

Chapter Four

Determinants of the Banking Liberalization under the WTO

4.1 Introduction

In recent decades, numerous literatures on trade theory have focused on the determinants of nations' trade policy or trade barriers, which can analogously be regarded as trade liberalization in the concept. Theoretical explanations turn to the framework of the theory of endogenous protection or the political-economy theory of the determination of trade protection. Mayer (1984), Baldwin (1985), Hillman (1989), and Magee, Brock, and Young (1989) argue that, in response to increased import competition, private domestic interest groups will intensify their lobbying activity for protection, that is, higher level of import penetration will lead to greater protection. Moreover, Grossman and Helpman (1994) and Mitra (1999) develop a model in which special-interest groups make political contributions to influence government's choice of trade policy. In this regard, comprehensive surveys have been provided by Rodrik (1995) and Magee (1997). On the other hand, there is also voluminous empirical work on the political-economy of trade protection. Marvel and Ray (1983, 1987) and Ray (1981a, 1981b) investigate the structure of protection across industries depends on the particular political and economic characteristics of each industry. Trefler (1993), Lee and Swagel (1997), Gawande (1998), and Gawande and Bandyopadhyay (2000) also consider these variables.

All these studies provide valuable contribution to the examination of the role of political-economy in the implementation of trade policy, which totally take account of trade in goods. In contrast to the extensive researches mentioned above, the question of what influences the formation of policy of trade in services has received tiny systematic attention. The aim of this

chapter is to explore empirically the determinants of a country's level of commitments in banking services under the WTO.

The reminder of this chapter is structured as follows. Section 4.2 outlines and discusses the methodology utilized in this section. Section 4.3 describes the data and basic statistics. Finally, Section 4.4 provides the empirical findings.

4.2 Econometric model

This section is concerned chiefly with whether there are any methodical elements that may have influenced the commitments of banking services submitted by the WTO members during the two rounds of negotiations, 1994-2000 and 2001-2006. The model considered in this chapter is the following,

$$\begin{aligned} COMMIT_BANK_{it} = \beta_0 + \beta_1 X + \beta_2 FIN_SIZE_{it} + \beta_3 LENDING_{it} \\ + \beta_4 STOCKTRA_{it} + \beta_5 STDINFLA_{it} + \beta_6 Z + \varepsilon_{it}, \end{aligned} \quad (4-1)$$

where i is the country, and t is time period, which denotes the negotiations on trade in services under the WTO over the period 1994-2000 and 2001-2006. The full sample comprises ninety-five countries, but different availability of data source hinders the use of full sample. The maximum feasible sample is sixty-five to seventy-one countries according to the variables contained in the regression. The dependent variable, $COMMIT_BANK$, is constructed and discussed in the Chapter Two.

The first independent variable, which is comprised of three types of variables, is summarized in \mathbf{X} as:

$$\mathbf{X} = (\text{BARGAINING}, \text{REGION}, \text{INCOME}) \quad (4-2)$$

where BARGAINING, which is the bargaining coalition, is proxied by $GAIRNS\&MFA$; REGION, which is the regional dummy, is proxied by $EUROPE$ and $LATIN$; INCOME, which is the wealth of country, is proxied by $LOGPCGDP$.

The bargaining coalition, *CAIRNS&MFA*, is a dummy variable and equal to 1 if a country hold membership in one of the two bargaining coalitions. The one is the member of the Cairns Group of agricultural exporter,²³ the other is those countries experienced their textiles/clothing exports constrained by quantitative restrictions under the *Multi-Fibre Agreement* (MFA).²⁴ In alphabetical order, *CAIRNS_GROUP* is composed of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, and Uruguay; *MFA_GROUP* is composed of Bahrain, Brazil, Bulgaria, Colombia, Costa Rica, Czech Republic, Dominican Republic, Egypt, El Salvador, Haiti, Hong Kong, Hungary, India, Indonesia, Jamaica, Kenya, Korea, Kuwait, Macao, Malaysia, Mauritius, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Slovak Republic, Sri Lanka, Turkey, and Uruguay.

The Cairns Group is a coalition made up of developed and developing countries which account for over 25 per cent of world's agricultural exports, and is engaged in achieving free and fair trade in agriculture that provides real and sustainable benefits for the developing world. The Group's objective is to cut tariffs and remove tariff escalation (or referred to as market access), to eliminate trade-distorting domestic support measures (or referred to as domestic support), and to abolish export subsidies (or referred to as export competition). The Group successfully forced agriculture onto the agenda of the Uruguay Round, and eventually led to the *Agreement on Agriculture*. The Group also negotiated effectively during the Doha Round to reach agreement on *Framework on Agriculture* that will guide the final phase of agriculture negotiations. The MFA which governed the international trade in textile and clothing for more than 30 years was established in 1974 as a temporary measure to provide developed countries with time and space to adapt to the increasing competition from developing countries in the importation of textiles/clothing. The MFA was subsequently renewed in January 1978,

²³ This group contains 19 countries.

²⁴ As point out by Harms, Mattoo, and Schuknecht (2003), this group contains 31 countries.

January 1982, and July 1986. The MFA developed restraint mechanisms through the establishment of quota restrictions on specific textiles and clothing items, which was considered a departure from fundamental principles of the GATT and its goal of reducing non-tariff barriers to trade. One of the major accomplishments of the Uruguay Round was the *Agreement on Textiles and Clothing* (ATC) which replaced the MFA and set out a process to integrate trade in textiles and clothing into the framework of GATT, and the MFA restrictions were to be phased out over a 10-year period and were scheduled to end in January 2005.²⁵

Grossman and Helpman (1995) analyze the strategic interactions between countries and suggest that the chance of exchanging concessions across industries in the next bargaining round may induce countries to keep protection in the current bargaining round. Furthermore, Harms, Mattoo, and Schuknecht (2003) claim that in the framework of the GATS the incentive to forego current gains from unilateral liberalization for receiving larger gains from reciprocal opening in the future would seem to be most important for countries that faced high protection in their areas of export interest and possessed sufficient negotiating leverage to extract liberalization from their trading partners. By using the data estimated by Finger and Schuknecht (2001),²⁶ Harms, Mattoo, and Schuknecht (2003) detect that agriculture and textiles/clothing sector faced particularly high level of protection. Nevertheless, Hoekman and Kostecki (2001) contend that the existence of protectionist barriers abroad would not in itself be a sufficient argument for a small country to maintain its own protection as a bargaining chip for future negotiations. However, if small countries can successfully form coalitions,

²⁵ The MFA phase-out is comprised of two parts: a four-stage process eliminating export restraints, and an increase in quota growth rates for products still under restriction during the transition period. The four stages are defined in the ATC as follows: members shall integrate products that account for at least 16 percent of their total 1990 import volume on January 1, 1995; additional 17 percent on January 1, 1998; additional 18 percent on January 1, 2002; and remaining 49 percent on January 1, 2005. Products not liberalized but under quota or other restraint will have their quota growth rates increase during the first three stages of the phase-out period by 16, 25, and 27 percent, respectively.

²⁶ After the Uruguay Round, the average tariff rates for all WTO members on agricultural products were 14 percent and on textiles/clothing were 10 percent, compared to 4 percent for all other manufactures.

then this can be an effective way to evade free-rider problems and to increase negotiating leverage. The Cairns Group and the countries faced quantitative restrictions on their textiles/clothing exports under the MFA were the attractively successful coalitions in the WTO. Harms, Mattoo, and Schuknecht (2003) use a dummy variable, *GAIRNS&MFA*, to proxy this consideration, and found that these countries indeed commit to less liberalization. We also expect that the bargaining power have negative effect on the liberalization index.

The regional dummy consists of two variables, *EUROPE* and *LATIN*, where *EUROPE* is a dummy variable and equal to 1 if it is a European and Central Asian country and zero otherwise; *LATIN* is similar to *EUROPE* but denotes a Latin American and Caribbean country. Valckx (2004) find that Latin American and Caribbean countries agree on more liberal commitments. Furthermore, as described in the Chapter Two, European and Central Asian countries have the highest level of liberalization in banking services, whereas Latin American and Caribbean countries have the lowest level of liberalization in banking services. We expect that European and Central Asian dummy to be positively correlated with the liberalization index, while the contrary hold for Latin American and Caribbean dummy.

The wealth of countries is proxied by *LOGPCGDP*, which is the logarithm of per capita GDP. Valckx (2004) find that countries with a higher per capita GDP choose a greater degree of liberalization. In addition, as displayed in the Chapter Two, the level of liberalization is positively related to income level to a certain extent, that is, higher income countries tend to have higher level of liberalization, while lower income countries seem to have lower level of liberalization. We expect that the higher the income level in per capita GDP, the higher the liberalization index.

The magnitude of financial services trade orientation is proxied by *FIN_SIZE*, which is the sum of exports and imports of insurance and financial services as a share of world's volume. The trade data originates from *Balance of Payments Statistics*, published by International Monetary Fund, and the standard components and coverage of insurance and financial services are based on the fifth edition of *Balance of Payments Manual*. Insurance services

contains the provision of insurance to nonresidents by resident insurance enterprises, and vice versa. Such services cover freight insurance (i.e., insurance on goods that are in the process of being exported or imported); other types of direct insurance (i.e., life—including pension and annuity services, other casualty or accident, health, general liability, fire, marine, aviation, etc. insurance); and reinsurance. Also recorded are agent commissions related to insurance transactions. Financial services consists of financial intermediary and auxiliary services (except those of insurance enterprises and pension funds) conducted between residents and nonresidents. Included are intermediary service fees, such as those associated with letters of credit, bankers' acceptances, lines of credit, financial leasing, and foreign exchange transactions. Also included are commissions and other fees related to transactions in securities, such as brokerage, placements of issues, underwritings, redemptions, and arrangements of swaps, options, and other hedging instruments; commissions of commodity futures traders; and services related to asset management, financial market operational and regulatory services, security custody services, etc.

