions; ROSCAs (rotating savings and credit associations)
 credit contracts 286–7
 credit guarantees 342
 credit programmes 277, 326–9
 credit unions 52–3
 Cuevas, C. 52, 53
 culture 44
 currencies 167, 169, 188
 Darberger–Laursen–Metzler effect 44
 Dawson, J.C. 76, 77, 82
 De Jong, F. 107, 114–15
 De Simone, F. 255
 dealers 105, 107, 109, 111, 114, 118
 dealership markets 110–11, 114, 115
 debt
 and bankruptcy 370–72
 banks 173–4, 189, 228–9, 231
 central banks 257, 258
 and emerging stock markets 141
 families 12
 in financing policy 7

- of firms 356, 358–61, 364–72, 379–81, 383–4, 386, 387–8, 392, 393, 394, 395–6, 398, 401–2, 410, 413
- governmental 15–16
- heterodox model 12
- and leverage 374, 405–6
- and portfolio assets 264–5
- and public investment programmes 262
- and taxation 372–5, 405–7
- and trade-off theory 10
- ‘virtuous’ cycle 248
- debt holders 364–7, 411
- default costs 323, 325
- Dekle, R. 169
- Delta Insurance 309
- demand, financial 282–5, 319–20, 321, 342, 343, 344
- Demirgüç-Kunt, A. 141, 204, 217
- demographic factors 43–4
- dependency ratios 44
- deposit insurance schemes 156, 158, 160, 161, 162, 172, 173, 210, 217, 223
- deposit rate 31, 36, 174–5
- deposit takers 281, 316
- deregulation 256
- derivatives 251
- Detragiache, E. 204, 217
- developed countries 18, 46–7, 62, 250, 263, 266, 279, 376–9, 380–81
- developed markets, trading systems 108, 109, 111
- developed stock markets
 - capital structure 10–11
 - and economic growth 137, 139
 - efficiency 95, 101
 - exchange rates, 135 133
 - market making 105
 - and monetary policy 128–30, 131
 - stock prices 133
 - volatility 101, 102, 103, 118–19
- developing countries
 - banks 32, 157–66, 172–8, 179, 316, 333
 - capital 241–4, 247, 250, 379–81
 - consumption 71
 - corporate finance 7, 356–7
 - credit constraints 43
 - data 73–4, 77–8
 - development strategies 356–7
 - ‘distress borrowing’ 17
 - double taxation agreements (DTTs) 266
 - financial development 20
 - financial intermediation policies 54
 - financial liberalization 4, 16, 17, 18, 29–30, 157–8, 248
 - financial markets 66–7
 - financial problems 82
 - financial regulation 154–5
 - financial repression 31
 - financial resources 72
 - and financial sector 32, 55, 81–2
 - financial systems 316
 - flow of funds 15–18, 62–3, 71–81
 - foreign aid 45
 - informal finance 49–50, 322–3
 - investment 31
 - liquidity 38
 - macroeconomic policies 71, 72
 - microfinance 49–53, 159, 308–10
 - monetary union 261
 - non-bank financial institutions (NBFIs) 157, 158, 166, 167
 - prudential regulation 157
 - quantities 62
 - and regulatory forbearance 164, 165
 - rural poverty 20
 - savings 29, 31–2, 36, 45, 46–7, 49, 54, 248
 - small and medium sized enterprises (SMEs) 335–7, 339–51, 340–45
- development banks 15–16, 356–7
- development finance institutions (DFIs) 32
- development policy 32
- Diamond, D.W. 366
- discount rate 36, 96, 97
- discounted cash flow valuation model 125
- dispute settlement 267
- dividends 123–4, 362, 364, 365, 366, 369, 373, 383–4, 385–6, 394, 396
- Dooley, M. 167, 169
- double taxation 266, 373
- Downs, T.W. 406–7, 410
- earnings 123–4

- East Asian financial crises 13, 155, 166–70, 171, 172
- econometric techniques 39, 41–2, 45, 46
- economic growth
- and banking 3
 - and credit 5, 6
 - and exogenous technical change 2
 - and financial development 3–6
 - and financial liberalization 3, 4
 - and financial markets 3
 - and human capital 4–6
 - and informal enterprise sector 277
 - models 41, 42
 - and money 5, 6
 - and physical capital 5, 6
 - and poverty 19–20
 - regulation 154
 - and savings 40–42
 - and stock markets 125, 137–40, 144, 246
 - and time 2, 3
- economic models 97
- economic policy 62
- economic rents 204, 207
- education 349, 350, 351
- Edwards, S. 37, 39, 44–5, 48
- efficiency
- bank regulation 214, 214–15
 - banks 213
 - financial liberalization 207
 - and financial liberalization 30
 - and informal finance 317–18
 - and microfinance institutions (MFIs) 328
 - small and medium sized enterprises (SMEs) 338
 - stock markets 8, 9, 117
- efficient market hypothesis (EMH) 92, 124, 125, 144
- elasticity of substitution 36–7
- emerging markets 241–4, 245, 262–3
- emerging stock markets (ESMs)
- asset pricing models 104, 145
 - and banks 141
 - and behavioural finance 90–91, 145
 - and capital 10–11, 135–6, 144
 - costs 115
 - and debt 141
 - development 90–91
 - and economic growth 137, 139
 - efficiency 90, 91–4, 96–100, 102–4, 117, 141–2, 143
 - event studies 96–8
 - exchange rates 133, 143–4
 - financial intermediaries 141
 - fiscal policies 131, 143
 - foreign investors 135–6, 145
 - and globalization 145
 - liquidity 90, 91, 115–16, 143
 - and macroeconomic policies 145
 - market making 105
 - monetary policies 128–30, 143
 - performance 90
 - portfolios 96
 - promising research ideas (PRIs) 144–5
 - reforms 90, 144
 - shocks 98–9
 - stock prices 128, 133, 135, 143
 - and thin markets 96, 102
 - trading systems 108, 109, 111, 114, 115
 - volatility 90, 91, 92, 98–101, 102–4, 118–19, 142, 143
- employment
- and informal enterprise sector 277
 - and monetary policy 262
 - and shareholder manager conflict 362
 - and short-term capital flows 243–4, 247, 249
 - and small and medium sized enterprises (SMEs) 334, 335–6, 337, 338, 339, 353
 - see also* human capital
- endogenous growth theory 2–3, 5, 41, 124–5
- entrepreneurship 12, 334, 338, 339, 341, 349, 350, 372
- equilibrium asset models 122–3, 125
- equity 358–9, 360, 361, 368, 369, 371–2, 379–80, 384, 387–8, 392, 393, 394, 395–6, 410, 413
- Escobar, A. 37, 38–9
- Estrella, A. 212, 225
- Euler equation 38
- Evans, D. 4–5, 131
- Evans, H. 187, 217
- Evans, O. 254–5
- event studies 8, 96–8
- exchange markets 66–7

