Index

Abiad, A. 148
accession countries 156–9
accounting and auditing, harmonization of regulations 511
Acemoglu, D. 134
acquis communautaire 489
Adam, K. 130, 467, 507
Adjaoute, K. 415
Africa, banking system 10, 11
agency problems 326
Ahmed, S. 154
Albania 189, 191, 194
Aleati, A. 278
Allen, F. 89, 101, 363, 417, 425, 437
Amadeus data set 327
Androsch, H. 212
ARCH 468
Arpa, M. 252
Arteta, C. 275
Artis, M.J. 491
Asian crisis 12
Atje, R. 155, 163
Augmented Dickey-Fuller test of current account balance 503–4
Ausch, K. 111
Austria 210, 224
Banking Act 212
banks 517
credit control agreements 212
credit growth in private sector 213
GDP per capita 210
liberalization 211–14
Limes 212
stock exchange 95
Ayuso, J. 219

Balino, T.J.T. 188
Ball, J. 225
Baltic States, credit-to-GDP ratio 239
bank distress
definition of 387–9
early warning systems 387, 389–92
endogeneity problems 401
model specification 399–401
panel logit model results 402–3
indicators 388
for banks in country comparison 408–11
liquidity measures 403
macroeconomic indicators 391–2
macroeconomic variables 401
model out-of-sample predictive power 406
model predictive power 405
bank efficiency, CEE 516
bank failures
causes of 368–75
logit models 375
logit specifications 374
banking consolidation 531–8
barriers to intra-European consolidation 532
core competencies 532
revenue growth 533
banking crises 156–7, 363, 385
in 2003 405–6
banking regulation 188
banking sector
balance sheet of the euro area 513
bank-specific variables of sound and unsound banks 396
Central and Eastern Europe (CEE) 53
competition 6, 90
credit risk 293, 293–5
cross-border activity 4
cross-border consolidation 49, 50
cross-holdings of deposits 423
direct balance sheet interlinkages 424
efficiency 157–8
euro area 4
mergers and acquisitions 416
and financial integration 511
foreign ownership 90
in former socialist countries 156
mergers 532, 533–4
performance indicators, EU-25 91
polarization in CEECs 74
privatization 229–30
profitability 515
reform 231
retail 416
risk-sharing 420
risks for stability 269–70
stability 295
structure, EU-25 89
Turkey 295
vs. stock market (as parentage of GDP) 84
Banking Sector Reform Index, EBRD 397
banking supervision, and regulation, South-Eastern Europe 190, 191–2
banking systems
EU-25 85–93
openness 47
resilience to shocks 424
Bank for International Settlements 35
bank lending, risks 266
bank lending rates, evolution by ownership structure 317–19
bank privatization, and efficiency 246
bank transition matrix 398–9
Bar-Gill, O. 442
Barro, R.J. 179
Barros, P. 415
Barth, J.R. 13, 14
Bartram, S. 144
Barzuza, M. 442
Basel II 14
Basel standards 188
Bayoumi, T. 491
Bechchuk, L.A. 37, 440, 441, 442, 445
Becht, M. 443
Beck, T. 14, 162, 197
Becsi, Z. 160
Bekaert, G. 38, 465, 466
Bencivenga, V.R. 160
Benoi, A. 467
Berg, A. 275
Berglöf, E. 33, 35, 175, 176, 230, 323, 339, 340
Berg, S.A. 389
Berthelemy, J.C. 160
Bertrand, M. 134
Blanchard, O.J. 130
Blaugh, M. 119
blockholder regimes 342
Blommestein, H.J. 186
Blomstrom, M. 181
Blum, D. 179
Bodie, Z. 187
Boissay, F. 275
Bokros, L. 190, 230
Bollerslev, T. 468
Bolton, P. 175, 176, 230, 323
bond markets 95, 97, 155, 158–9, 167, 175, 177
Club-Med ‘Convergence Play’ 469–72
collection of yield convergence in NMS-3 and Club-Med 475–8
convergence of NMS-3 bond yields 472–8
euro area yield changes 479
integration 466–8
measures of integration 467–9
news-based measures 467–8
quality-based measures 467
reaction of NMS-3 bond yields to large moves in euro area yields 478
regression of changes in Club-Med
10 Y yields 481–2
regression of changes in NMS-3
10 Y yields 483–5
yield-based (price-based) measures 467
yield spreads 469
yield volatility 480
bonds outstanding 174, 179
Bonin, J.P. 81, 156, 157, 158, 159, 176, 186, 305
Bordes, C. 217
Borenszttein, E. 163
Borio, C. 231
Boss, M. 424
Boubaker, S. 342, 346  
Braumann, B. 211, 213, 214  
Breuss, F. 157  
Bris, A. 130, 134, 136, 145, 151  
Brown, D.J. 340, 343, 357  
Brzoza-Brzezina, M. 225, 278  
Buch, C.M. 194, 491, 497, 498  
Budapest stock exchange 537  
Budina, N. 336  
Bulgaria 189, 194, 224, 282  
banking crisis 191  
banking sector 230, 258  
ownership structure 262  
prudential indicators 271  
stability 295  
basic credit indicators 259  
credit booms 255, 256  
policy options 273–4  
and trade deficit 298  
credit flows and trade deficit 268  
credit-to-GDP ratio 237, 238  
cyclical component of consumption  
and credit 285  
economic indicators 257  
exchange rate regimes 241, 263  
foreign bank market share by mode  
of entry 314  
foreign banks 310  
presence by mode of entry 311  
growth rate of total lending 242  
growth of total lending 241  
mortgage loans and real estate prices  
250  
mortgages 249  
Bulgarian National Bank 263  
Burkart, M. 358  
Busch, U. 118  
CAMELS (Capital Assets  
Management Earnings Liquidity  
Sensitivity to market risk) 368,  
387  
Campos, N.F. 163, 177  
capital, cost of 122  
capital account liberalization 10  
capital accumulation 177  
capital adequacy  
regulation 364  
South-Eastern Europe 192  
capital allocation 148–9  
capital flows 16, 177  
capital markets 6, 93–9  
capital mobility, and EU enlargement  
491  
capital stock 163  
capital stock growth, definition 178  
capital-to-asset ratios 391  
Cappiello, L. 128, 455, 456, 458  
Caprio, G. 188, 190, 387  
Caprio, G. Jr. 13  
‘catching-up’ 47, 207, 232  
Caviglia, C. 186  
Caviglia, G. 460  
Cecchetti 489  
CEEC-5 (Czech Republic, Hungary,  
Poland, Slovakia and Slovenia)  
489  
current account targeting 503–5  
financial integration 489  
financial market integration 505  
international capital mobility,  
Feldstein-Horioka approach  
503–5  
Central and Eastern European  
countries (CEECs)  
bank assets 71  
bank efficiency 516  
banking sector 5, 53, 58, 65  
civil law tradition 322  
convergence of financial and legal  
systems 323  
credit booms 255  
credit growth comparison 207–28  
credit to the private sector 231  
debt securities markets 56  
distribution of bank problems 394–5  
financial depth 5  
financial integration 5, 57–65  
financial intermediation 71, 73  
financial markets 56  
financial sector 70–76  
administrative measures 78  
potential 65–8  
financial systems, size and structure  
52–7  
foreign banks’ entry policy 307–8  
foreign direct investment inflows 57  
foreign financing 6  
foreign investment 5  
foreign owned banks 209, 514
funds 55–6
household incomes 73
housing loans 208–9
insurance 53–5, 58, 62, 65
insurance premiums 72
integration through EU membership 62–5
lending 229–54
level of foreign ownership in new member states 58, 61, 62
mergers and acquisitions 58
ownership structures of non-financial public companies 329
private sector credit 207, 208
returns on company investment 322
returns on investment by country 328
Standards and Codes 13
stock exchanges 56–7, 62, 65, 323
stock market capitalization 72
UniCredit 519–30
Central and Eastern Europe (CEE) see Central and Eastern European countries (CEECs)
Central European exchange allowance 535–8
economic benefits 535, 537
Chamberlain, G. 400
Chan, Y.-S. 365
Chari, A. 148
Chen, K. 33
Cifuentes, R. 424
Claessens, S. 14, 148, 305, 338, 342, 343, 346
Claeys, S. 306, 310, 317
Clarke, G.R. 252
Clark, P. 134
‘Club-Med’ (Greece, Italy, Portugal and Spain) 466
‘Convergence Play’ 469–72
integration of bond market with German bond market 471
Coakley, J. 491
Cocco, J. 424
commercial banks 47, 511, 512
NMS (new members states) 514
Committee on the Banking Crisis 216
Committee of European Banking Supervisors 7
Committee of the European Securities Regulators (CESR) 106
common currency 4
‘co-movement box’ methodology 455, 456–7, 458
company investment, in transition economies 327–34
company performance, and internal governance mechanism 343
competition 16
in banking 90
and foreign entry 11
COMPUSTAT 327
conditional Autoregressive Value at Risk (CAViaR) model 459
Conference on European Economic Integration 43
consumer demand 280
consumers, and liquidity shocks 427–30
consumption and household credit 284
and real GDP volatility 288
consumption booms, and retail credit 296–7
contagion, and interbank market integration 417–18
contagion risk in financial networks 423–39
model 427–32
convergence process 47
corporate bond market 4
EU-25 98
corporate debt securities market 515
corporate finance, and benefits of financial globalization 23–9
corporate governance 160
and corporate mobility 440–51
Croatia and Romania 339–41
empirical results 347–56
firm’s choice of 441
ratings 34
systems 323
corporate insiders 20, 22, 24, 27
and ownership concentration 37
corporate mobility, and corporate governance 440–51
corporate ownership, and firm agency problem 18–21
Index 543