Harms, Mattoo, and Schuknecht (2003) propose that trade openness, which is exports plus imports as a share of GDP, may account for the possibility that trade-oriented countries in general are more interested in financial services liberalization, whereas their results are insignificant. Besides, as displayed in the Chapter Two, the correlation coefficient between the liberalization index and the financial services trade size is higher than the financial services trade openness. For instance, the highest ratio of the financial services trade size over 1994-2006 is found in United States (15.754%), while the lowest ratio is in Suriname (0.002%). However, the ratio of financial services trade openness for United States and Suriname are 0.345% and 0.341%, respectively. Accordingly, we suggest that *FIN_SIZE* may be a better proxy for a country's magnitude of financial services trade orientation, and expect that the higher the financial services trade size, the higher the liberalization index.

The banking development variables (or referred to as the depth of the

banking industry) is proxied by *LENDING*, which is the ratio of claims on the private sector by banks to GDP.²⁷ De Gregorio and Guidotti (1995), and Levine and Zervos (1998) have used *LENDING* to proxy the depth of banking industry. The stock market development variables (or referred to as the depth of the equity market) is proxied by *STOCKTRA*, which is the ratio of total stock traded value to GDP.²⁸ Demirgüç-Kunt and Levine (1996a), and Levine and Zervos (1998), and Rousseau and Wachtel (2000) have used these variables as proxies for the depth of stock market.

Harms, Mattoo, and Schuknecht (2003) find that banking development is positively correlated with liberalization index, while Valckx's (2004) finding is ambiguous. Countries whose financial markets are underdeveloped may be prone to introduce foreign financial institutions through foreign direct investment (mode 3) to help develop their domestic financial sectors, on the one hand. Countries whose financial markets are well-developed may be willing to make it convenient for domestic residents and firms to contact foreign cross-border services (mode 1 and mode 2), on the other hand. However, Demirgüç-Kunt and Detragiache (2001) find that financial liberalization has a very large and statistically significant effect on the probability of a banking crisis. Tornell, Westermann, and Martinez (2004) show that financial liberalization lead to more rapid growth by accelerating financial deepening and easing financial constraints, but also to financial fragility and credit risk by lifting restrictions that preclude risk taking and guarantees that cover creditors against crises. The relationship between financial development and liberalization index may be blurred. Therefore, we have no hypothesis on the sign of this coefficient.

The volatility of the macroeconomic environment is proxied by *STDINFLA*, which is the standard deviation of inflation rate. Harms, Mattoo,

²⁷ Levine and Zervos (1998) propose that claims on the private sector by banks to GDP improve traditional financial depth measures of banking development both by isolating the credit issued by banks, as opposed to the credit issued by the central bank or other financial intermediaries, and by indentifying credit to the private sector, as opposed to the credit issued to government.

²⁸ Demirgüç-Kunt and Levine (1996b) indicate that *STOCKTRA* generally be referred to the ability to easily buy and sell securities, that is, a measure of liquidity.

and Schuknecht (2003) find a negative relationship between inflation and liberalization index, whereas Valckx (2004) find a positive relationship in a large countries sample. As mentioned earlier, we have no hypothesis with respect to this variable.

The last independent variable, which is composed of three types of variables, is summarized in **Z** as:

$$\mathbf{Z} = (\text{GOVERNANCE}, \text{FREEDOM}, \text{RESTRICTION}) \quad (4-3)$$

where GOVERNANCE, which is the government governance, is proxied by *CONTROL_CORRUPT*, *CORRUPTION*, *LAW_ORDER*, *BUREAUCRACY*, and *CORRUPT_PERCEP*; FREEDOM, which is the freedom of economic condition, is proxied by *TRADE_FREE* and *FIN_FREE*; RESTRICTION, which is the condition of banking restriction, is proxied by *RESTRI_S*, *RESTRI_I*, *RESTRI_R*, and *RESTRI_NF*.

The government governance contains six variables. First, control of corruption, *CONTROL_CORRUPT*, measures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests. The indicator lies between -2.5 and 2.5, with a higher value corresponding to better governance. Next, corruption, *CORRUPTION*, is an assessment of corruption within the political system, including financial corruption in the form of demands for special payments and bribes, as well as actual or potential corruption in the form of excessive patronage, nepotism, job reservations, “favor-for-favors”, secret party funding, and suspiciously close ties between politics and business. The variable ranges from 0 to 6, with a higher value indicating lower political risk. Law and order, *LAW_ORDER*, is an assessment both of the strength and impartiality of the legal system, as well as the popular observance of the law. The variable ranges from 0 to 6, with a higher value indicating lower political risk. Bureaucracy quality, *BUREAUCRACY*, measures the extent to which the bureaucracy has the strength and expertise to govern a country. The variable ranges from 0 to 4, with a higher value indicating lower political risk. Finally, corruption perceptions index, *CORRUPT_PERCEP*, appraises the extent to which corruption defined as the

abuse of public office for private gain is perceived to exist among public officials and politician.²⁹ It is a composite index, compiling data from a variety of surveys carried out among business people and country analysts, which ask questions that relate to the misuse of public power for private benefit, for example bribery of public officials, kickbacks in public procurement, embezzlement of public funds, or questions that probe the strength of anti-corruption policies. The index ranges from 0 to 10, with a lower value indicating higher level of perceived corruption.

The policy freedom encompasses two variables. Trade freedom, *TRADE_FREE*, estimates the degree to which government hinders access to and the free flow of foreign commerce, by the formula based on the trade-weighted average tariff rate and non-tariff barriers. The index is graded from 0 to 100, with a higher number denoting more freedom. Financial freedom, *FIN_FREE*, gauges the relative openness of each country's banking and financial system, by determining the extent of government regulation of financial services, the extent of state intervention in banks and other financial services, the difficulty of opening and operating financial services firms, and government influence on allocation of credit. The index is graded from 0 to 100, with a higher number denoting more freedom.

The condition of banking restriction consists of four variables. *RESTRI_S* measures the extent to which banks may engage in underwriting, brokering and dealing in securities, and all aspects of the mutual fund industry. *RESTRI_I* measures the extent to which banks may engage in insurance underwriting and selling. *RESTRI_R* measures the extent to which banks may engage in real estate investment, development and management. *RESTRI_NF* measures the extent to which banks may own and control nonfinancial firms. The three indices described above are the regulatory restrictiveness for banks'

²⁹ It is difficult to assess the overall levels of corruption in different countries based on hard empirical data, e.g. by comparing the amount of bribes or the number of prosecutions or court cases. In the latter case, such comparative data does not reflect actual levels of corruption; rather it highlights the quality of prosecutors, courts and/or the media in exposing corruption across countries. One strong method of compiling cross-country data is therefore to draw on the experience and perceptions of those who are most directly confronted with the realities of corruption in a country.

activities, ranging from 1 to 4, where 1 representing activities are unrestricted, 2 is permitted, 3 is restricted, and 4 is prohibited.

Harms, Mattoo, and Schuknecht (2003) and Valckx (2004) find that the quality of regulation is positively correlated with liberalization. Harms, Mattoo, and Schuknecht (2003) claim that the level of liberalization may be associated with the quality of governance and the degree of macroeconomic stability, however, the relationship is not unambiguous, depending on whether a government treats financial liberalization as an “antidote” or “toxicant” to other policy. We, then, do not imply a hypothesis on the effect of these variables.

4.3 Descriptions and sources of data

The sample covers the two periods, 1994-2000 and 2001-2006, and sixty-five to seventy-one countries are used, depending on the variables contained in the regression. The dependent variable, *COMMIT_BANK*, is constructed and calculated by us. Macro variables, *LOGPCGDP*, *FIN_SIZE*, and *STDINFLA*, and geographic regions, *EUROPE* and *LATIN*, are taken from *World Development Indicators* (WDI) published by World Bank. The financial market development variables, *LENDING* and *STOCKTRA*, are taken from Beck, Demirgüç-Kunt, and Levine (2000). Concerning the government governance variable, *CONTROL_CORRUPT* is taken from Kaufmann, Kraay, and Mastruzzi (2005); *CORRUPTION*, *LAW_ORDER*, and *BUREAUCRACY* are taken from *International Country Risk Guide* (ICRG) published by Political Risk Services; *CORRUPT_PERCEP* is taken from Transparency International. The policy freedom variables, *TRADE_FREE* and *FIN_FREE*, are taken from Heritage Foundation. The banking restriction variables, *RESTRI_S*, *RESTRI_I*, *RESTRI_R*, and *RESTRI_NF*, are taken from Barth, Caprio, and Levine (2006). See Table 4-1 for the definitions and sources of the variables.

Our full sample consists of 15 countries in East Asia and Pacific, 33 countries in Europe and Central Asia, 28 countries in Latin America and

Caribbean, 10 countries in Middle East and North Africa, 2 countries in North America, 3 countries in South Asia, and 4 countries in Sub-Saharan Africa. See Table 2-1 for detailed classification of countries. By the classification of income group, our sample encompasses 24 high income OECD countries, 13 high income non-OECD countries, 26 upper-middle income countries, 28 low-middle income countries, and 4 low income countries. See Table 2-2 for detailed classification of countries. Table 4-2 provides the summary statistics on the dependent variable and the nineteen explanatory variables over the two periods.