- exchange rates 66, 132–5, 143–4, 195, 243, 247, 248, 258
- execution costs 110, 114, 115
- factor analysis 122
- Fama, E.F. 91, 92, 96, 98, 104, 122, 137, 396, 401
- families *see* relatives
- FDI (foreign direct investment) 241, 242, 243, 259, 260, 264, 265, 267
- Feldstein, M. 48, 123–4
- financial capital 288, 289, 290, 291, 293, 294, 296–7
- financial crises
 - and accounting standards 227
 - and capital inflows 261
 - and financial liberalization 203–4
 - and flow of funds 21
 - and market discipline 227
 - and portfolio assets 264–5
 - and poverty 13, 14, 178–9
 - and prudential regulation 256
 - and rules 188–9, 264
 - see also* banking crises
- financial deepening 31, 35, 39, 318
- financial development 3–6, 19–20, 30–32, 45–6, 54, 318
- financial exclusion 19, 20–21, 312
- financial institutions 4, 29–31, 45–6, 54, 81–2, 155, 167, 263
- financial intermediation 31, 34, 54, 141, 167, 286–7
- financial landscapes 326
- financial layering 321
- financial liberalization
 - and banks 13–14, 166, 175, 203–4, 205–8, 257, 333
 - and competition 13–14, 204
 - development 154, 155
 - and ‘distress borrowing’ 17
 - and economic growth 3
 - and efficiency 30, 207–8
 - and financial crises 203–4
 - and financial intermediation 31, 34
 - and financial sector 30–31, 344–5
 - and flow of funds 16, 72, 81
 - and inflation 205
 - and informal finance 318, 319, 320, 324
 - and instability 204, 206–7, 208
 - and interest rates 17, 35, 166
 - and international capital flows 244
 - laws 206
 - neostructuralist critique 35
 - policies 4
 - and prudential regulation 157–8, 160, 166
 - regulation 154, 155
 - and savings 34, 35, 36, 47, 248
 - and small and medium sized enterprises (SMEs) 333, 348, 351
 - steady state 207–8
 - transitional phase 204–7
 - and uncertainty 206
 - and welfare 320
- financial markets 3, 66–7, 319–26, 320
- financial policies 7, 16, 31, 37, 356
- financial problems 82
- financial reforms 32, 166
- financial repression 31, 35, 316, 318, 329
- financial services
 - demand 282–5, 342, 343, 344
 - and economic growth 3
 - poor households needs 282–5
 - poor people 294
 - and poverty reduction 19–20, 21
 - and small and medium sized enterprises (SMEs) 340–45, 351–3
 - supply 342, 343, 344, 347–8, 353
- Financial Services Authority (FSA), UK 213–14, 216, 232–3
- financial systems 4, 13–14, 72, 326
- Fink, G. 200
- firms
 - assets 9, 10, 398–9, 410
 - bankruptcy 358–9, 361, 362, 364, 366, 367, 370–72, 374–5
 - capital 7, 249, 335, 358–60
 - debt 356, 358–61, 364–72, 379–81, 383–4, 386, 387–8, 392, 393, 394, 395–6, 398, 401–2, 410, 413
 - equity 358–9, 360, 361, 368, 369, 371–2, 379–80, 384, 387–8, 392, 393, 394, 395–6, 410, 413
 - financial distress 360, 366, 392
 - financing policy 7, 356
 - and flow of funds 73–4, 249
 - growth 12, 335–6, 401–3

- ownership 12, 356, 360–61, 366–7, 372, 385–8, 390
- profitability 10, 11
- shares 356, 359
- size 10, 11, 399–401
- tangibility 10, 11, 12, 398–9, 402
- underinvestment 10, 364, 368, 369
- Firth, M. 387–8
- fiscal policy 127, 130–31, 255, 260–62, 267
- fiscal sector 249
- Fisher effect 136–7
- fixed capital 342, 343, 344
- fixed costs 114, 252
- Flannery, M. 230, 232
- Flood, M.D. 106–7, 111, 120
- Floro, S.L. 323, 325
- flow of funds
 - applications 72–3
 - and businesses 73–4
 - and capital 72, 80
 - and central banks 76, 77
 - data 65–6, 73–4, 82
 - empirical studies 79–81
 - and financial crises 21
 - and financial liberalization 16, 72, 81
 - and financial markets 66–7
 - as financial policy 16
 - and financial problems 82
 - and financial sector 81–2
 - and government 76, 77, 80
 - and inflation 74
 - and informal markets 83
 - and interest rates 66–7
 - and microfinance 72–3, 83
 - modelling and data 66–71, 73–9
 - nature of 14
 - and poverty reduction 17
 - principles 63–6
 - promising research ideas (PRIs) 71, 81–3
- flow of funds accounts 14–15, 62–3, 64–5, 74–9
- flow of funds analysis 15, 62–3, 64, 72
- flow of funds models 64, 82
- Folkerts-Landau, D. 204, 207
- foreign aid 45
- foreign bank lending (FBL) 241, 242, 243, 245
- foreign capital 45
- foreign competition 217, 227, 229–30
- foreign currencies 167, 175–6, 194, 195, 198, 252, 257
- foreign debt 169, 251, 252
- foreign exchange 167, 170, 176
- foreign funds 251
- foreign investment 8, 9, 135–6, 145
- foreign money 75, 77, 78, 80–81
- formal finance
 - interest rates 322
 - and microfinance initiatives 308–10
 - poor people 306
 - rural financial markets 315, 330
 - and savings 55
 - small and medium sized enterprises (SMEs) 342, 347, 348, 350
 - transaction costs 308, 322, 323
- fragmentation 321, 322, 324, 325, 335, 344–5
- France 107, 109, 112–13, 114–15, 128–9, 133, 137, 139
- franchise values 207, 208
- Fraser, P. 102, 103
- fraud 51, 267
- French, K.R. 92, 396, 401
- Friedman, B.M. 68, 69
- Friedman, M. 33
- Friend, I. 367, 386–7, 388
- friends 12, 49, 281, 286, 295, 296, 316, 317, 335, 343, 346, 347
- Gambia, The 51, 325
- GARCH (generalized autoregressive conditional heteroscedasticity) 98–9, 102–3
- Gavin, M. 41, 124, 125–6
- gender 349, 350, 351
- General Agreement on Tariffs and Trade (GATT) 265
- General Agreement on Trade in Services (GATS) 265
- general disequilibrium models 67
- generalized error distribution (GED) test 99–102
- Gentry, W.M. 132
- Gersovitz, M. 33, 43
- Ghana 334, 344, 345–51
- Ghatak, M. 286–7
- gifts 296
- Glen, J. 137, 138–9, 377–8, 379, 380–81