corruption 30, 31
Cottarelli, C. 194, 195, 196, 233
Crane, R. 365
‘creative destruction’ 115
credibility demand and supply 289
lending booms 232–3
Schumpeter on 117
credit booms
background 256–61
boom and bust cycles 368
causes 261–4
characteristics 264–5
empirical literature on 232–3
policy options and authorities’
responses 270–74
and trade deficit 298–9
credit composition 248–9
evolution of 251
and exchange rate regimes 241–9
credit growth
comparison of Central and Eastern
European countries (CEECs)
207–28
and credit composition 248–9
detecting excessive credit 233–41
data 237–9
estimates of credit elasticities
235–6
test strategy 236–7
test using benchmarks 239–40
test using CEEC data 240–41
detecting excessive credit to GDP
ratios 234–5
excessive 244
and foreign ownership of the
banking system 247
impact on trade balance 269
in transition economies 261
credit institutions 81, 85–6, 92
concentration in local markets 90
total assets, credits and deposits as a
percentage of GDP 88
Credit Lyonnais Securities Asia
(CLSA) 33
credit risk
banking sector 293–5
household sector 290–93
credit-to-GDP ratios 234–5, 258
transition economies 272
Crespo Cuaresma, J. 467
Croatia 194, 224, 289
bank failures 365, 367, 368–73
banking crisis 191
banking and macroeconomic
overview 366
banking sector 366–8
stability 295
banking system liberalization 366
corporate governance 339–41,
347–56
Corporate Takeover Procedures Act
(2002) 341
credit booms, and trade deficit
298
cyclical component of consumption
and credit 285
disclosure requirements 30
exchange rate regime 241
firm size 356
foreign banks 310
market share by mode of entry
314
presence by mode of entry 311
growth of loans 238–9, 246–7
growth rate of total lending 242
interest rates 367
Privatization Fund 341
retail lending market 283
Cronqvist, H. 342, 346
cross-border competition 48, 277
cross-border transactions 531
cross-section growth regressions 161,
162
Cull, R. 342
currency unions 10
current account
Czech Republic 492–3
Hungary 493
Poland 493
Slovak Republic 494
Slovenia 494
current account targeting
ADF test of current account balance
503–4
CEEC-5 (Czech Republic, Hungary,
Poland, Slovakia and Slovenia)
503–5
and the Feldstein–Horioka approach
498–503
and international capital mobility 489–508
Cyprus  
banking problems 405
stock exchange 95
Czech Republic 176, 208  
bank failures 373
banking sector, stability 295
banks 157
bank stress incidences 393
bond market 473, 474, 477–8, 479
company investment 327
current account 492–3
cyclical component of consumption and credit 285
foreign banks 310
market share by mode of entry 314
presence by mode of entry 311
integration of bond markets 466
retail lending market 283
role of credit 85
saving and investment rates 492–3
stock exchange 93