Table 4-3 reports the average of our nineteen explanatory variables for each of the ninety-five countries over 1994-2006. The bargaining coalition dummy, *GAIRNS&MFA*, is shown in the first column, where 19 countries are members of Cairns group, 28 countries have their textiles/clothing exports with quota constraint under the MFA, and 39 countries hold membership in one of the two above bargaining coalitions. The regional dummies, *EUROPE* and *LATIN*, are illustrated in the second and the third column, where 33 countries are in Europe and Central Asia, 28 countries are in Latin America and Caribbean. As displayed in the fourth column, the log of per capita GDP (*LOGPCGDP*) varies slightly across countries, ranging from 2.624 (Kenya) to 4.621 (Luxembourg).

In column 5 of Table 4-3, it is noted that *FIN_SIZE* (the sum of exports and imports of insurance and financial services as a share of world's volume) differs considerably across countries. The highest ratio is found in United States (15.754%), followed by United Kingdom (13.857%) and Luxembourg (8.554%), whereas the three lowest ratios are in Suriname (0.002%), Dominica (0.005%), and Grenada (0.006%). In column 8, it is noted that *STDINFLA* (the standard deviation of inflation rate) also changes substantially, where the three highest are found in Brazil (595.635), Bulgaria (299.417), and Suriname (121.311). By contrast, the three lowest are in Panama (0.419), Denmark (0.430), and Switzerland (0.465).

The ratio of claims on the private sector by banks to GDP, *LENDING*, is revealed in column 6 of Table 4-3. Saint Kitts and Nevis (160.387%),

Switzerland (160.251%), and Netherlands (156.270) have the three highest ratios, while Albania (5.561%), Gabon (9.152%), and Suriname (11.563%) have the three lowest. The ratio of total stock traded value to GDP, *STOCKTRA*, is described in column 7. The three highest ratios are found in Taiwan (245.714%), Switzerland (180.894%), and Hong Kong (170.265%), whereas the three lowest are in Uruguay (0.019%), Guatemala (0.032%), and Bolivia (0.132%).

In relation to the government governance variables, these are presented in column 9-13 of Table 4-3. Control of corruption (*CONTROL_CORRUPT*) ranges from 2.467 (Finland) to -1.076 (Paraguay). Corruption (*CORRUPTION*) ranges from 6 (Finland) to 1 (Gabon). Law and order (*LAW_ORDER*) ranges from 6 (10 countries) to 1.545 (Colombia). Bureaucracy quality (*BUREAUCRACY*) ranges from 4 (14 countries) to 1 (Nicaragua). Corruption perceptions index (*CORRUPT_PERCEP*) ranges from 9.616 (Denmark) to 1.914 (Paraguay).

The policy freedom variables are reported in column 14 and 15 of Table 4-3. Trade freedom (*TRADE_FREE*) varies moderately across countries, ranging from 100 (Hong Kong) to 35.942 (India). Financial freedom (*FIN_FREE*) changes tolerably across countries as well, ranging from 90 (Australia, Czech Republic, Netherlands, New Zealand, United Kingdom) to 10 (Cuba).

The restriction on bank activities in securities (*RESTRI_S*) is shown in column 16 of Table 4-3, where 35 countries are unrestricted, 27 countries are permitted, 10 countries are restricted, and 1 country is prohibited. The restriction on bank activities in insurance (*RESTRI_I*) is illustrated in column 17, where 5 countries are unrestricted, 38 countries are permitted, 13 countries are restricted, and 17 countries are prohibited. The restriction on bank activities in real estate (*RESTRI_R*) is displayed in column 18, where 12 countries are unrestricted, 15 countries are permitted, 26 countries are restricted, and 20 countries are prohibited. The restriction on bank ownership of nonfinancial firms (*RESTRI_NF*) is revealed in column 19, where 10 countries are unrestricted, 25 countries are permitted, 35 countries are

restricted, and 3 countries are prohibited.

Table 4-4 reports the correlation matrix of the explanatory variables. As shown, the lowest correlation coefficient is -0.005 between *LATIN* and *RESTRI_I*, whereas the highest is 0.984 between *CONTROL_CORRUPT* and *CORRUPT_PERCEP*. The remaining correlation coefficients are around 0.013 to 0.887.

4.4 Empirical results

Table 4-5 presents the estimated result when the effect of bargaining coalition is taken into account. The coefficients of *CAIRNS&MFA* are found overwhelmingly significantly negative regardless of specification, suggesting that countries with membership in either Cairns Group or so-called MFA group tend to enact lower level of liberalization in banking services. Therefore, the chance of receiving larger gains from multi-sectors negotiations in the future induce Cairns Group members and countries whose textiles/clothing exports are constrained by quotas under the MFA to protect their industry of export non-interest, that is, to agree on less liberal commitments in banking services, in the present.

The coefficients of *FIN_SIZE* are significantly positive for ten out of the eleven specifications. This reflects that countries with higher financial trade volume relative to world's are willing to liberalize banking services. The coefficients of the financial development, *LENDING* and *STOCKTRA*, are all statistically insignificant except one specification, indicating that increasing lending to the private sector and stock traded value does not encourage countries to engage more in the liberalization process in banking services. Besides, the impact of financial development is small. Also, the coefficients of *STDINFLA* are insignificantly negative, and the effect is tiny.

The coefficients of the government governance, *CONTROL_CORRUPT*, *CORRUPTION*, *LAW_ORDER*, *BUREAUCRACY*, and *CORRUPT_PERCEP*, are all significantly positive. These imply that greater control of corruption, lower degree of corruption, more power of the legal system, higher quality of

bureaucracy, and less perception of corruption stimulate countries to implement higher commitments in banking services. The coefficients of policy freedom, *TRADE_FREE* and *FIN_FREE* are all significantly positive. These mean that countries whose trade and financial policy are more restricted to impediments incline to assumed less liberal commitments in banking services. The coefficients of bank's activities restrictiveness, *RESTRI_S*, *RESTRI_I*, *RESTRI_R*, and *RESTRI_NF*, are all significantly negative. These suggest that countries whose banks are restricted to participate in securities, insurance, real estate, and nonfinancial firms are accustomed to assume a smaller degree of liberalization in banking services.

Table 4-6 reports the estimated result when the effect of region is considered. The coefficients of *EUROPE* are found overwhelmingly significantly positive regardless of specification, indicating that European and Central Asian countries tend to adopt higher commitment levels in banking services. The coefficients of *LATIN* are found overwhelmingly significantly negative regardless of specification, reflecting that Latin American and Caribbean countries incline to choose more limited commitments in banking services. The results of other explanatory variables are in line with the results displayed in Table 4-5, though are not always statistically significant.

Table 4-7 describes the estimated result when the effect of income is take into consideration. The coefficients of *LOGPCGDP* are overwhelmingly significantly positive, meaning that higher per capita GDP seems to stimulate countries to implement higher commitments in banking services. The coefficients of *STDINFLA* are significantly negative for nine out of the eleven specifications. The significantly negative coefficients imply that the standard deviation of inflation rate has a negative effect on approval to greater degree of liberalization in banking services. The results of other explanatory variables are nearly correspondent with the results illustrated in Table 4-5 and Table 4-6, though not always merge with significant coefficients.

To sum up, our estimated results point out that European and Central Asian countries, an increase in per capita GDP, an increase in financial trade size, an increase in control of corruption, a decrease in corruption, an increase

in power of the legal system, an increase in quality of bureaucracy, a decrease in perceived corruption, and an increase in freedom of trade and financial policy altogether contribute to the explanation of greater degree of liberalization in banking services commitments, whereas Latin American and Caribbean countries, countries with membership in either Cairns Group or so-called MFA group, an increase in volatility of inflation rate, and an increase in restriction on bank's activities in securities, insurance, real estate, and nonfinancial firms entirely play a role in the determination of lower level of banking services commitments.