- globalization 145
 Goldstein, M. 203, 207, 224–5
 Goodhart, C. 211, 214
 Gordon, P.J. 392–3
 government bonds 241, 249
 government securities 257, 261
 governments
 agricultural credit schemes 277, 304
 and banks 169, 172, 173, 178, 198–9, 201
 credit 277
 debt 15–16
 and flow of funds 76, 77, 80
 informal financial regulation 316, 317–18
 policies on small and medium sized enterprises (SMEs) 345
 savings 37, 44–5
 Green, C.J. 11–12, 16, 68, 69, 76–7, 78, 81, 82, 380
 Greuning, H. 159
 Grossman, S.J. 367, 398
 group finance 279–81, 285–7, 307, 316–17
 see also ASCAs (accumulating savings and credit associations); credit associations; ROSCAs (rotating savings and credit associations)
 growth accounting 2–3
 Guillen, M.F. 389
 Gul, F.A. 389–90

 Haiss, P. 200
 Hamid, J. 379, 380
 Hart, O.D. 367, 398
 Hasbrouck, I. 386, 388
 hedge funds 246, 268
 Hellman, T. 175, 207
 herd behaviour 200, 206, 246
 heterodox model 12
 Hirota, S. 389
 Honahan, P. 228
 Hong Kong 119, 127, 135, 169, 259
 Honohan, P. 73, 75, 79–80, 81, 82, 163–4, 165, 175
 Hospes, O. 280, 326
 households 7, 9, 14, 36–8, 73–4, 249
 see also livelihood analysis; poor households; rural households

 Huang, R.D. 106, 114
 Hulme, D. 327, 328
 human capital 3, 4–6, 288, 289, 290, 291, 293, 294, 297
 Hunsaker, J. 361, 362, 366, 367, 370
 Hunte, Kenrick 32
 Hussain, Q. 390

 IMF 36, 44, 76, 77, 82, 197, 198, 199, 202, 206, 207, 228, 248, 250, 262
 imperfect competition 323
 incentives
 and banking crises 197–200
 banks 186, 189, 201–2, 206, 208, 209, 214–15, 215–16, 216–19, 222, 223, 230, 235
 and financial services 343
 loan repayments 310
 microfinance institutions 312
 income 33, 36, 39, 42–3, 43, 46
 income-expenditure accounts 75, 76, 77
 income tax 123, 374, 375
 India
 banks 15–16
 capital control circumvention 253
 ‘distress borrowing’ 17
 economic growth 42
 financial arrangements 306
 financial market 319
 financial sector development 45
 flow of funds 15–16, 72, 79
 informal finance 317
 interest rates 15–16
 livelihood analysis case study 295–7
 microfinance 309–10
 moneylenders 278–9
 pawnbrokers 281–2
 savings 38, 39, 42, 44
 stock market 8, 100, 102, 103, 128–9, 133, 135, 136, 137, 138
 indirect costs 114
 individuals, lending by 307
 Indonesia
 banks 171, 172, 187, 197, 199, 201
 capital 257, 390
 financial crisis 166–9, 171, 172
 financial systems 326
 microfinance 308–9
 small and medium sized enterprises (SMEs) 351

- stock market 97–8, 100, 109, 115, 136
- industrial classification 407–9
- industrial companies 198–9
- industrialized countries *see* developed countries
- inflation
 - and banks 205, 226
 - causes 35
 - and financial liberalization 205
 - and flow of funds 74
 - and interest rates 17
 - and savings 31, 46
 - and stock prices 136–7, 144
- informal credit
 - neoclassical approaches 319–21
 - new institutional economic approaches 321–5, 327, 328–9
 - political economy approaches 321–2, 325–7
- informal enterprise sector 277
- informal finance
 - contracts 323–4
 - definition 316
 - demand 319–20, 321
 - and development 285
 - and efficiency 317–18
 - and financial liberalization 318, 319, 320, 324
 - and financial markets 319–26
 - and governmental regulation 316
 - and groups 279–81, 285–7
 - and information 320, 321, 322, 323, 324–5
 - institutions 49–50
 - and interest rates 36, 279, 280–81, 286, 298–9, 317, 319–20, 321, 323, 324
 - and laws 320, 321
 - and moral hazard 323
 - overview 316–18
 - and poor people 278–82, 316
 - regulation 316, 319–20, 324
 - and relatives 323
 - and risk 286, 287, 320, 321, 322, 324
 - rural financial markets 315, 330
 - and small and medium sized enterprises (SMEs) 55, 342, 347–8
 - and social relationships 280, 285–7, 317, 323, 324, 325
 - supply 319–21
 - and transaction costs 321, 323, 324, 325
- informal markets 35, 83
- information
 - and banks 156, 174, 178, 189, 195, 230, 231
 - and financial services 343
 - and informal finance 320, 322, 323, 324–5
 - and portfolio investment 244, 245
 - and small and medium sized enterprises (SMEs) 341
 - stock markets 246
 - and stock prices 91, 92, 96, 98
 - and stock returns 144
 - and traders 105–6, 108, 110, 111, 115, 119
 - and trading systems 108, 109, 111, 112
- information asymmetries
 - and capital structure 366, 368–72, 385, 386, 393–7, 398, 410–11, 412
 - and financial liberalization 341–2
 - and insurance 40
 - and moral hazard 368
- information disclosure, banks 174, 178, 189, 195, 217, 227, 231, 236
- infrastructure 249, 290, 292
- insider information 230, 322
- insider lending 166, 171
- insider trading 106
- insolvency 156, 165, 167, 170, 174, 177, 187, 221, 222, 223, 224
- insurance 40, 282, 286–7, 308, 309, 342
- insurance crisis models 167, 169
- interest elasticity of saving 35
- interest payments 50–51
- interest rate wedges 255
- interest rates
 - asset prices 247
 - banks 15–16, 16, 189, 194
 - and capital 31, 248, 249
 - domestic 257, 259
 - and financial liberalization 17, 166
 - and financial repression 35
 - and flow of funds 66, 68–9
 - formal finance 322
 - government rural credit assistance 304

