1. Record Nr. UNINA9910788413103321

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Titolo	Bank Risk-Taking and Competition Revisited : : New Theory and New Evidence / / Gianni De Nicolo, Abu M. Jalal, John Boyd
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2006
ISBN	1-4623-4777-0 1-4527-7939-2 1-283-45039-9 9786613823663 1-4519-1010-X
Descrizione fisica	1 online resource (51 p.)
Collana	IMF Working Papers
Altri autori (Persone)	JalalAbu M BoydJohn
Soggetti	Bank failures - Econometric models Competition - Econometric models Bank loans - Econometric models Risk - Econometric models Banks and Banking Finance: General Investments: Bonds Macroeconomics Industries: Financial Services Econometrics Banks Depository Institutions Micro Finance Institutions Mortgages Financing Policy Financial Risk and Risk Management Capital and Ownership Structure Value of Firms Goodwill Oligopoly and Other Imperfect Markets General Financial Markets: General (includes Measurement and Data) Personal Income, Wealth, and Their Distributions Estimation Banking Finance

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Banks and banking
Income
Econometric models
United States

Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	"December 2006."
Nota di bibliografia	Includes bibliographical references (p. 48-49).
Nota di contenuto	""Bank Risk-Taking and Competition Revisited: New Theory and New Evidence""; ""Contents""; ""I. INTRODUCTION""; ""II. THEORY""; ""III. EVIDENCE""; ""IV. CONCLUSION""; ""Appendix I. Pareto Dominant Equilibria""; ""References""
Sommario/riassunto	This paper studies two new models in which banks face a non-trivial asset allocation decision. The first model (CVH) predicts a negative relationship between banks' risk of failure and concentration, indicating a trade-off between competition and stability. The second model (BDN) predicts a positive relationship, suggesting no such trade-off exists. Both models can predict a negative relationship between concentration and bank loan-to-asset ratios, and a nonmonotonic relationship between bank concentration and profitability. We explore these predictions empirically using a cross-sectional sample of about 2,500 U.S. banks in 2003 and a panel data set of about 2,600 banks in 134 nonindustrialized countries for 1993-2004. In both these samples, we find that banks' probability of failure is positively and significantly related to concentration, loan-to-asset ratios are negatively and significantly related to concentration, and bank profits are positively and significantly related to concentration. Thus, the risk predictions of the CVH model are rejected, those of the BDN model are not, there is no trade-off between bank competition and stability, and bank competition fosters the willingness of banks to lend.