Table 4-1 Summary of Variables, Descriptions, and Data Sources

| Variable Name | Description | Source |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| COMMIT_BANK | The liberalization index of banking services calculated from each WTO member's schedules of commitments in financial services (excluding insurance). | Constructed by us |
| CAIRNS&MFA | Countries hold membership in one of the two bargaining coalitions =1, otherwise =0. | CG and HMS |
| EUROPE | European and Central Asian countries =1, otherwise =0. | WDI |
| LATIN | Latin American and Caribbean countries =1, otherwise =0. | WDI |
| LOGPCGDP | Logarithm of per-capita GDP. | WDI and IFS |
| FIN_SIZE | Sum of exports and imports of insurance and financial services as a share of world's volume. | WDI |
| LENDING | Claims on the private sector by deposit money banks to GDP. | BDL |
| STOCKTRA | Total shares traded on the stock market exchange as share of GDP. | BDL and WDI |
| STDINFLA | Standard deviation of inflation rate. | WDI and IFS |
| CONTROL_CORRUPT | Control of corruption measures perceptions of corruption, conventionally defined as the exercise of public power for private gain. The variable ranges from -2.5 to 2.5, with a higher value indicating better governance. | KKZ |
| CORRUPTION | Corruption measures the degree of corruption. The variable ranges from 0 to 6, with a higher value indicating lower political risk. | ICRG |
| LAW_ORDER | Law and order measures the power of law system. The variable ranges from 0 to 6, with a higher value indicating lower political risk. | ICRG |
| BUREAUCRACY | Bureaucracy quality measures the quality of bureaucracy. The variable ranges from 0 to 4, with a higher value indicating lower political risk. | ICRG |
| CORRUPT_PERCEP | Corruption perceptions index measures the degree to which corruption is perceived to exist among public officials and politicians as seen by business people and country analysts. The index ranges from 0 to 10 with a lower value indicating higher level of perceived corruption. | TI |
| TRADE_FREE | Trade freedom is a measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services. The index is graded using a scale from 0 to 100, where 100 represents the maximum freedom. | HF |
| FIN_FREE | Financial freedom is a measure of banking security as well as independence from government control. The index is graded using a scale from 0 to 100, where 100 represents the maximum freedom. | HF |
| RESTRI_S | The level of regulatory restrictiveness for bank participation in securities activities. The variable=1 if activities are unrestricted, the variable=2 if activities are permitted, the variable=3 if activities are restricted, the variable=4 if activities are prohibited. | BCL |
| RESTRI_I | The level of regulatory restrictiveness for bank participation in insurance activities. The variable=1 if activities are unrestricted, the variable=2 if activities are permitted, the variable=3 if activities are restricted, the variable=4 if activities are prohibited. | BCL |
| RESTRI_R | The level of regulatory restrictiveness for bank participation in real estate activities. The variable=1 if activities are unrestricted, the variable=2 if activities are permitted, the variable=3 if activities are restricted, the variable=4 if activities are prohibited. | BCL |
| RESTRI_NF | The level of regulatory restrictiveness for bank ownership of nonfinancial firms. The variable=1 if activities are unrestricted, the variable=2 if activities are permitted, the variable=3 if activities are restricted, the variable=4 if activities are prohibited. | BCL |

Notes: WDI: *World Development Indicators*, published by the World Bank. CG: Cairns Group's website. HMS: Harms, Mattoo, and Schuknecht (2003). IFS: *International Financial Statistics*, published by the IMF. BDL: Beck, Demirgüç-Kunt and Levine (2000). KKZ: Kaufmann, Kraay, and Mastruzzi (2005). ICRG: *International Country Risk Guide*, published by the PRS Group. TI: Transparency International. HF: Heritage Foundation. BCL: Barth, Caprio, and Levine (2006).

Table 4-2 Summary Statistics over 1994-2006

| Variable Name | Mean | Median | Standard Deviation | Minimum | Maximum | Observations |
|------------------------------|--------|--------|--------------------|---------|---------|--------------|
| The first period: 1994-2000 | | | | | | |
| COMMIT_BANK | 0.602 | 0.607 | 0.249 | 0.052 | 0.975 | 54 |
| CAIRNS&MFA | 0.5 | 0.5 | 0.505 | 0 | 1 | 54 |
| EUROPE | 0.5 | 0.5 | 0.505 | 0 | 1 | 54 |
| LATIN | 0.167 | 0 | 0.376 | 0 | 1 | 54 |
| LOGPCGDP | 3.779 | 3.721 | 0.538 | 2.609 | 4.579 | 54 |
| FIN_SIZE | 1.772 | 0.376 | 3.051 | 0.014 | 13.593 | 54 |
| LENDING | 57.368 | 54.044 | 36.433 | 11.116 | 166.690 | 54 |
| STOCKTRA | 30.860 | 16.252 | 37.393 | 0.032 | 169.926 | 54 |
| STDINFLA | 26.136 | 2.157 | 116.511 | 0.416 | 778.388 | 54 |
| CONTROL_CORRUPT | 0.767 | 0.522 | 1.068 | -1.097 | 2.470 | 54 |
| CORRUPTION | 3.981 | 3.869 | 1.075 | 2.333 | 6 | 54 |
| LAW_ORDER | 4.839 | 5 | 1.121 | 2.524 | 6 | 54 |
| BUREAUCRACY | 3.045 | 3 | 0.830 | 1.369 | 4 | 54 |
| CORRUPT_PERCEP | 5.559 | 4.890 | 2.277 | 2.203 | 9.508 | 54 |
| TRADE_FREE | 70.518 | 72.8 | 11.646 | 29.2 | 98 | 54 |
| FIN_FREE | 61.309 | 63.333 | 14.742 | 30 | 90 | 54 |
| RESTRI_S | 1.704 | 2 | 0.743 | 1 | 4 | 54 |
| RESTRI_I | 2.481 | 2 | 0.863 | 1 | 4 | 54 |
| RESTRI_R | 2.611 | 3 | 1.054 | 1 | 4 | 54 |
| RESTRI_NF | 2.333 | 2 | 0.801 | 1 | 4 | 54 |
| Variable Name | Mean | Median | Standard Deviation | Minimum | Maximum | Observations |
| The second period: 2001-2006 | | | | | | |
| COMMIT_BANK | 0.571 | 0.540 | 0.076 | 0 | 0.933 | 67 |
| CAIRNS&MFA | 0.493 | 0 | 0.254 | 0 | 1 | 67 |
| EUROPE | 0.433 | 0 | 0.249 | 0 | 1 | 67 |
| LATIN | 0.224 | 0 | 0.176 | 0 | 1 | 67 |
| LOGPCGDP | 3.809 | 3.775 | 0.294 | 2.626 | 4.675 | 67 |
| FIN_SIZE | 1.485 | 0.222 | 10.779 | 0.015 | 19.535 | 67 |
| LENDING | 65.952 | 58.688 | 1648.827 | 14.341 | 157.218 | 67 |
| STOCKTRA | 38.784 | 12.615 | 2774.861 | 0.004 | 202.258 | 67 |
| STDINFLA | 1.859 | 1.216 | 8.023 | 0.198 | 20.982 | 67 |
| CONTROL_CORRUPT | 0.660 | 0.518 | 1.044 | -1.225 | 2.465 | 67 |
| CORRUPTION | 3.178 | 3 | 1.234 | 1.208 | 6 | 67 |
| LAW_ORDER | 4.243 | 4.396 | 1.800 | 1 | 6 | 67 |
| BUREAUCRACY | 2.953 | 3 | 0.713 | 1 | 4 | 67 |
| CORRUPT_PERCEP | 5.477 | 4.917 | 5.309 | 1.98 | 9.7 | 67 |
| TRADE_FREE | 71.089 | 74.517 | 118.077 | 42.683 | 100 | 67 |
| FIN_FREE | 62.786 | 66.667 | 289.763 | 30 | 90 | 67 |
| RESTRI_S | 1.761 | 2 | 0.427 | 1 | 3 | 67 |
| RESTRI_I | 2.567 | 3 | 0.613 | 1 | 4 | 67 |
| RESTRI_R | 2.746 | 3 | 1.404 | 1 | 4 | 67 |
| RESTRI_NF | 2.493 | 2 | 0.678 | 1 | 4 | 67 |