Dahlquist, M. 38
Daines, R. 445
Danthine, J.-P. 415
Dasgupta, A. 425
Davidson, P. 112
Davis, E. 90
de Bandt, O. 90
debt securities market 95, 97–8
Central and Eastern Europe (CEE) 56
as a percentage of GDP 97
Degryse, H. 424
De Haas, R. 234, 305
De Juan, A. 372
demand risks 160
Demirgüç-Kunt, A. 113, 140, 154, 195, 305, 363, 386, 387, 388
Demstez, H. 342
deposit allocation 434–5
optimality 435–7
deposit insurance 11, 13, 365
Dermine, J. 85, 92
Desai, M.A. 17
Detragiache, E. 363, 386, 387, 388
development process
Western and Eastern Europe
first half of 1990s 45
last five years 46–7
next five years 47–8
second half of the 1990s 46
de Vries, C. 424
Dewatripont, M. 188
Diamond, D. 188, 417, 426
Diaz-Alejandro, C. 363
Dickey, D.A. 503
diversification 60
Djankov, S. 338, 342, 343
Doha Round 11
Doidge, C. 21, 27, 35
Dolar, V. 112
dollarization 10, 75, 260
domestic credit 173, 179
and economic development 66
expansion 6
domestic loans to the corporate sector 515
domestic protectionism 532
Drakos, K. 156, 157
Drummond, P. 191
Duenwald, C. 232, 233
Durnev, A. 33, 336
Dvorak, T. 467
Dybvig, P. 417, 426
Dyck, A. 21
Earle, J.S. 342, 343, 351, 357
Eastern Europe
corruption 30, 31
foreign banks in 305–21
governance indicators 30
insider ownership 31–2
ownership concentration and governance in 29–37
ownership of voting rights 33
rule of law 30, 31
US ownership in equity markets 37
EBRD 46, 186, 189, 192, 199
Banking Sector Reform Index 397
Transition Indicators 339
ECB (European Central Bank) 43, 50, 159, 193, 415, 419, 467, 490, 512
Ecofin 105, 107
economic development, and market capitalization 68
economic growth, and financial development 3–4
economic strength, and growth, comparison 82
educational attainment 166, 179
Egert, B. 225
Eichengreen, B. 275
Eisenberg, L. 425
Eller, M. 156, 181
EMBI-plus Performing Spread 472, 477
employment change 343
endogenous growth theory 160
Engle, R.F. 459, 468
entrepreneurs 18–19, 114–15, 125
equities, total value traded, as a percentage of GDP 96
equity market integration
empirical approach 456–9
empirical results 460–64
measurement of integration 456
new EU member states 455–65
equity markets, developments in 460
Estonia
banking problems 405
banking sector, stability 295
company investment 327
credit booms, and trade deficit 298
cyclical component of consumption and credit 285
exchange rate regime 241
financial deepening 248, 283
foreign banks
market share by mode of entry 314
presence by mode of entry 311
growth rate of total lending 242
KedEx 249
lending to households 248–9
loans in foreign currency 245
mortgage loans and real estate prices 250
problem banks 398
stock exchange 93
Estrin, S. 343
EU-10, and non EU CEECs, bank-specific variables of sound and unsound banks 396
EU-15 322
EU-25
banking sector performance indicators 91
banking sector, structure 89
banking system 85–93
competition in banking 90
corporate bond market 98
credit institutions 81, 92–3
financial system 80–93, 101
legal determinants of financial activity 87
EU
financial structure data for old and new member states 515
income gap between member states 5
intra-EU deals 59, 60, 61
EU enlargement, and capital mobility 491
euro 512
adoption by new members 3, 4
and efficient allocation of capital 148–9
impact on investment 128–53
data 131–3
estimation 133–49
robustness check 137
variation across countries 139–41
variation across industries 141–8
variation over time 136–9
euro area
banking sector 4
balance sheet 513
development in interbank market 418–19
equity market 4
financial integration in 414–17
money markets 4
mortgages 278
return on equity (ROE) 515–16
euroization 75, 77
Euronext 98
European Bank for Reconstruction and Development see EBRD
European Central Bank see ECB
European Commission 3, 128, 218, 511
European Economic Area (EEA) 41, 90, 130
European Economic and Monetary Union (EMU) 90, 98
European internal market 81
European Payments Council 49
European System of Central Banks (ESCB) 7
exchange rate, real exchange rate developments (versus euro) 245
exchange rate regimes
Bulgaria, Ukraine and Romania 263
and composition of credit 241–9
expropriation 22
Faccio, M. 23, 336, 346
‘false credit’ 191
family shareholdings 346
Fecht, F. 420, 491, 498
Feldstein–Horioka approach
and current account targeting 498–503
to international capital mobility in the CEEC-5 494–8
Feldstein–Horioka paradox 28, 491
Feldstein–Horioka test 490–91
Feldstein, M. 28, 499
Fernandez de Lis, S. 225
Filatotchev, I. 356
finance
and economic development 113
and growth 112, 154
in accession countries 156–9
impact on growth
data 164–6
results 166–7
two-step provision of 121
financial deepening 3, 6, 392, 403
financial depth, Central and Eastern European countries (CEECs) 5
financial development
and economic growth 3–4, 122
and income distribution 9
measures of 36
quantity and quality 189
financial fragility indicators 387
financial globalization 9, 16
and corporate finance 23–9
impact on firms 25–6
financial institutions 233, 324, 331, 345–6
and integration 511–18
majority shareholders and transitional owners 332
financial integration 3, 10, 48–9, 49, 128, 414
and banks 511
Central and Eastern Europe (CEE) 57–65
and changes in banks’ business 512
in the euro area 414–17
local preferences 48
and the Treaty of Rome 4
financial intermediaries 99–101, 158, 160
assets as a percentage of GDP 83
financial intermediation 117, 167, 172, 266
total financial intermediation 179–80
financial liberalization 363
financial market integration 466
in the CEEC-5 505
measurement 490–92
financial markets
Central and Eastern Europe (CEE) 56
in macroeconomic analysis 113, 124
regulatory framework 105
see also Lamfalussy approach
role in economy 113
financial market supervision 7
financial mediation ratio 187
financial networks, contagion risk in 423–39
financial repression 9
Financial Sector Assessment Programs (FSAPs) 13, 258
financial sectors, in different countries 169
Financial Services Action Plan (FSAP) 4, 46, 105, 108
financial services policy, Green Paper 4
Financial Stability Forum 12–13
Financial Stability Report 278
financial systems, development 161
financial wealth, as a ratio of GDP 294
Fink, G. 156, 160, 162
Finland 210
asset price boom 216
banking crisis 214–18
credit boom 214
deregulation of financial markets 215
financial deregulation 217
Index