- and inflation 17
- and informal finance 279, 280–81, 286, 298–9, 323, 324
- liberalization 15–16
- measurement error 69
- microfinance institutions (MFIs) 327
- and moral hazard 342
- multicollinearity 69
- and open market operations (OMOs) 257–8
- and poor people 310
- regulation policies 37
- and savings 35–6, 37
- and small and medium sized enterprises (SMEs) 341, 342
- intermediary school 328, 329
- international capital flows 241–4, 245, 246–7
- International Conference on Financing for Development (2002) 1–2
- international financial institutions 262–3
- international investment rules 264–5
- International Monetary Fund (IMF) 4
- international taxation 266
- International Trade Agreement (ITO) 265
- intersectoral financial flows 74, 76, 82–3
- Intertemporal Capital Asset Pricing Model (ICAPM) 70–71
- intertemporal elasticity of substitution 36–7
- inventory theory 106–7
- inverted portfolio models 70–71
- investment 3, 7, 9, 31, 91, 247–8
- investment projects 361, 362, 366, 372
- investment rates 191
- investment regulations 260
- IS-LM model 68, 76, 124, 126
- Israel 108, 109, 137, 138
- Italy 119, 128–9, 133, 137, 139
- Jakarta Stock Exchange 115, 118
- Jalilian, H. 4, 19–20
- Japan
 - capital structure 377–8
 - keiretsu 377, 388, 389–90
 - small and medium sized enterprises (SMEs) 351
 - stock market 127, 128–9, 132, 133, 135, 137
- Jenkinson, T. 376, 377, 378
- Jensen, M.C. 362, 363, 365, 367, 383, 385, 401
- Johnston, R.B. 250
- Jovanovic, B. 125, 126
- Kahle, K.M. 407–8
- Kane, E.J. 165, 178, 223
- keiretsu 377, 388, 389–90
- Kelly, R. 38, 39, 42, 44, 45–6, 54
- Kenya 7, 10, 11–12, 16, 17, 80, 280, 282, 295, 297–300, 333, 339
- Kim, E.H. 135–6, 374
- Kim, W.S. 367, 387
- King, M.A. 373–4
- Kirkpatrick, C. 4, 19–20, 159, 188
- Kleidon, A.W. 118, 120
- Klein, L.R. 17
- Kletzer, K. 169
- Klingebiel, D. 163–4, 165
- Korea
 - banking 169–70, 171, 172, 187, 197, 201
 - capital controls 253, 257
 - chaebols 169, 170, 388, 390
 - financial crisis 166–9, 170, 171–2
 - small and medium sized enterprises (SMEs) 351
 - stock market 134, 135, 136, 137, 138
- Koutmos, G. 102, 103
- Kraus, A. 369–70
- Kritzman, M.P. 96
- land 279, 280, 290, 292
- Lang, L.H. 367, 386–7
- Lang, L.H.P. 116, 117
- large-scale enterprises 335–6, 340, 341
- 'last first' arrangements 50–51
- Latin America 37, 41, 195, 203, 261, 264, 279
- Laumas, G.S. 131
- laws
 - banking 158, 162, 164, 165, 178
 - and financial intermediaries 267
 - and financial liberalization 206
 - and informal finance 320, 321
- least squares regression 65–6
- Lee, J. 119
- Lee, Y.T. 116, 117
- Leland, H. 372

- leverage
 and capital structure 358–60, 361, 362, 363, 367, 370, 373, 376–8, 390, 395, 397–9, 400–402, 409, 413
 and industrial classification 408, 409
 and risk 403–5
 and taxation 374, 405–6
- Lewis, W.A. 3, 338
- life cycle models of saving 33–5, 41, 42, 43, 46
- life cycle needs 282, 285, 294, 296, 305
- life cycle theory of borrowing 38
- life expectancy 43
- Lindgren, C.J. 188, 200, 218, 228
- liquidity
 banks 166, 167, 245
 constraints 38–9, 54
 and portfolio investment 245, 256
 rural economies 279
 of savings 39
 stock markets 8, 9–10, 246
- livelihood analysis
 description 288–92
 and poor people 292–301
- livelihood needs, poor people 312
- livelihood strategies, poor people 277–8
- Lloyd, S. 391
- loans
 banks 161, 175–6, 189, 190, 194, 195–6, 201, 205, 227
 from individuals 307
 recovery 304
 repayments 310
see also non-performing loans (NPLs); reciprocity
- Loayza, N. 39, 46–7
- London Stock Exchange 109, 112–13, 114–15
- lump sums 283–5, 305–6, 307, 310
- MacKinlay, A.C. 96, 97
- Mackintosh, M. 326
- macro economy 55, 188, 189, 191–4
- macroeconomic management 250, 255
- macroeconomic models 124–6
- macroeconomic policies 71, 72, 145, 188, 249
- Madhavan, A. 106, 107, 108, 110, 117, 118, 120
- Madhur, S. 319, 320
- Maimbo, S.M. 159, 164
- Majluf, N.S. 361, 364, 368–71, 396, 401
- Malawi 345–51
- Malaysia
 banking 197
 banking crises 187, 197, 199
 capital 254–5, 257, 258, 259, 390
 financial crisis 169, 171
 stock market 100, 102, 103, 109, 120, 128–9, 130, 135, 136, 137, 138
- managers 360–61, 362–4, 366–7, 372, 386–8, 410–11
- Mankiw, N.G. 3, 125
- manual trading systems 108, 109
- market liberalization 154, 155
- market makers 66–7, 267
- markets
 and banks 173–4, 179, 202, 208, 210, 214, 218, 227–32, 235
 and capital controls 250, 267
 ‘contagion’ 243, 246
 and credit 325–6
 depth 115, 118, 119, 267
 development 72
 discipline 208, 227–32, 235
 and financial crises 227
 and microfinance institutions (MFIs) 328, 329
- Masulis, R.W. 365, 366, 374, 375
- Mavrotas, G. 38, 39, 42, 44, 45–6, 54
- Mayer, C. 333, 374
- McElroy, M.B. 122
- McKinnon–Shaw models 4, 5, 35
- McMillin, W.D. 131
- Mead, D. 334, 335
- mean reversion tests 92, 93–5, 141–2
- Meckling, W.H. 365, 401
- merchant banks 169, 170
- Merton, R.C. 70–71
- Mexico 227, 254
- micro and small unquoted enterprises (MSEs) *see* small and medium sized enterprises (SMEs)
- microcredit 286–7, 352
- microcredit institutions (MCIs) 52, 55
- microfinance
 and flow of funds 72–3, 83
 and formal financial sector 308–10
 poor people 308–10