Table 4-3 Average Statistics by Country over 1994-2006

| Country | CAIRNS&MFA | EUROPE | LATIN | LOGPCGDP | FIN_SIZE | LENDING | STOCKTRA | STDINFLA | CONTROL_CORRUPT | CORRUPTION | LAW_ORDER | BUREAUCRACY | CORRUPT_PERCEP | TRADE_FREE | FIN_FREE | RESTR_L_S | RESTR_L_I | RESTR_L_R | RESTR_L_NF |
|--------------------|------------|--------|-------|----------|----------|---------|----------|----------|-----------------|------------|-----------|-------------|----------------|------------|----------|-----------|-----------|-----------|------------|
| Albania | 0 | 1 | 0 | 3.1 | 0.0 | 5.6 | NA | 10.7 | -0.7 | 2.6 | 2.9 | 1.2 | 2.5 | 58.3 | 43.3 | 1 | 4 | 3 | 3 |
| Argentina | 1 | 0 | 1 | 3.9 | 0.2 | 18.3 | 3.9 | 8.0 | -0.4 | 2.5 | 4.2 | 2.7 | 3.2 | 61.6 | 55.0 | 2 | 2 | 2 | 1 |
| Australia | 1 | 0 | 0 | 4.3 | 1.1 | 80.7 | 54.7 | 1.4 | 2.0 | 4.9 | 6.0 | 4.0 | 8.7 | 72.8 | 90.0 | 1 | 2 | 3 | 2 |
| Austria | 0 | 1 | 0 | 4.4 | 1.9 | 98.3 | 7.2 | 0.7 | 2.0 | 4.6 | 6.0 | 4.0 | 7.9 | 74.3 | 75.0 | 1 | 2 | 1 | 1 |
| Bahrain | 1 | 0 | 0 | 4.1 | NA | 20.9 | 4.5 | 1.5 | 0.5 | 2.9 | 5.1 | 2.2 | 5.9 | 69.8 | 80.0 | 1 | 3 | 4 | 1 |
| Barbados | 0 | 0 | 1 | 4.0 | 0.1 | 44.6 | 4.6 | 2.5 | 1.2 | NA | NA | NA | 7.0 | 67.8 | 70.0 | NA | NA | NA | NA |
| Belgium | 0 | 1 | 0 | 4.3 | 6.9 | 74.2 | 15.9 | 0.6 | 1.4 | 3.9 | 5.3 | 4.0 | 6.6 | 74.1 | 70.0 | 2 | 2 | 3 | 2 |
| Belize | 0 | 0 | 1 | 3.5 | 0.0 | 41.2 | NA | 2.1 | -0.2 | NA | NA | NA | 3.9 | 52.4 | 50.0 | NA | NA | NA | NA |
| Bolivia | 1 | 0 | 1 | 3.0 | 0.0 | 43.9 | 0.1 | 3.5 | -0.8 | 2.7 | 2.9 | 1.7 | 2.5 | 76.9 | 66.7 | 2 | 2 | 4 | 4 |
| Brazil | 1 | 0 | 1 | 3.5 | 0.7 | 27.9 | 16.1 | 595.6 | -0.1 | 2.9 | 2.3 | 2.3 | 3.7 | 55.6 | 50.0 | 2 | 2 | 3 | 3 |
| Brunei | 0 | 0 | 0 | 4.2 | NA | 68.3 | NA | 2.1 | 0.2 | 3.3 | 5.9 | 3.2 | NA | NA | NA | NA | NA | NA | NA |
| Bulgaria | 1 | 1 | 0 | 3.2 | 0.1 | 24.3 | 1.1 | 299.4 | -0.3 | 3.2 | 4.3 | 2.0 | 3.7 | 60.9 | 55.0 | 1 | 4 | 3 | 2 |
| Canada | 1 | 0 | 0 | 4.3 | 4.1 | 64.8 | 55.6 | 0.7 | 2.2 | 5.5 | 6.0 | 4.0 | 8.9 | 77.3 | 70.0 | 1 | 2 | 1 | 3 |
| Chile | 1 | 0 | 1 | 3.7 | 0.3 | 54.2 | 9.7 | 2.9 | 1.4 | 3.5 | 5.0 | 2.8 | 7.2 | 83.3 | 58.3 | 2 | 2 | 4 | 3 |
| China | 0 | 0 | 0 | 3.0 | 1.8 | 104.8 | 30.6 | 8.0 | -0.4 | 2.1 | 4.8 | 2.1 | 3.1 | 50.3 | 40.0 | 4 | 3 | 4 | 3 |
| Colombia | 1 | 0 | 1 | 3.3 | 0.2 | 18.5 | 1.5 | 7.0 | -0.4 | 2.4 | 1.5 | 2.3 | 3.3 | 62.9 | 70.0 | NA | NA | NA | NA |
| Costa Rica | 1 | 0 | 1 | 3.6 | 0.0 | 20.3 | 1.0 | 3.9 | 0.7 | 4.3 | 4.0 | 2.0 | 4.9 | 69.9 | 50.0 | NA | NA | NA | NA |
| Croatia | 0 | 1 | 0 | 3.6 | 0.1 | 39.0 | 1.0 | 29.9 | -0.1 | 2.9 | 5.0 | 2.8 | 3.5 | 68.1 | 55.5 | 2 | 2 | 2 | 1 |
| Cuba | 0 | 0 | 1 | NA | NA | NA | NA | 7.1 | -0.3 | 2.5 | 4.5 | 1.9 | 3.9 | 61.0 | 10.0 | NA | NA | NA | NA |
| Cyprus | 0 | 1 | 0 | 4.1 | 0.1 | 97.3 | 21.4 | 1.0 | 1.0 | 4.4 | 5.0 | 3.8 | 5.7 | 73.7 | 70.0 | 2 | 2 | 1 | 3 |
| Czech Republic | 1 | 1 | 0 | 3.7 | 0.3 | 50.2 | 11.4 | 3.8 | 0.4 | 3.6 | 5.3 | 3.0 | 4.5 | 79.0 | 90.0 | 1 | 2 | 2 | 3 |
| Denmark | 0 | 1 | 0 | 4.5 | NA | 84.4 | 35.0 | 0.4 | 2.4 | 5.8 | 6.0 | 4.0 | 9.6 | 74.1 | 79.1 | 1 | 2 | 2 | 3 |
| Dominica | 0 | 0 | 1 | 3.6 | 0.0 | 57.9 | NA | 0.7 | 0.3 | NA | NA | NA | 4.5 | NA | NA | NA | NA | NA | NA |
| Dominican Republic | 1 | 0 | 1 | 3.3 | 0.0 | 17.6 | NA | 14.2 | -0.5 | 3.2 | 3.4 | 1.3 | 3.1 | 51.5 | 46.7 | NA | NA | NA | NA |

| Country | CAIRNS&MFA | EUROPE | LATIN | LOGPCGDP | FIN_SIZE | LENDING | STOCKTRA | STDINFLA | CONTROL_CORRUPT | CORRUPTION | LAW_ORDER | BUREAUCRACY | CORRUPT_PERCEP | TRADE_FREEE | FIN_FREEE | RESTRLS | RESTRLI | RESTRLR | RESTRINF |
|-------------|------------|--------|-------|----------|----------|---------|----------|----------|-----------------|------------|-----------|-------------|----------------|-------------|-----------|---------|---------|---------|----------|
| Egypt | 1 | 0 | 0 | 3.2 | 0.2 | 42.7 | 7.2 | 4.1 | -0.3 | 2.2 | 4.0 | 2.0 | 3.2 | 50.0 | 41.7 | 2 | 4 | 4 | 3 |
| El Salvador | 1 | 0 | 1 | 3.3 | 0.1 | 38.1 | 0.5 | 3.5 | -0.4 | 3.3 | 2.9 | 1.6 | 3.9 | 73.3 | 70.0 | 2 | 3 | 4 | 4 |
| Estonia | 0 | 1 | 0 | 3.6 | 0.0 | 23.4 | 10.8 | 14.1 | 0.6 | 3.9 | 4.0 | 2.7 | 5.9 | 95.3 | 78.3 | 2 | 2 | 2 | 2 |
| Fiji | 0 | 0 | 0 | 3.3 | 0.0 | 32.5 | 0.2 | 1.5 | 0.0 | NA | NA | NA | 4.0 | 53.5 | 53.3 | NA | NA | NA | NA |
| Finland | 0 | 1 | 0 | 4.3 | 0.2 | 58.9 | 85.4 | 0.9 | 2.5 | 6.0 | 6.0 | 4.0 | 9.6 | 76.9 | 59.1 | 1 | 3 | 1 | 2 |
| France | 0 | 1 | 0 | 4.3 | 3.4 | 85.3 | 50.1 | 0.5 | 1.5 | 3.6 | 5.2 | 3.6 | 6.9 | 74.0 | 50.0 | 1 | 2 | 1 | 2 |
| Gabon | 0 | 0 | 0 | 3.6 | 0.0 | 9.2 | NA | 10.3 | -0.8 | 1.0 | 3.0 | 2.3 | 3.1 | 41.9 | 53.3 | NA | NA | NA | NA |
| Germany | 0 | 1 | 0 | 4.4 | 4.9 | 110.1 | 43.9 | 0.6 | 1.9 | 4.8 | 5.6 | 4.0 | 7.9 | 75.7 | 55.0 | 1 | 1 | 1 | 2 |
| Greece | 0 | 1 | 0 | 4.0 | 0.2 | 48.3 | 36.6 | 2.8 | 0.6 | 4.3 | 4.1 | 3.0 | 4.6 | 74.0 | 40.0 | 2 | 3 | 2 | 2 |
| Grenada | 0 | 0 | 1 | 3.6 | 0.0 | 67.8 | NA | 0.9 | 0.4 | NA | NA | NA | 3.5 | NA | NA | NA | NA | NA | NA |
| Guatemala | 1 | 0 | 1 | 3.2 | 0.1 | 16.0 | 0.0 | 1.9 | -0.8 | 2.9 | 2.2 | 1.6 | 2.7 | 66.7 | 65.0 | 3 | 3 | 4 | 3 |
| Guyana | 0 | 0 | 1 | 3.0 | 0.0 | 37.2 | 0.2 | 2.5 | -0.4 | 3.0 | 3.5 | 2.6 | 2.5 | 56.9 | 53.3 | 1 | 3 | 3 | 2 |
| Honduras | 0 | 0 | 1 | 3.0 | 0.0 | 29.5 | NA | 7.4 | -0.8 | 2.1 | 2.2 | 1.7 | 2.3 | 61.5 | 53.3 | 2 | 2 | 2 | 3 |
| Hong Kong | 1 | 0 | 0 | 4.4 | 2.7 | 151.0 | 170.3 | 4.9 | 1.6 | 3.9 | 5.1 | 3.1 | 7.8 | 100.0 | 88.3 | NA | NA | NA | NA |
| Hungary | 1 | 1 | 0 | 3.7 | 0.2 | 29.8 | 14.5 | 8.0 | 0.6 | 4.3 | 5.0 | 3.7 | 5.0 | 65.2 | 68.3 | 2 | 2 | 2 | 3 |
| Iceland | 0 | 1 | 0 | 4.5 | 0.0 | 88.7 | 30.9 | 1.7 | 2.3 | 5.6 | 6.0 | 4.0 | 9.4 | 75.3 | 58.0 | 2 | 2 | 4 | 3 |
| India | 1 | 0 | 0 | 2.7 | 0.8 | 26.6 | 44.6 | 3.3 | -0.3 | 2.6 | 4.0 | 3.0 | 2.8 | 35.9 | 30.0 | 1 | 4 | 4 | 1 |
| Indonesia | 1 | 0 | 0 | 2.9 | 0.2 | 33.5 | 10.5 | 14.8 | -0.9 | 1.8 | 3.0 | 2.2 | 2.1 | 73.6 | 36.7 | 2 | 4 | 4 | 4 |
| Ireland | 0 | 1 | 0 | 4.4 | 4.8 | 90.8 | 26.4 | 1.4 | 1.7 | 3.4 | 6.0 | 4.0 | 7.7 | 74.0 | 80.0 | 1 | 4 | 1 | 2 |
| Israel | 0 | 0 | 0 | 4.2 | 0.2 | 74.8 | 26.1 | 4.5 | 1.1 | 3.7 | 5.0 | 3.9 | 7.0 | 75.6 | 50.0 | 2 | 4 | 4 | 3 |
| Italy | 0 | 1 | 0 | 4.3 | 4.0 | 67.7 | 38.0 | 1.1 | 0.7 | 3.1 | 5.2 | 3.0 | 4.7 | 74.0 | 65.0 | 1 | 2 | 4 | 3 |
| Jamaica | 1 | 0 | 1 | 3.5 | 0.1 | 19.3 | 2.3 | 9.0 | -0.4 | 2.5 | 2.2 | 3.0 | 3.7 | 70.5 | 60.0 | 3 | 3 | 3 | 3 |
| Japan | 0 | 0 | 0 | 4.6 | 3.6 | 111.8 | 45.5 | 0.7 | 1.2 | 3.7 | 5.6 | 4.0 | 6.8 | 75.6 | 48.3 | 3 | 4 | 3 | 3 |
| Jordan | 0 | 0 | 0 | 3.3 | 0.0 | 68.4 | 27.5 | 1.6 | 0.2 | 3.5 | 4.2 | 2.3 | 4.9 | 58.5 | 70.0 | 1 | 4 | 3 | 3 |
| Kenya | 1 | 0 | 0 | 2.6 | 0.0 | 22.8 | 1.0 | 7.0 | -1.0 | 2.5 | 2.7 | 2.3 | 2.1 | 56.6 | 56.7 | 2 | 4 | 3 | 1 |
| Korea | 1 | 0 | 0 | 4.0 | 0.4 | 67.8 | 104.6 | 1.8 | 0.3 | 3.6 | 4.4 | 3.2 | 4.4 | 64.8 | 56.7 | 2 | 2 | 2 | 3 |