house prices 216
Nokia 95
firm agency problem, and corporate
ownership 18–21
Fischer, S. 195
Fisher, I. 121
Fisman, R. 23
Flam, H. 139, 145
Flannery, M. 365
Fluck, Z. 440, 441, 442, 444, 446, 449
foreign banks
assets of branches and subsidiaries
in the euro area 415, 416
cross-border market penetration 415
in Eastern Europe 305–21
entry policy in Central and Eastern Europe 307–8
foreign acquired banks 318
impact of mode of entry on creditor
information 306–7
lending rates by mode of entry 319
market share by mode of entry 314–16
ownership structure 308–9
presence by mode of entry 311–16
presence and market share by mode
of entry 309
foreign currencies, lending in 265
foreign direct investment 163, 177
inflows, Central and Eastern Europe
(CEE) 57
foreign entry 10–12
and competition 11
quality of 11, 12
foreign exchange risk 292–3
foreign owned banks, asset share 514
foreign ownership
of the banking system, and credit
growth 247
banks 90, 157, 224
in new member states 61, 62
Formaini, R.L. 120
former Yugoslavia 193, 194
Forward Rate Agreement 470
Fratzscher, M. 421
free cash-flow problem 17
freedom of establishment principle 440
Freixas, X. 365, 417, 424
Friedman, T.L. 16
Fries, S.M. 157, 186
Frydman, R. 338
FSAP Directives, rate of transposition
64
Fuller, W.A. 503
funds, Central and Eastern Europe
(CEE) 55–6
Furine, C. 424
Galac, T. 365, 373
Gale, D. 101, 363, 417, 425, 437
Galindo, A. 148
GARCH 468, 469, 476, 477
GDP 229
Geiregat, C.R.A. 467
Gelb, A. 190
Gelfer, S. 336
generalized method of moments
(GMM) 392
General Theory 120, 121
The General Theory of Employment
120
Georgen, M. 336
Gerlach, S. 284
Germany
equity markets 460, 464, 465
integration of bond market 471
Gerschenkron, A. 113
Gertler, M. 144, 188
Gianetti, M. 3, 28, 305
Giannessi, M. 3, 28, 112, 305, 466, 467
Giavazzi, F. 130
Gilchrist, S. 144
Gill, A. 33
Gillan, S. 446
Giovannini, A. 112
Global Financial Data 459
Goddard, J. 88
Goldsmith, R. 113
Goldstein, M. 275
Gomel, G. 191
Gonzalez-Hermosillo, B. 382, 387, 388,
399, 406
Gourinchas, P. 232
governance structure
impact on enterprise creation and
incorporation 447–8
impact on existing companies 447
states’ choice of 446–8
Granger, C.W.J. 497
Greece 134, 218