- and savings mobilization 49–53, 55
- microfinance institutions (MFIs)
 - and consumption needs 310–11
 - demand 311–12
 - development 304
 - and efficiency 328
 - incentives 312
 - independence 310
 - interest rates 327
 - limitations 311–12
 - markets 328, 329
 - poor households 296–300
 - regulation 55, 159
 - and risk 329
 - rural areas 55, 315
 - supply 312
 - sustainability 327–9
 - and transaction costs 329
 - and welfare 304, 310–11
 - and women 310
- Milan Stock Exchange 119
- Miles, D. 384, 385, 413
- Millennium Development Goals (MDG)
 - 1–2, 21
- Miller, M.H. 359–60, 370–71, 372–4, 391, 410
- Mishkin, F. 176
- Mkandawire, T. 338–9
- Modigliani, F. 359–60, 370–71, 372–3, 410
- monetary aggregates 126–30, 143
- monetary policy
 - and capital control 254
 - and capital controls 255, 256
 - and capital inflows 248
 - employment 262
 - and stock markets 131, 143
 - and stock prices 126–30
- monetary portfolio hypothesis 126
- monetary programming model 248
- monetary union 261
- money 5, 6, 31, 39, 283–5
- money-laundering 266
- money supply 260
- ‘moneyflow accounts’ 64
- moneyguards 281, 297, 306, 307
- moneylenders 278–9, 297, 306, 307, 316, 317, 321–2, 323, 324–5, 326–7, 346, 347
- Moore, T. 15–16, 18, 79
- Moorkerjee, R. 130
- moral hazard
 - bank crises 217, 218
 - and banks 165, 172, 173, 203, 221, 222, 223, 225–6, 227, 230, 233
 - and informal finance 323
 - and information asymmetries 368
 - and interest rates 342
 - small and medium sized enterprises (SMEs) 342
- Morse, R. 335, 338
- mortgages 305–6
- Mosley, P. 327
- Murinde, V. 4, 12, 13–14, 16, 75–6, 80–81, 82, 103, 124–5, 126, 131, 135
- Myers, S.C. 361, 364, 368–71, 395–6, 401, 402
- Nairobi Stock Market 8, 10
- NASDAQ 109, 112–13, 114
- national accounts 66, 75
- national flow of fund accounts 64, 66, 67
- national income accounts 65
- natural capital 288, 289, 290, 291, 292, 293, 294, 297
- neighbours 296, 316, 317
- Nelson, N. 280
- neoclassical school 41, 42, 319–21, 341
- net present value (NPV) 368, 369, 370
- new institutional economics 321–5, 327, 328, 329
- New Zealand 391
- NGOs 12, 277, 298, 327, 346, 347, 352
- Nigeria 281, 323–4
- Nissanke, M. 322, 324, 325–6, 344
- noise traders 96, 142
- non-bank financial institutions (NBFIs)
 - 157, 158, 166, 167, 169–70, 171, 172, 297
- non-commercial finance 316–17
- non-parametric methods 97, 100–101
- non-performing loans (NPLs) 166–7, 168, 170, 177, 187, 247
- North American Free Trade Agreement (NAFTA) 264
- NYSE 109, 112–13, 114, 120
- OECD Model Tax Convention 266

- off-shore financial centres 263
- off-shore holding companies 266
- off-shore transactions 253, 254–5
- Ohio School 321–2, 327, 328–9
- oligopolies 333
- OLS methods 132, 381, 395–6
- open market operation (OMOs) 257–8
- opportunity costs 322, 339
- opportunity costs of consumption 36, 37
- optimal marginal adjustment model 68
- order-driven trading systems 109, 110, 111, 112–13, 114–15
- overlapping-generations model 33–4, 36
- overseas investment funds 267–8
- owner-managers 360–61, 366–7, 372, 386–8
- ownership, firms 12, 356, 385–8, 390

- Pagano, M. 106, 110, 111, 124–5, 126
- Pakistan 42, 134, 135, 136, 137, 138, 323
- parametric methods 97, 100–101
- Paris Bourse 107, 112–13, 114–15
- Paterno, F. 222–3
- pawnbroking 281–2, 305–6, 308
- payments systems 156, 166
- PCA (prompt corrective action) rules 161, 177, 224, 225
- pecking order hypothesis 10, 342, 368–70, 383, 385, 393–7, 401, 409–10, 411, 412
- penalty costs 253
- pension systems 47–8
- periodic trading systems 108, 109, 111
- permanent income theory of consumption 33, 42
- permanent income hypothesis 46
- personal relations 323, 324, 325
- Philippines 134, 135, 136, 137, 138, 169, 171, 253, 257, 323, 334, 344
- physical capital 5, 6, 288, 289, 290, 291, 292, 293, 294, 297
- Pitfalls model 67–8, 70
- Platteau, J.P. 286, 287
- Poitevin, M. 371–2
- Poland 81, 253
- policies
 - and bank regulation 53, 55
 - on bank regulation 52
 - financial 4, 7, 16, 31, 37, 54, 318, 356
 - fiscal 127, 130–31, 255, 260–62, 267
 - and public sector saving 46
 - rural credit 315, 330
 - on rural credit 330
 - on small and medium sized enterprises (SMEs) 345
- political economy 321–2, 325–7, 330
- political instability 44–5
- political relationships 290, 294–5, 330
- politics, and banks 171, 200, 201–2, 217–18, 222, 226, 227
- poor households 282–5, 288, 289, 294, 296–300
- poor people
 - assets 283, 292, 293–5, 305–6
 - and banks 298–9, 309–10, 316
 - credit 49–52, 277, 278–82, 306–8
 - expenditure 280, 281, 282
 - financial repression 312, 316, 318
 - financial services 294
 - formal financial services 306
 - informal finance 278–82, 316
 - insurance 282, 308, 309
 - and interest rates 310
 - livelihood analysis 292–301
 - livelihood needs 312
 - livelihood strategies 277–8
 - lump sums 305–6, 307, 310
 - microfinance 304, 308–10
 - political relationships 290, 294–5
 - and risk 289, 291, 294, 306, 308
 - savings 279–81, 283–5, 287, 290, 293, 294, 295, 296, 298–300, 305–6
 - shocks 289, 291, 296, 297, 306, 308
 - social relationships 280, 285, 290, 292, 294–5, 296
 - transaction costs 308, 320
 - vulnerability 296
 - see also* poor households; poverty
- portfolio assets 264–5
- portfolio capital inflows 247
- portfolio investment
 - agency problem 244–5
 - definition 241
 - and information 244, 245
 - and international investment rules 264–5
 - international taxation 266
 - intervention 244