| Country | CAIRNS&MFA | EUROPE | LATIN | LOGPCGDP | FIN_SIZE | LENDING | STOCKTRA | STDINFLA | CONTROL_CORRUPT | CORRUPTION | LAW_ORDER | BUREAUCRACY | CORRUPT_PERCEP | TRADE_FREEE | FIN_FREEE | RESTRLS | RESTRLI | RESTRLR | RESTRINF |
|-----------------|------------|--------|-------|----------|----------|---------|----------|----------|-----------------|------------|-----------|-------------|----------------|-------------|-----------|---------|---------|---------|----------|
| Latvia | 0 | 1 | 0 | 3.5 | 0.0 | 19.4 | 1.2 | 10.8 | 0.0 | 2.5 | 4.9 | 2.3 | 3.7 | 73.5 | 68.2 | 1 | 2 | 3 | 2 |
| Liechtenstein | 0 | 1 | 0 | NA | NA | NA | NA | NA | 1.3 | NA | NA | NA | NA | NA | NA | 1 | 2 | 4 | 2 |
| Lithuania | 0 | 1 | 0 | 3.5 | 0.0 | 14.3 | 1.7 | 22.3 | 0.2 | 2.7 | 4.0 | 2.3 | 4.6 | 84.1 | 60.9 | 2 | 2 | 3 | 2 |
| Luxembourg | 0 | 1 | 0 | 4.6 | 8.6 | 99.8 | 2.7 | 0.7 | 2.0 | 5.3 | 6.0 | 4.0 | 8.7 | 74.7 | 80.9 | 1 | 2 | 1 | 2 |
| Macao | 1 | 0 | 0 | 4.2 | 0.0 | 72.0 | NA | 3.9 | 0.7 | NA | NA | NA | 6.6 | NA | NA | 1 | 1 | 4 | 3 |
| Macedonia | 0 | 1 | 0 | 3.2 | 0.0 | 23.0 | 1.2 | 35.9 | -0.6 | NA | NA | NA | 2.7 | 59.5 | 70.0 | 3 | 4 | 3 | 3 |
| Malaysia | 1 | 0 | 0 | 3.6 | 0.4 | 91.5 | 78.2 | 1.2 | 0.4 | 3.3 | 4.0 | 2.8 | 5.1 | 65.5 | 40.0 | 2 | 2 | 3 | 3 |
| Malta | 0 | 0 | 0 | 4.0 | 0.0 | 98.3 | 2.1 | 0.9 | 0.8 | 3.7 | 5.6 | 2.9 | 6.6 | 64.8 | 60.0 | 1 | 3 | 3 | 3 |
| Mauritius | 1 | 0 | 0 | 3.6 | 0.0 | 51.2 | 2.1 | 1.2 | 0.4 | NA | NA | NA | 4.6 | 53.6 | 67.5 | 3 | 4 | 4 | 2 |
| Mexico | 1 | 0 | 1 | 3.8 | 3.0 | 19.9 | 9.0 | 11.3 | -0.3 | 2.6 | 2.5 | 2.7 | 3.4 | 73.9 | 48.3 | 3 | 4 | 3 | 2 |
| Morocco | 0 | 0 | 0 | 3.1 | 0.0 | 44.9 | 3.8 | 1.8 | 0.0 | 3.0 | 5.7 | 2.0 | 3.6 | 51.4 | 46.7 | 2 | 4 | 4 | 3 |
| Netherlands | 0 | 1 | 0 | 4.3 | 1.2 | 156.3 | 114.8 | 0.8 | 2.2 | 5.7 | 6.0 | 4.0 | 8.8 | 74.1 | 90.0 | 1 | 2 | 1 | 2 |
| New Zealand | 1 | 0 | 0 | 4.1 | 0.1 | 103.9 | 15.8 | 1.0 | 2.4 | 5.4 | 6.0 | 4.0 | 9.5 | 73.9 | 90.0 | 1 | 1 | 1 | 1 |
| Nicaragua | 0 | 0 | 1 | 2.9 | 0.0 | 21.5 | NA | 2.8 | -0.6 | 3.8 | 3.9 | 1.0 | 2.7 | 61.3 | 56.7 | NA | NA | NA | NA |
| Norway | 0 | 1 | 0 | 4.6 | 0.7 | 65.5 | 32.1 | 0.8 | 2.1 | 5.2 | 6.0 | 4.0 | 8.8 | 75.1 | 50.0 | NA | NA | NA | NA |
| Oman | 0 | 0 | 0 | 3.9 | 0.1 | 33.8 | 6.3 | 1.1 | 0.7 | 2.8 | 5.0 | 2.3 | 6.0 | 71.2 | 43.3 | 2 | 4 | 4 | 3 |
| Pakistan | 1 | 0 | 0 | 2.7 | 0.1 | 23.1 | 39.3 | 3.7 | -0.9 | 2.1 | 3.1 | 2.0 | 2.2 | 50.2 | 50.0 | NA | NA | NA | NA |
| Panama | 0 | 0 | 1 | 3.6 | 0.2 | 77.7 | 0.6 | 0.4 | -0.3 | 2.0 | 3.0 | 2.0 | 3.4 | 62.1 | 85.0 | 1 | 2 | 3 | 2 |
| Paraguay | 1 | 0 | 1 | 3.2 | 0.1 | 19.6 | 0.1 | 4.4 | -1.1 | 1.7 | 3.2 | 1.3 | 1.9 | 76.8 | 60.0 | NA | NA | NA | NA |
| Peru | 1 | 0 | 1 | 3.3 | 0.2 | 20.5 | 4.1 | 6.6 | -0.3 | 2.9 | 3.0 | 1.7 | 3.9 | 64.8 | 70.0 | 2 | 2 | 2 | 2 |
| Philippines | 1 | 0 | 0 | 3.0 | 0.1 | 35.7 | 14.5 | 1.9 | -0.5 | 2.7 | 3.2 | 2.5 | 2.8 | 66.5 | 48.3 | 1 | 2 | 2 | 2 |
| Poland | 1 | 1 | 0 | 3.6 | 0.8 | 22.3 | 5.3 | 10.6 | 0.4 | 3.7 | 4.7 | 3.1 | 4.2 | 71.9 | 58.3 | 2 | 3 | 3 | 2 |
| Portugal | 0 | 1 | 0 | 4.0 | 0.3 | 106.5 | 22.0 | 1.0 | 1.3 | 4.5 | 5.2 | 3.0 | 6.4 | 74.0 | 50.0 | 1 | 2 | 3 | 3 |
| Qatar | 0 | 0 | 0 | 4.4 | NA | 31.1 | 1.8 | 2.7 | 0.6 | 2.0 | 5.7 | 2.0 | 5.7 | 70.4 | 40.0 | 1 | 4 | 3 | 3 |
| Singapore | 1 | 0 | 0 | 4.3 | 2.0 | 99.6 | 82.9 | 1.0 | 2.4 | 4.1 | 5.8 | 3.8 | 9.2 | 97.0 | 70.0 | 1 | 2 | 3 | 2 |
| Slovak Republic | 1 | 1 | 0 | 3.6 | 0.1 | 41.6 | 4.1 | 3.3 | 0.3 | 3.4 | 4.8 | 3.1 | 3.9 | 75.1 | 63.3 | 1 | 3 | 3 | 2 |