Klaus Liebscher, Josef Christl, Peter Mooslechner, and Doris Ritzberger-Grünwald - 9781847203038
Downloaded from PubFactory at 09/13/2023 09:18:00PM
via free access
Greenwood, J. 160
Grigorian, D.A. 193
Grosfeld, I. 342, 343, 345
Grüner, H.P. 420, 421
Grünwald, D. 217
Gugler, K. 328
Guiso, L. 128, 129, 130, 151
Gurley, J. 113

Hahn, F.R. 162
Hainz, C. 306, 310, 317
Haiss, P. 156, 159, 181
Hamdani, A. 441, 445
Handler, H. 213
Hanousek, J. 343, 345, 373
Hanson, J. 14
Harberger, A.C. 506
Hardouvelis, G.A. 130
Hardy, D.C. 385
harmonization 449
Hartmann, P. 98, 101, 417
Harvey, C.R. 38, 465
Hausman, J.A. 400
Hellmann, T. 192, 364
Henry, P.B. 38, 148
Herfindahl-Hirschman Index 90
Herfindahl Index 344, 393, 397, 403
Herrmann, S. 467, 506
Hexeberg, B. 389
Hilbers, P. 223, 300
Himmelberg, C.P. 345, 348
Hodrick 284
Hodrick-Prescott filter 232
‘home country principle’ 11–12
Honohan, P. 190, 368
Horioka, C. 28, 498, 499
household credit 277
and consumption 284
household debt
  determinants 284–90
  and sustainability 290–97
household debt market, in the enlarged
  Europe 278–83
household lending market, ‘New
  Europe’ 277–301
household loans
  and liquidity constraints 284, 288, 290
as a percentage of GDP 280
household sector
  credit risk 290–93
  indebtedness and degree of leverage 291
  house prices 293
  Huizinga, H. 305
Hungary
  banking sector, stability 295
  bond market 474, 479
  company investment 327
  credit booms, and trade deficit 299
  credit and consumption boom 296, 297
  current account 493
cyclical component of consumption
  and credit 286
equity markets 464
financial deepening 283
foreign banks 310
  market share by mode of entry 315
  presence by mode of entry 312
growth of loans 239
growth rate of total lending 242
integration of bond markets 466
mortgages 283
ownership concentration 329
saving and investment rates 493
stock exchange 93
Hutchison, M. 387