- and liquidity 245, 256
- prudential regulation 246
- and risk 245
- types 241–3
- volatility 243–9
- portfolios 68, 71, 245–7
- Poterba, J.M. 140
- Pound, J. 386
- poverty
 - alleviation 17, 19–20, 21, 48, 311, 328, 334, 338–9
 - and banks 14
 - concept of 21, 282–3
 - and economic growth 19–20
 - and financial crises 13, 14, 178–9
 - and financial services 19–21, 311
 - and flow of funds 17
 - measurement 21
 - and small and medium sized enterprises (SMEs) 334, 338–9
 - see also* poor households; poor people
- Power, D. 102, 103
- Prasad, S.K. 7, 390
- price discovery 90, 91, 117
- prices 62, 251, 252, 320
- principal–agent relationships 165, 178, 232
- principals 105, 165
- private investment 249, 262
- private savings 37, 38–9, 42, 44, 46–7, 54
- privatization 48, 73, 227, 256
- productivity 3, 338, 339
- profitability 10, 401
- property 166, 175, 188, 189, 192, 197
- provisioning rules 170
- prudential regulation
 - and bank crises 217
 - banks 155–7, 158, 160, 161–6, 167, 169–71, 172–8, 179–80, 251
 - and capital controls 250, 267
 - capital flows 256
 - and East Asian financial crisis 166–9
 - enforcement 171
 - and financial crises 256
 - and financial liberalization 157–8, 160, 166
 - microfinance institutions (MFIs) 159
 - non-bank financial institutions (NBFIs) 157, 158, 169–70
 - objective 155
 - and portfolio investment 246
 - reforms 157–62, 174–8
 - weaknesses 162–6
- public investment programmes 262
- public savings 37
- public sector 46, 249, 258–9
- Pyle, D. 372
- quantities 320
- quasi-credit 286
- Quirk, P.J. 254–5
- quote-driven trading systems 109, 110, 111, 112–13, 114–15
- Rajan, R. 376–7, 398
- Rakodi, C. 289
- random walk process 92, 141
- rating agencies 229, 230
- real assets 36
- ‘real economy’ 243–4, 246–7, 247, 249
- real estate *see* property
- real exchange rate 248, 249
- real interest rates 31, 34–6, 36, 46–7, 257, 262
- Ricardian equivalence 37–8
- reciprocity 49, 286–7, 294–5, 296, 305, 307, 316, 317
- regression-based models 92, 93–5
- regulation
 - and banking crises 200–201
 - capital 201, 215–16
 - of credit unions 53
 - and economic growth 154
 - and financial liberalization 154, 155
 - and informal finance 316, 317–18, 319–20, 324
 - and market failures 154
 - microfinance institutions (MFIs) 55
 - see also* bank regulation; prudential regulation
- regulatory failure 157
- regulatory forbearance 163–5, 171, 177–8, 179, 222, 223, 224
- relatives
 - and capital 335, 343, 346, 347
 - and credit 281, 286, 295, 296
 - debt 12
 - and firm ownership 12, 390
 - and informal finance 323

- reciprocity 49, 316
- repayments 310
- Reserve Bank of India (RBI) 309–10
- reserves 255, 257, 258–9, 260, 267
- resources 337, 338, 340, 341
- retained earnings 356, 369, 376, 393–4, 395
- Richardson, J. 213
- risk
 - and bank crises 189
 - and bank failures 156
 - and banks 174, 175, 176, 189, 190, 196–7, 205, 206, 207, 208, 210, 211, 213–14, 222, 223, 228, 234, 245
 - and capital structure 11, 403–5, 411
 - and credit unions 53
 - emerging markets 245
 - and financial crises 166
 - and financial services 4, 343, 344
 - and informal finance 286, 287, 320, 321, 322, 324
 - and information deficiencies 320
 - investment projects 361, 362, 366, 372
 - and leverage 403–5
 - and market making 105
 - and microfinance institutions 329
 - and moneylenders 279
 - and poor people 289, 291, 294, 306, 308
 - portfolio investment 245
 - and property 166, 175, 197
 - small and medium sized enterprises (SMEs) 341, 342
 - and stock returns 99, 103, 122–3, 126
 - and trading systems 116, 117
 - see also* moral hazard
- risk analysis 189, 194, 196, 203, 213, 214, 219, 220–21, 234, 235, 344
- risk-aversion 9, 91, 107, 206, 214, 222, 363–4, 367, 411
- risk management 344
- risk preferences 107
- Röell, A. 106, 110, 111
- Roemer, M. 319–20
- Roma, A. 122, 123
- Romer, P. 2, 41
- Romer–Lucas paradigm of endogenous growth 2, 4
- ROSCAs (rotating savings and credit associations) 12, 49–52, 279–80, 281, 285, 287, 295, 298, 299, 307–8, 309–10, 316, 322
- Ross, S. 370–71, 405
- Ross, S.A. 122
- Rossi, M. 160
- rules 185, 201, 208, 211–13, 221, 226, 235, 291
- rural areas
 - credit 53, 277, 280, 315, 330
 - financial institutions 55
 - financial markets 20–21, 315, 326–9, 330
 - liquidity 279
 - microfinance institutions (MFIs) 55
 - poverty 20
 - savings mobilization 55
 - small and medium sized enterprises (SMEs) 350–51
- rural households 277, 280, 296
- Rutherford, S. 52, 281–2, 283–5
- Ryan, C. 13–14
- SACCOs (Savings and Credit Cooperatives) 298–9
- safety nets 186, 223, 232, 285–7
- Samwick, A.A. 48–9, 140
- savings
 - and banking 55
 - and capital 31, 247–8
 - and credit associations 279–82, 285, 287, 295, 298–300
 - data on 37–8
 - and demographic factors 43–4
 - and deposit rates 31
 - determinants 46–7
 - and economic growth 40–42
 - and financial development 3
 - and financial liberalization 54
 - and financial liberalization 36, 248
 - and financial sector development 45–6
 - and foreign capital 45
 - and formal financial institutions 55
 - by households 36–7
 - and income 36, 43
 - and inflation 31
 - and interest rates 35–6, 37
 - life cycle model 33–5
 - and lump sums 283–5