| Country | CAIRNS&MFA | EUROPE | LATIN | LOGPCGDP | FIN_SIZE | LENDING | STOCKTRA | STDINFLA | CONTROL_CORRUPT | CORRUPTION | LAW_ORDER | BUREAUCRACY | CORRUPT_PERCEP | TRADE_FREE | FIN_FREE | RESTR_L_S | RESTR_L_I | RESTR_L_R | RESTR_L_NF |
|--------------------------------|------------|--------|-------|----------|----------|---------|----------|----------|-----------------|------------|-----------|-------------|----------------|------------|----------|-----------|-----------|-----------|------------|
| Slovenia | 0 | 1 | 0 | 4.0 | 0.0 | 31.9 | 2.9 | 4.8 | 1.0 | 3.5 | 4.8 | 3.0 | 5.9 | 63.4 | 57.3 | 2 | 2 | 2 | 3 |
| South Africa | 1 | 0 | 0 | 3.5 | 0.5 | 66.1 | 48.3 | 2.4 | 0.5 | NA | NA | NA | 4.9 | 60.4 | 53.3 | 2 | 2 | 3 | 1 |
| Spain | 0 | 1 | 0 | 4.1 | 1.8 | 91.0 | 99.1 | 0.9 | 1.4 | 4.1 | 4.8 | 3.4 | 6.3 | 75.7 | 66.7 | 1 | 2 | 3 | 1 |
| Sri Lanka | 1 | 0 | 0 | 2.9 | 0.1 | 25.5 | 2.5 | 3.3 | -0.2 | 3.5 | 3.2 | 2.0 | 3.4 | 65.6 | 55.0 | 1 | 1 | 2 | 3 |
| St. Kitts and Nevis | 0 | 0 | 1 | 3.9 | 0.0 | 160.4 | NA | 2.1 | 0.3 | NA | NA | NA | NA | NA | NA | 3 | 3 | 4 | 3 |
| St. Lucia | 0 | 0 | 1 | 3.6 | 0.0 | 70.8 | NA | 1.9 | 0.4 | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| St. Vincent and the Grenadines | 0 | 0 | 1 | 3.5 | 0.0 | 55.6 | NA | 1.4 | 0.3 | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Suriname | 0 | 0 | 1 | 3.3 | 0.0 | 11.6 | NA | 121.3 | 0.1 | 2.7 | 2.9 | 1.7 | 3.5 | 47.8 | 30.0 | NA | NA | NA | NA |
| Sweden | 0 | 1 | 0 | 4.4 | 0.7 | 61.4 | 92.0 | 1.0 | 2.3 | 5.8 | 6.0 | 4.0 | 9.2 | 74.5 | 73.3 | 1 | 2 | 3 | 3 |
| Switzerland | 0 | 1 | 0 | 4.5 | 5.0 | 160.3 | 180.9 | 0.5 | 2.2 | 5.1 | 5.7 | 4.0 | 8.8 | 77.0 | 86.4 | 1 | 1 | 1 | 2 |
| Taiwan | 0 | 0 | 0 | 4.1 | NA | 133.6 | 245.7 | 1.5 | 0.7 | 3.1 | 4.3 | 3.2 | 5.5 | 77.7 | 55.0 | 1 | 4 | 4 | 3 |
| Thailand | 1 | 0 | 0 | 3.3 | 0.5 | 90.0 | 38.1 | 2.5 | -0.3 | 2.3 | 4.6 | 2.5 | 3.3 | 69.8 | 50.0 | 2 | 2 | 2 | 3 |
| Trinidad and Tobago | 0 | 0 | 1 | 3.8 | 0.0 | 29.0 | 2.5 | 1.7 | 0.1 | 2.8 | 3.6 | 2.7 | 4.3 | 64.4 | 70.0 | 3 | 2 | 2 | 2 |
| Tunisia | 0 | 0 | 0 | 3.3 | 0.1 | 53.7 | 1.7 | 1.2 | 0.3 | 2.7 | 4.9 | 2.0 | 5.0 | 49.7 | 51.7 | NA | NA | NA | NA |
| Turkey | 1 | 1 | 0 | 3.5 | 0.6 | 16.2 | 42.1 | 32.2 | -0.2 | 2.5 | 4.1 | 2.3 | 3.5 | 82.4 | 58.3 | 3 | 2 | 4 | 3 |
| United Arab Emirates | 0 | 0 | 0 | 4.3 | NA | 51.2 | 1.3 | 8.7 | 0.9 | 2.0 | 4.0 | 2.7 | 5.9 | 73.5 | 44.5 | NA | NA | NA | NA |
| United Kingdom | 0 | 1 | 0 | 4.4 | 13.9 | 125.9 | 103.7 | 0.7 | 2.1 | 4.8 | 6.0 | 4.0 | 8.6 | 74.0 | 90.0 | 1 | 2 | 1 | 1 |
| United States | 0 | 0 | 0 | 4.5 | 15.8 | 39.8 | 168.9 | 0.6 | 1.8 | 4.3 | 5.8 | 4.0 | 7.6 | 74.6 | 80.0 | 3 | 3 | 3 | 3 |
| Uruguay | 1 | 0 | 1 | 3.8 | 0.1 | 37.1 | 0.0 | 14.3 | 0.6 | 3.0 | 2.9 | 1.8 | 5.2 | 82.2 | 61.7 | NA | NA | NA | NA |

Table 4-4 Correlation Matrix

| | CAIRNS&MFA | EUROPE | LATIN | LOGPCGDP | FIN_SIZE | LENDING | STOCKTRA | STDINFLA | CONTROL_CORRUPT | CORRUPTION | LAW_ORDER | BUREAUCRACY | CORRUPT_PERCEP | TRADE_FREE | FIN_FREE | RESTRI_S | RESTRI_I | RESTRI_R | RESTRI_NF | |
|-----------------|------------|--------|--------|----------|----------|---------|----------|----------|-----------------|------------|-----------|-------------|----------------|------------|----------|----------|----------|----------|-----------|--|
| CAIRNS&MFA | 1 | | | | | | | | | | | | | | | | | | | |
| EUROPE | -0.452 | 1 | | | | | | | | | | | | | | | | | | |
| LATIN | 0.289 | -0.456 | 1 | | | | | | | | | | | | | | | | | |
| LOGPCGDP | -0.485 | 0.438 | -0.287 | 1 | | | | | | | | | | | | | | | | |
| FIN_SIZE | -0.297 | 0.172 | -0.192 | 0.509 | 1 | | | | | | | | | | | | | | | |
| LENDING | -0.427 | 0.215 | -0.371 | 0.608 | 0.354 | 1 | | | | | | | | | | | | | | |
| STOCKTRA | -0.206 | 0.144 | -0.337 | 0.519 | 0.537 | 0.545 | 1 | | | | | | | | | | | | | |
| STDINFLA | 0.200 | -0.031 | 0.206 | -0.139 | -0.081 | -0.200 | -0.110 | 1 | | | | | | | | | | | | |
| CONTROL_CORRUPT | -0.436 | 0.431 | -0.434 | 0.883 | 0.453 | 0.680 | 0.567 | -0.167 | 1 | | | | | | | | | | | |
| CORRUPTION | -0.316 | 0.447 | -0.379 | 0.743 | 0.324 | 0.568 | 0.513 | -0.125 | 0.894 | 1 | | | | | | | | | | |
| LAW_ORDER | -0.477 | 0.462 | -0.643 | 0.739 | 0.398 | 0.641 | 0.452 | -0.274 | 0.851 | 0.721 | 1 | | | | | | | | | |
| BUREAUCRACY | -0.359 | 0.424 | -0.463 | 0.845 | 0.492 | 0.618 | 0.548 | -0.199 | 0.881 | 0.795 | 0.773 | 1 | | | | | | | | |
| CORRUPT_PERCEP | -0.407 | 0.349 | -0.382 | 0.865 | 0.424 | 0.668 | 0.541 | -0.166 | 0.984 | 0.887 | 0.812 | 0.841 | 1 | | | | | | | |
| TRADE_FREE | -0.128 | 0.394 | -0.141 | 0.552 | 0.190 | 0.217 | 0.223 | -0.215 | 0.503 | 0.419 | 0.324 | 0.396 | 0.514 | 1 | | | | | | |
| FIN_FREE | -0.161 | 0.291 | 0.013 | 0.471 | 0.355 | 0.347 | 0.276 | -0.140 | 0.493 | 0.501 | 0.371 | 0.397 | 0.509 | 0.438 | 1 | | | | | |
| RESTRI_S | 0.122 | -0.325 | 0.321 | -0.226 | -0.023 | -0.340 | -0.137 | 0.024 | -0.413 | -0.430 | -0.400 | -0.309 | -0.379 | -0.107 | -0.344 | 1 | | | | |
| RESTRI_I | 0.029 | -0.308 | -0.005 | -0.327 | -0.086 | -0.291 | -0.217 | 0.033 | -0.357 | -0.380 | -0.209 | -0.257 | -0.321 | -0.378 | -0.450 | 0.270 | 1 | | | |
| RESTRI_R | 0.207 | -0.393 | 0.218 | -0.470 | -0.279 | -0.405 | -0.264 | 0.078 | -0.487 | -0.530 | -0.381 | -0.533 | -0.458 | -0.227 | -0.456 | 0.402 | 0.477 | 1 | | |
| RESTRI_NF | 0.149 | -0.274 | 0.111 | -0.151 | -0.160 | -0.107 | -0.077 | 0.053 | -0.203 | -0.154 | -0.181 | -0.293 | -0.163 | 0.046 | -0.221 | 0.338 | 0.151 | 0.454 | 1 | |