idiosyncratic investment 160
IMF 16, 35, 36, 199, 232, 267, 467
income distribution, and financial
development 9
income gap, between member states 5
income shifting 324
incorporation
  impact of state’s choice of
governance structure 447–8
  and reincorporation 441–2
  and technological specialization 444–6
index of dependence on external
  finance 132
Ingves, S. 188
innovation 114–18
insider ownership 346
Eastern Europe 31–2
institutional reform, transition economies 272
insurance
Central and Eastern Europe (CEE) 53–5
gross insurance premium, and economic development 67
insurance companies 99, 102
total investments and assets as a percentage of GDP 100
insurance premiums, Central and Eastern European countries (CEECs) 72
integration
and financial institutions 511–18
through EU membership 62–5
interbank market
developments in euro area 418–19
and liquidity 420–21
in model 428–30
secured and unsecured lending 418–19
stability and welfare implications of recent developments 420–21
interbank market integration, and the risk of contagion 417–18
interest margins 90–91
Interest and Prices 119
interest rates 376
Wicksell on 120
interest rate setting, liberalization 363
intermediation 76
international capital mobility
in the CEEC-5
Feldstein–Horioka approach 494–8
and government policy 502
and current account targeting 489–508
investment
impact of the euro 128–53
and savings 28
investment funds 99
investment growth, descriptive statistics 132
investment trusts 346
investor protection 19–20
Ireland 218
IS–LM model 119
Italy, bond market 97
Jankov, L. 194, 209, 233, 369
Japan
concentration in banking system 102
financial structure 101
Jarocinski, M. 489
Jeitschko, T. 364, 365
Jensen, M.C. 346
Jeung, S.D. 364, 365
Jin, L. 24
Jochem, A. 467, 506
John, K. 24, 365
Johnson, S. 23, 324
Jovanovic, B. 155, 160, 163
Kahan, M. 440, 442, 445
Kähler, J. 467
Kamar, E. 440, 442, 445
Kaminsky, G. 225
Kane, E. 363
Karolyi, A. 144
Keeley, M. 363
Keren, M. 190
Keynes, J.M. 120
Khan, M. 195
Khanna, T. 33
Kim, E.H. 33, 336
King, R.G. 14, 113, 114, 160, 163, 195
Kinoshita, Y. 163, 177
Klapper, L.F. 32, 33, 193
Klauhs, H. 212
Klein, A. 445
Klein, M. 466
Klingebiel, D. 188, 387
Köhler, M. 489
Koivu, T. 157, 162, 167
Köke, J. 467
Kolmogorov–Smirnov test 370
Kominek, Z. 158, 176
Konings, J. 336, 338, 342
Kraft, E. 194, 209, 233, 369, 373
Krishnamurti, C. 33
Krkoska, L. 180, 181
Kupiec, P. 365
Kwiatkowski, D. 504
Kwiatkowski, Phillips, Schmitt and Shin (KPSS) tests 504
labour participation rate 164, 167, 178
La Caixa 222
Laeven, L. 148
Lagunoff, R. 424
Lamfalussy approach 63, 105–6
consultation 106–7
‘regulatory overload’ 107
Lane, T.D. 186
Lang, L.H.P. 346
Lanoo, K. 467
La Porta, R. 23, 83, 87, 195, 336
Latin America 363
foreign entry 11
Latvia
banking sector, stability 295
credit booms, and trade deficit 298
credit-to-GDP ratio 237
cyclical component of consumption and credit 286
financial deepening 283
foreign banks
market share by mode of entry 315
presence by mode of entry 312
growth rate of total lending 242
growth of total lending 241
stock exchange 93
law enforcement 85
Leahy, M. 112
Lee, J. 179
legal systems 83, 85, 335, 340
choice of 441
convergence of legal regimes 442–4
Lehmann, E. 243, 345, 348
Leitner, Y. 425
lending
in foreign currencies 265
loans to the private sector 222
lending booms see credit booms
Levine, R. 9, 13, 14, 112, 113, 114, 124, 140, 154, 155, 160, 162, 163, 164, 186, 187, 188, 195, 197, 466
Likelihood ratio index 400
Lilliefors’ significance correction 370
Lindgren, C.J. 387
Lipschitz, L. 177
liquidity constraints 297
and household loans 284, 288, 289, 290
liquidity risks 160
liquidity shocks, and consumers 427–30
Lisbon strategy 4
Lithuania 208
credit-to-GDP ratio 237
exchange rate regime 241
foreign banks
market share by mode of entry 315
presence by mode of entry 312
growth rate of total lending 242
Lizal, L. 336
Loayza, N. 197
Logan, A. 368
London Economics 128
Love, I. 33
Lowe, P. 231
Lucas, R.E. Jr. 16
Luxembourg, stock exchange 95
McDill, K. 387, 388
MacDonald, R. 467
Macedonia 191, 194
McGuire, M.C 38
McKinnon, R. 113
McKinnon, R.I. 187, 191
macroeconomic analysis, financial markets in 113, 124
macroeconomic risks 266–9
macroeconomic stabilization 261
macroeconomic sustainability 296–7
Majnoni, G. 306
Maksimovic, V. 113, 148
Malkamäki, M. 217
Malta, problem banks 398
Manganelli, S. 459
Mankiw, G. 155, 162
Manning, M. 124
Manole, V. 193
Marin, S. 159
market capitalization
and economic development 68
as a percentage of GDP 86, 158
Martinez Pages, J. 222
Martinez Peria, M.S. 305
Maurer, M. 424
Maury, B.C. 342, 344, 346, 348
Mayer, C. 440, 441, 442, 444, 446, 449
Mayes, D.G. 386
Maza, L.A. 222
Meckling, W.H. 346
Meh, C. 112
Mehl, A. 230
Memorandum of Understanding between EU banking supervisors and central banks 7
Mencinger, J. 162, 163, 177
mergers and acquisitions 89, 338
banking sector in the euro area 416
Central and Eastern Europe (CEE) 58
cross border 533, 534
takeover regulation 351
Meridien Banking network 11, 12
Merton, R. 187
metals industry 145
Micco, A. 139, 145
Mickiewicz, T. 356
Minier, J.A. 176
‘minimum harmonization’ principle 13
Minsky, H. 121
theory of investment 121
Mises, L. 117
Mitton, T. 23
Mody, A. 305, 306
Moldova 189
monetary integration 10
Monetary Theory of Production 120
monetization ratio 187, 189, 191
money market 414
Mooslechner, P. 213
Morck, R.K. 324
mortgages, euro area 278
Mueller, D.C. 325, 328
Murdoch, K. 192
Murphy, R. 491
Myers, S.C. 24

Naaborg, I. 234, 305
National Bank of Romania 263
National Bank of Ukraine 263
national investment, and savings 130
Netherlands, stock exchange 95
network structure, and uncertainty 432–4
Neudörfer, W. 212
Newbold, P. 497
new enterprise creation 446
impact of state’s choice of governance structure 447–8
‘New Europe’
credit expansion 279–80
household lending market 277–301
structural indicators 281
Nguyen, G. 424
Nikitin, G. 342, 343, 351
Nilsson, M. 342, 346
NMS (new member states) average growth rate 81
banking systems 102
changes in bank assets 85
commercial banks 514
debt securities market 95
GDP 81
legal systems 83–4
Noe, T. 425
non-performing loans 175, 388
Nordic and Baltic Stock Exchange 5
Nordstrom, H. 139, 145
Nyberg, P. 363
O’Brien, J. 365
Obstfeld, M. 29, 160, 495
OECD 131, 133, 219, 223
Ofer, G. 190
offshore ownership 324
Olivei, G. 466
Olson, M. Jr. 38
OMS (old member states) 81
Ongena, S. 305
Ong, L.L. 275
Oosterloo, S. 144
OSIRIS 327
Ottens, D. 232
output growth, definition 178
ownership 343
dispersed 331
returns on investment by ownership categories 334
‘transitional ownership’ 333, 335–6
ownership concentration 17, 329, 330, 342
changes and changes in return on assets ratio (ROA) 355
and corporate insiders 37
and governance in Eastern Europe 29–37
home bias 28
implications for corporations 23–7
macroeconomic implications 27–9
and return on assets ratio (ROA) 349–50
Ownership Concentration Index 344
ownership structure, of non-financial
public companies 329