- poor people 279–81, 283–5, 287, 290, 293, 294, 295, 296, 298–300, 305–6
 and real interest rate 34–6
 and Ricardian equivalence 37–8
 and small and medium sized enterprises (SMEs) 335, 343, 346, 347
 and uncertainty 39, 44–5
 and wealth 43
- savings clubs 281, 306
- savings-investment balance 74–5
- savings mobilization
 and development finance institutions (DFIs) 32
 and insurance 40
 micro and small unquoted enterprises (MSEs) 55
 and microfinance 49–53, 55
 poor people 312
 rural financial markets 328
 and small and medium sized enterprises (SMEs) 338
 and social security reforms 47–9
 and stock markets 39
- savings schemes 308
- Scandinavia 190, 195, 202, 206
- Schinasi, G. 198
- Schlitzter, G. 122, 123
- Schmitz, H. 341
- Schreider, G. 52
- Schumpeter, J.A. 3
- Schumpeterian models 328
- Schwert, W. 116, 117
- Schmidt-Hebbel, K. 43
- SEAQ International 107, 112–13, 114–15
- sectoral NAFAs 65, 66, 67
- sectors 70, 74–8, 80–81
- securities 251, 254
- segmentation 319, 322, 324, 335, 344
- SEIR (structured early intervention and resolution) 224–5
- self-help groups (SHGs) 309–10
- serial correlation test 92, 93–5
- Shahin, W. 35
- share valuation models 123–4
- shareholders 123–4, 218, 228–9, 232, 233, 358–60, 361–7, 373, 386–8, 398, 410–11
- shares 7, 8, 9, 90, 251, 356, 359
- Shastri, K.A. 118, 119
- Shaw, E.S. 4, 5, 35, 73
- Shipton, P. 325
- Shleifer, A. 362–3
- shocks
 and banks 178
 and deregulation 256
 and emerging markets 98–9, 244
 and insurance 286
 and poor people 289, 291, 296, 297, 306
 and stock 92, 103, 142
- Shyam-Sunder, L. 395–6
- Simpson, D. 209
- Singal, V. 135–6
- Singapore 80, 120, 121, 127, 128–9, 130, 131, 133, 169
- Singh, A. 379–80
- Sinha, R. 233
- small and medium sized enterprises (SMEs)
 accounting practices 341, 342, 347, 351
 and banks 333, 334, 346, 347
 capital 11–12, 335–6, 339, 340, 342–3, 346–7, 393
 and competition 339
 credit 333–4, 339, 341, 349, 350–51, 352
 data on 336–7
 definitions 335
 and economic development 333, 337–40
 efficiency 338
 and employment 334, 335–6, 337, 338, 339, 353
 and entrepreneurship 334, 338, 339, 341, 349, 350
 and financial liberalization 333, 348, 351
 and formal finance 342
 and government policies 345
 growth 335–6, 338, 340, 349–50, 353
 and informal finance 55, 342
 and information 341
 and insurance 342
 interest rates 341, 342
 intervention policies 340, 341
 loan schemes 262

- location 349, 350–51
- management 336, 338, 339, 341, 349, 350, 351
- and moral hazard 342
- policy issues 350–52
- and poverty alleviation 334, 338–9
- productivity 338, 339
- research idea 352–3
- resources 337, 338, 340, 341
- risk 341, 342
- and savings mobilization 55, 338
- size 335–6, 338, 340, 349–50, 352, 353
- terminology 334–5
- trading costs 114
- transaction costs 333, 341, 400–401
- Smidt, S. 107
- Smith, C. 364–5, 401, 402
- SNA (UN System of National Accounts) 64, 74, 76, 79
- social capital 288, 289, 290, 291, 292, 296, 340
- social costs 156, 165, 231
- social networks 290, 292, 294, 297
- social relationships 280, 285–7, 290, 292, 294–5, 296, 317, 323, 324, 325, 330
- social security reforms 47–9
- social services 249
- Sohrabian, A. 134–5
- Solow model 2, 3, 4, 41
- solvency 245–6
- Sorensen, E.H. 367, 387
- Sorsa, P. 255
- South Africa 130, 137, 138
- South Asia 278–9, 326–7
- South East Asia
 - banking crises 190, 191–4, 195–7, 199, 202, 203
 - financial crises 188, 227
 - financial liberalization 206
- specialization 340
- Sri Lanka 38, 39, 42, 44, 45, 257, 258, 334, 344
- Staley, E. 335, 338
- statistical models 97
- Statman, M. 104, 145
- Stephenson, M. 213
- sterilization, capital inflows 254, 257–60
- sterilized intervention 258–60
- Stiglitz, J. 19, 321
- stock 64–5, 67–8
- stock markets
 - bid–ask spread 105–7, 114, 117, 118, 120
 - calendar regularities 120–21
 - consumption 140
 - crashes 102–3
 - development 141, 144
 - and economic growth 125, 137–40, 246
 - economic models 122–6
 - efficiency 8, 9, 113, 118, 119
 - and fiscal policies 124, 130–31
 - information 246
 - intra-day characteristics 117–20
 - liquidity 8, 9–10, 108, 110, 111, 113, 119, 246
 - market making 105–7
 - microstructure 8–10
 - and monetary policy 131
 - and portfolio diversification 246
 - reforms 8–9
 - and savings mobilization 39
 - share pricing 8, 9
 - and taxation 130–31
 - traders 105–6, 109, 110, 111, 115, 118, 119
 - trading costs 113, 114–15
 - trading systems 108–13
 - transparency 246
 - volatility 8, 9, 108, 110, 113, 118–19, 142, 246
- stock prices
 - as benchmarks 90–91
 - and dividends 123–4
 - emerging stock markets (ESMs) 128, 133, 135, 143
 - and exchange rates 132–5
 - and fiscal policy 127, 143
 - and inflation 136–7, 144
 - information 91, 92, 96, 98
 - and mean reversion tests 92
 - and monetary aggregates 126–30, 143
 - and monetary policy 126–30
 - rationality 91–2, 104
 - and shocks 92
 - and stock returns 98
- stock returns
 - and chaos 99, 100–101, 104

- and dividend yields 96
- and information 144
- and noise traders 142
- non-normal distribution 102, 142
- and risk 122–3, 126
- second moments 98–104, 143, 144
- shocks 103, 142
- stochastic properties 92–6
- and stock prices 98
- stockbrokers 105, 109
- Stoll, H.R. 106, 114
- Sub-Saharan Africa 13, 16–17, 80, 162, 344, 345
- subcontracting 343–4
- Subramaniam, R. 379, 380
- Sundararajan, V. 166
- supervision
 - and bank crises 188, 189
 - banks 157, 158, 160, 161, 162, 163–4, 166, 169, 173, 186, 198, 201–2, 206, 213, 214, 215, 217, 220–27, 232, 233, 235, 236
 - financial institutions 155
 - overseas investment funds 267–8
- supplementary benefits 48–9
- supply 319–21, 342, 343, 344, 347–8, 353
- SURE method 132, 134
- surveys 336–7
- sustainability, microfinance institutions (MFIs) 327–9
- Sutcliffe, R.B. 338
- Taiwan
 - capital controls 253, 258
 - small and medium sized enterprises (SMEs) 351
 - stock market 9, 100, 102, 109, 112–13, 116–17, 120, 128–9, 135, 136, 137, 138
- Tamirisa, N.T. 250
- Tanzania 325–6, 334, 344
- tax agreements 266, 268
- tax avoidance 253, 266
- tax credits 266
- tax incentives 262
- tax shields 374–5, 405–7, 411
- taxation
 - and capital inflows 251, 252, 253, 254, 261–2, 267
 - and capital structure 372–5, 405–7, 409, 411
 - of consumption 37
 - and leverage 374, 405–6
 - and pension systems 47–8
 - reform 37, 131, 262
 - revenue 80
 - and stock markets 130–31
 - and welfare benefits 253
 - see also* international taxation
- technology, trading systems 108, 109
- Tel Aviv Stock Exchange 108, 112–13, 116, 117
- terms of trade 44
- Thailand
 - bank liabilities 172
 - bank regulation 169, 171, 172
 - banking 14, 197
 - banking crises 187, 197, 199
 - capital controls 253, 257, 259
 - financial crisis 14, 166–9, 171, 172
 - savings 43
 - stock market 100, 102, 109, 118, 119, 120, 128–9, 135, 136
- Thakor, A.V. 164–5
- thin markets 96, 114
- thin trading 97–8
- Thorbecke, W. 126
- time series 336, 396
- Titman, S. 382, 400–401, 408, 410
- Tobin, J. 67, 68–9, 384, 385
- trade, terms of 44
- trade-off theory 10, 395–7, 409–10, 412
- traders 105–6, 109, 110, 111, 115, 118, 119
- trading systems
 - and costs 110, 114–15, 125, 130
 - and information 108, 110, 111, 115
 - liquidity 117
 - and liquidity 108, 110, 111, 115–16
 - and price discovery efficiency 117
 - and risk 116, 117
 - transparency 111, 117
 - types 108–13, 114–15, 116, 117
- transaction cost theory 333
- transaction costs
 - finance 344
 - and formal finance 308, 322
 - government rural credit assistance 304

- informal finance 323, 324, 325
 - and informal finance 321
 - and microfinance institutions 329
 - and poor people 308, 320
 - small and medium sized enterprises (SMEs) 333, 341, 344, 400–401
 - stock markets 114, 125, 130
- transition countries 250
- translog production function 5
- transparency
 - banks 178, 202, 217, 227, 233, 234
 - stock markets 246
 - trading systems 111
- Turner, P. 224–5, 248

- Udry, C. 323
- Uganda 51
- uncertainty 39, 44–5, 46, 205, 206–7
- UNCTAD 264
- underinvestment 10, 364, 368, 369
- underpricing 360, 368, 371
- UNIDO 344
- Unit Desa (UD) 308–9
- unit root test 92, 93–5, 141
- United Kingdom
 - banking 213–14, 216–17, 232–3
 - British colonialism 278–9
 - capital structure 393, 402
 - flow of funds 69
 - savings clubs 281
 - stock market 101, 103, 107, 109, 127, 128–9, 133, 137, 139
- United Nations 64, 77, 266
- United States
 - banking 177, 210, 211, 225
 - capital structure 377, 406–7
 - flow of funds 64, 65
 - insolvency 223, 225, 365
 - stock market 101, 102, 103, 109, 127, 128–9, 131, 132, 133, 137, 139
- unremunerated reserve requirement (URR) 255
- urban areas 349
- Uruguay Round 265

- variable costs 252–3
- variance ratio test 92, 93–5
- Velez-Ibanez, C.G. 287
- Vishny, R.W. 362–3
- Vojislav, M. 141
- volatility
 - portfolio investment 243–9
 - stock markets 8, 9, 90, 91, 92, 98–101, 102–4, 142, 143, 246
 - trading systems 108, 110, 111, 116–17
- von Pischke, J.D. 321, 328, 329
- vulnerability 288, 289, 294, 296

- wages 244, 247, 249
- Wald, J. 366
- Walking, R.A. 407–8
- Wallman, S. 211
- Warner, J. 364–5, 375, 391, 401, 402
- wealth 36, 42–3, 43, 140, 248
- welfare 178–9, 253, 304, 310–11, 320
- Wessels, R. 382, 400–401, 410
- Williamson, J. 166, 203–4
- Williamson, O.E. 363, 410
- Wilson, B. 220
- women 280, 297, 299, 310
- working capital 342, 343
- World Bank 4, 14, 46–7, 54, 157, 199
- World Trade Organization 264, 265

- Yotopoulos, P.A. 323, 325

- Zambia 164
- Zeckhauser, R.L. 386
- Zimbabwe 80, 100, 102–3, 109, 136
- Zingales, L. 376–7, 398