Padoa-Schioppa, T. 193
Pagano, M. 98, 112, 130, 160, 415, 443
Pain, D. 225
Pajuste, A. 32, 33, 35, 323, 339, 340, 342, 344, 346, 348
panel data techniques 161–2
Papademos, L. 249
Patrick, H.T. 160
Pazarbasiglu, C. 385, 406
Peduzzi, P. 382
Peev, E. 336
Pensala, J. 217
pension funds 99, 102
Perotti, E.C. 336
Phillips, G. 148
Phillips, P.C.B. 504
Pinkowitz, L. 18
Pistor, K. 157, 196, 200, 336
Pohl, G. 358
Poland 93, 157, 176
  bank distress 404
  banking sector, stability 295
  bank stress incidences 393
  bond market 474, 479
  company investment 327
  consumer credit 282–3
  current account 493
  cyclical component of consumption
    and credit 286
  equity markets 464
  foreign banks 310
    entry 307–8
    market share by mode of entry
    315
    presence by mode of entry 312
  integration of bond markets 466
  ownership concentration 329
  saving and investment rates 493
Popa, C. 74
Pop, D. 341
portfolio investors 18, 19
portfolio risk 375
Portugal, credit growth 279
Prescott 284
press 21
Price, L. 51
price stability, and financial stability 77
private capital 161
private sector credit 173, 175, 179, 207, 222
  expansion 167–8
  South-Eastern Europe 194–5
privatization 74, 93, 229, 338, 404
  and company restructuring 338
  literature on 342
  strategy 345
problem loans 401
production function approach 160–64
property rights 11, 148
Pungulescu, C. 467
pyramid structures 324
Rajan, R.G. 14, 22, 83, 98, 132, 141, 144
Ranciere, R. 363
Reardon, E. 325
re-distribution activities 324
Reese, W. 443
regulation, run for the bottom 444, 445
Regulation Q 363
regulatory competition, between states
  445
regulatory convergence 12–14
  and harmonization 10
reincorporation 443, 448
  and incorporation 441–2
  and shareholders 446
Reininger, T. 467
Renneboog, L. 336
resource allocation 159, 160, 186
Rethinking Bank Regulation 13
return on assets ratio (ROA) 92, 343
  and changes in ownership
    concentration 355
  and ownership concentration 349–50
  and ownership of largest
    shareholder 352–3
return on equity (ROE), euro area
  515–16
returns on investment, by ownership
categories 334
risk 122
Index

bank lending 266
macroeconomic risks 266–9
for stability of banking sector 269–70
risk prevention and management 7
risk-sharing, among banks 420
Rochet, J.-C. 365
Roe, M.J. 22, 37, 441, 445
Rojas Suarez, L. 372, 388
Romania 191, 194, 207, 224, 282
banking sector 258
ownership structure 262
prudential indicators 271
stability 295
basic credit indicators 259
corporate governance 339–41, 347–56
credit booms 255, 256
policy options 274
and trade deficit 299
credit flows and trade deficit 268
credit-to-GDP ratio 237
cyclical component of consumption and credit 286
disclosure requirements 30
economic indicators 257
exchange rate regimes 263
growth rate of total lending 242
growth of total lending 241
Romano, R. 440, 445
Romer, D. 180
Rose, A. 188
Rossi, S. 516
Rousseau, P.L. 154, 162, 177, 195
Russia, bank stress incidences 393
Sahay, R. 96, 195
Saint-Paul, G. 160
Salem, T. 467
Santos, J. 130
saving, private and public savings and investment correlations 500–501
Saving Capitalism from the Capitalists 14
saving and investment correlations 495–6
saving and investment rates
Czech Republic 492–3
Hungary 493
Poland 493
Slovak Republic 494
Slovenia 494
savings and investment 28
and national investment 130
savings rate 122
Schadler, S. 233
Schmidt, P. 504
Schmitz, B. 489
Schoenmaker, D. 144
Schreft, L. 424
‘Schumpeterian finance’ 113
Schumpeter, J.A. 124
on financing innovation and economic development 114–18
life and work 111–12
Screpanti, E. 120
Second Banking Coordination Directive 45
Sentana, E. 130
Serbia 191
Serbia-Montenegro 207
Shapiro–Wilk test 370
shareholder entrenchment 324
Shaw, E.S. 113, 187
Sheldon, G. 424
Shiller, R. 123
Shin, Y. 504
Shioji, E. 176
Shleifer, A. 22
Simonov, A. 28
Singh, A. 154
Single Euro Payments Area (SEPA) 49
Single European market, for financial services 4, 44, 50
Single Market Programme 4
Sinn, S. 491
Slovakia 93
banking sector, stability 295
bank stress incidences 393
credit booms, and trade deficit 299
cyclical component of consumption and credit 287
foreign banks 317
market share by mode of entry 316
presence by mode of entry 313
retail lending market 283
role of credit 85
Slovak Republic
- current account 494
- saving and investment rate 494

Slovenia 208
- current account 494
- exchange rate regime 241
- foreign banks 317
  - market share by mode of entry 316
  - presence by mode of entry 313
- growth rate of total lending 242
- growth of total lending 241
- ownership concentration 329
- saving and investment rate 494
- stock exchange 93

small and medium sized firms 3–4

Smith, B.D. 160
Smith, S.C. 338, 342, 343

‘soft law’ 13

Solttila, H. 217
Song, W.-L. 89
Šonje, V. 369, 372

South-Eastern Europe
- banking supervision 190
  - and regulation 191–2
- capital adequacy 192
- conceptual framework to interpret financial development 187–9
- credit expansion 194
- credit technology 190
- empirical evidence on finance-growth nexus 195–7
- evolution of financial sectors since start of transition 198–9
- ‘false credit’ 191
- financial crises 191
- financial depth 193, 195, 198
- financial development and growth
  - descriptive evidence 189–95
  - late 1990s 191–3
  - up to the late 1990s 189–90
- financial sector development 186–203
- foreign bank penetration ratio 195
- foreign investment 192
- institutional and legal environment 189–90
- macroeconomic stabilization 190–91
- monetization 193
- number of banks 193
- private sector credit 194–5
- regulation of private banks 190
- state-owned banks 190

Spain 210–11
- credit growth 218
- housing boom 218–23

specialist institutions 532

Spencer, M.G. 186
Spiegel, H. 119

Standards and Codes approach 13
STAN database 131–2
state agency problem, and the corporation 21–3
state-owned companies 324
states, choice of governance structure 446–8

‘stationary state’ 115
Stirbu, C. 467
stock exchange networks 98–9
stock exchanges
  - Central and Eastern Europe (CEE) 56
  - Central European exchange allowance 535–8
  - in transition economies 93

Stockholm Summit 105
stock market, vs. banking sector (as percentage of GDP) 84
stock market capitalization 47, 174, 179
- Central and Eastern European countries (CEECs) 72
  - as a percentage of GDP 94
- stock markets 93, 95
  - and growth in accession countries 176
  - transition economies 158

Strangeland, D.A. 324
Streissler, E. 111
Stulz, R.M. 16, 23, 27
subcontracting 10
Summers, L. 491
Sundararajan, V. 188, 403
supervisory agencies, cooperation between 7
Svejnar, J. 336
Swiss Re 99
Index

Talley, S. 191

technological specialization, and incorporation 444–6
telecommunications 134, 145
Telegdy, A. 339, 342, 357
Temple, J. 161
Thadden, E.-L. von 98, 415
The Theory of Economic Development 117
Thiel, M. 112
Tirel, J. 188
Tobin’s q 35, 134, 148, 324–5, 445
Tornell, A. 232
Tower, I. 51
Townsend, R.M. 417
Tract on Monetary Reform 120
trade balance 267
impact of credit growth 269
trade deficit, and credit booms 298–9
transformation, and financial developments 123
transition economies
company investment 327–34
credit growth 261
credit-to-GDP ratio 272
institutional reform 272
ownership structures and investment in 322–37
stock markets 158
Transition Indicators, EBRD 339
Treasury International Capital System (TIC) 35
A Treatise on Money 120, 121
Treaty of Rome 440
and financial integration 4
Tressel, T. 342, 343, 345
Tsatsaronis, K. 130
tunneling 324
Turkey
banking sector, stability 295
bank stress incidences 393
credit booms, and trade deficit 299
credit and consumption boom 296, 297
cyclical component of consumption and credit 287
liquidity constraints 288–9
retail lending market 280, 282
and UniCredit 529
twin agency problems 16–17, 17–23
corporate finance and benefits of
financial globalization 23–9
firm agency problem, and corporate ownership 18–21
and poor governance 17, 20–21
problems within firms 17–18
problems within the state 18
state agency problem and the corporation 21–3

UK, stock exchange 95

Ukraine
banking sector 258, 260
ownership structure 262
prudential indicators 271
basic credit indicators 259–60
credit booms 255, 256
policy options 274
economic indicators 257
exchange rate regimes 263
financial sector 258
uncertainty, and network structure 432–4
UNECE 177

UniCredit
business strategy 526
differentiated strategy 526
lending risk 528
leverage 526
market challenges 528
regional growth plan 522
strategy in Central and Eastern Europe 519–30
and Turkey 529

Upper, C. 424

US
banking consolidation 531
deregulation 363–4
financial system 101–2
regulatory competition, between states 445
stock and debt market 102

Vagliasindi, M. 358
Varoudakis, A. 160
vector error correction model (VECM) 233
Vihriälä, V. 217, 363
Villalonga, B. 342
Vishny, R.W. 22
Vives, X. 144
Volpin, P.F. 342
Vujčić, B. 369

Wachtel, P. 81, 112, 154, 156, 157, 158, 159, 161, 162, 163, 164, 176, 177, 186, 195
Wald test 401
Walsh, P.P. 342
Wang, P. 160
Waschiczek, W. 213
Weigand, J. 243, 345, 348
Weill, L. 157
Weisbach, M. 443, 444
Weiss, A. 342, 343, 351
welfare 16, 414
Wells, S. 424
Westermann, F. 232
Whelan, C. 342, 343
White, L. 363
Wicksell, K. 119–20

Wiener Börse 537
Wieser, F. 117
Winkler, A. 186
Wójcik, C. 467
Wooldridge, J.M. 400, 401
World Bank 9, 13, 29, 190, 200
Worldscope 24, 31, 32, 35
Worms, A. 424
Wurgler, J. 148

Yaniz Igal, J. 219, 223
Yurtoglu, B.B. 325
Yeung, B. 324
Yotzov, Y. 230

Zamagni, S. 120
Zervos, S. 155, 163, 164
Zingales, L. 14, 21, 22, 83, 98, 132, 141, 144
Zivnostenska Bank, privatization 9
Zumer, T. 208, 229