Table 4-5 Determinants of the Liberalization Index of Banking Services

| Independent Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|-----------------------|----------------------|-----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|---------------------|
| CONSTANT | 0.521* (9.128) | 0.385* (4.568) | 0.289* (2.785) | 0.278* (2.941) | 0.472* (6.822) | 0.112 (0.849) | 0.372* (4.813) | 0.877* (12.309) | 0.764* (8.821) | 0.795* (9.286) | 0.816* (9.906) |
| CAIRNS&MFA | -0.107** (-2.255) | -0.134* (-2.853) | -0.104** (-2.069) | -0.126* (-2.710) | -0.156* (-3.467) | -0.127* (-2.824) | -0.127* (-2.696) | -0.135* (-3.269) | -0.173* (-4.104) | -0.135* (-3.183) | -0.134* (-3.180) |
| FIN_SIZE | 0.012*** (1.862) | 0.013** (2.114) | 0.011*** (1.711) | 0.007 (1.113) | 0.010*** (1.706) | 0.015** (2.303) | 0.013*** (1.831) | 0.012** (2.154) | 0.011*** (1.706) | 0.010** (2.040) | 0.013** (2.493) |
| LENDING | 0.000 (0.525) | 0.001 (1.140) | 0.000 (0.535) | 0.000 (0.432) | 0.001 (0.698) | 0.001 (1.531) | 0.001 (1.505) | 0.000 (0.030) | 0.001 (1.103) | 0.001 (0.815) | 0.001 (1.513) |
| STOCKTRA | -0.000 (-0.607) | -0.000 (-0.498) | -0.000 (-0.207) | -0.000 (-0.509) | -0.000 (-0.639) | -0.000 (-0.414) | -0.000 (-0.011) | 0.000 (0.127) | -0.000 (-0.198) | -0.000 (-0.220) | -0.000 (-0.742) |
| STDINFLA | -0.000 (-0.973) | -0.000*** (-1.675) | -0.000 (-0.663) | -0.000 (-1.468) | -0.000 (-1.304) | -0.000 (-0.035) | -0.000 (-0.990) | -0.000 (-1.560) | -0.000*** (-1.784) | -0.000** (-2.108) | -0.000 (-1.240) |
| CONTROL_CORRUPT | 0.076* (3.344) | | | | | | | | | | |
| CORRUPTION | | 0.051* (2.945) | | | | | | | | | |
| LAW_ORDER | | | 0.063* (3.146) | | | | | | | | |
| BUREAUCRACY | | | | 0.108* (3.534) | | | | | | | |
| CORRUPT_PERCEP | | | | | 0.025** (2.326) | | | | | | |
| TRADE_FREE | | | | | | 0.006* (3.311) | | | | | |
| FIN_FREE | | | | | | | 0.002*** (1.739) | | | | |
| RESTRI_S | | | | | | | | -0.147* (-5.114) | | | |
| RESTRI_I | | | | | | | | | -0.066* (-2.871) | | |
| RESTRI_R | | | | | | | | | | -0.075* (-3.875) | |
| RESTRI_NF | | | | | | | | | | | -0.102* (-4.505) |
| Pseudo R2 | 0.240 | 0.256 | 0.271 | 0.281 | 0.263 | 0.246 | 0.209 | 0.332 | 0.241 | 0.286 | 0.287 |
| Obs. | 143 | 137 | 137 | 137 | 136 | 143 | 143 | 131 | 131 | 131 | 131 |

Notes: t-values are in parentheses; *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.

Table 4-6 Determinants of the Liberalization Index of Banking Services

| Independent Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|-----------------------|----------------------|----------------------|-----------------------|-----------------------|---------------------|----------------------|---------------------|-----------------------|----------------------|-----------------------|-----------------------|
| CONSTANT | 0.400* (9.069) | 0.379* (6.859) | 0.374* (4.735) | 0.342* (4.352) | 0.390* (8.230) | 0.188*** (1.946) | 0.310* (4.525) | 0.627* (7.995) | 0.512* (6.382) | 0.534* (6.390) | 0.576* (6.765) |
| EUROPE | 0.259* (6.611) | 0.256* (6.235) | 0.259* (6.414) | 0.251* (6.299) | 0.248* (6.784) | 0.237* (5.984) | 0.254* (6.771) | 0.218* (5.432) | 0.244* (6.442) | 0.224* (5.748) | 0.225* (5.682) |
| LATIN | -0.118** (-2.096) | -0.117** (-2.067) | -0.109*** (-1.806) | -0.110*** (-1.910) | -0.155* (-2.833) | -0.158** (-2.573) | -0.151* (-2.777) | -0.103*** (-1.786) | -0.124** (-2.018) | -0.120** (-1.970) | -0.115*** (-1.958) |
| FIN_SIZE | 0.014* (4.029) | 0.015* (4.237) | 0.014* (4.043) | 0.013* (3.357) | 0.013* (4.134) | 0.015* (4.251) | 0.013* (3.345) | 0.014* (3.980) | 0.014* (3.853) | 0.013* (4.062) | 0.014* (4.272) |
| LENDING | 0.001 (1.106) | 0.001 (1.455) | 0.001 (1.371) | 0.001 (1.199) | 0.001 (0.967) | 0.001 (1.283) | 0.001 (1.310) | 0.000 (0.575) | 0.001 (1.394) | 0.001 (1.159) | 0.001 (1.553) |
| STOCKTRA | -0.000 (-0.948) | -0.000 (-0.963) | -0.000 (-0.859) | -0.000 (-0.982) | -0.001 (-1.372) | -0.001 (-1.227) | -0.000 (-0.901) | -0.000 (-0.706) | -0.000 (-1.084) | -0.000 (-1.032) | -0.001 (-1.360) |
| STDINFLA | -0.000 (-0.530) | -0.000 (-0.625) | -0.000 (-0.597) | -0.000 (-0.633) | -0.000 (-0.484) | -0.000 (-0.221) | -0.000 (-0.360) | -0.000 (-0.792) | -0.000 (-0.789) | -0.000 (-0.724) | -0.000 (-0.619) |
| CONTROL_CORRUPT | 0.019 (0.948) | | | | | | | | | | |
| CORRUPTION | | 0.009 (0.536) | | | | | | | | | |
| LAW_ORDER | | | 0.007 (0.397) | | | | | | | | |
| BUREAUCRACY | | | | 0.026 (0.879) | | | | | | | |
| CORRUPT_PERCEP | | | | | 0.011 (1.237) | | | | | | |
| TRADE_FREE | | | | | | 0.003** (2.238) | | | | | |
| FIN_FREE | | | | | | | 0.002 (1.619) | | | | |
| RESTRI_S | | | | | | | | -0.092* (-3.197) | | | |
| RESTRI_I | | | | | | | | | -0.032 (-1.547) | | |
| RESTRI_R | | | | | | | | | | -0.032*** (-1.717) | |
| RESTRI_NF | | | | | | | | | | | -0.057** (-2.429) |
| Pseudo R2 | 0.467 | 0.461 | 0.460 | 0.463 | 0.513 | 0.484 | 0.476 | 0.484 | 0.447 | 0.451 | 0.463 |
| Obs. | 143 | 137 | 137 | 137 | 136 | 143 | 143 | 131 | 131 | 131 | 131 |

Notes: t-values are in parentheses; *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.

Table 4-7 Determinants of the Liberalization Index of Banking Services

| Independent Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 19 | 11 |
|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|---------------------|-----------------------|
| CONSTANT | -0.154 (-0.583) | -0.243*** (-1.682) | -0.249*** (-1.820) | -0.208 (-1.461) | -0.376** (-2.039) | -0.307** (-2.289) | -0.275** (-1.962) | 0.190 (1.147) | -0.114 (-0.720) | 0.090 (0.570) | 0.081 (0.487) |
| LOGPCGDP | 0.076** (2.236) | 0.078* (3.193) | 0.065* (2.969) | 0.063** (2.362) | 0.112* (3.713) | 0.068* (2.911) | 0.082* (4.616) | 0.074* (4.181) | 0.089* (5.075) | 0.076* (4.357) | 0.083* (4.404) |
| FIN_SIZE | 0.011*** (1.846) | 0.011*** (1.854) | 0.009 (1.475) | 0.009 (1.447) | 0.009 (1.436) | 0.013** (2.115) | 0.011*** (1.685) | 0.009*** (1.770) | 0.008 (1.395) | 0.007 (1.570) | 0.009** (2.057) |
| LENDING | 0.001 (0.801) | 0.001 (0.887) | 0.000 (0.271) | 0.000 (0.653) | 0.001 (1.107) | 0.001 (1.222) | 0.001 (0.978) | -0.000 (-0.411) | 0.000 (0.539) | 0.000 (0.222) | 0.000 (0.647) |
| STOCKTRA | -0.001 (-1.201) | -0.001 (-1.408) | -0.001 (-1.082) | -0.001 (-1.375) | -0.001 (-1.411) | -0.001 (-1.132) | -0.001 (-0.983) | -0.000 (-0.868) | -0.001 (-1.361) | -0.001 (-1.277) | -0.001*** (-1.948) |
| STDINFLA | -0.000*** (-1.772) | -0.000* (-2.788) | -0.000 (-1.344) | -0.000** (-2.463) | -0.000* (-2.596) | -0.000 (-1.466) | -0.000** (-2.148) | -0.000** (-2.178) | -0.000** (-2.369) | -0.000* (-2.879) | -0.000*** (-1.949) |
| CONTROL_CORRUPT | 0.020 (0.488) | | | | | | | | | | |
| CORRUPTION | | 0.024 (1.040) | | | | | | | | | |
| LAW_ORDER | | | 0.052** (2.418) | | | | | | | | |
| BUREAUCRACY | | | | 0.067 (1.543) | | | | | | | |
| CORRUPT_PERCEP | | | | | -0.012 (-0.752) | | | | | | |
| TRADE_FREE | | | | | | 0.003 (1.222) | | | | | |
| FIN_FREE | | | | | | | 0.001 (0.748) | | | | |
| RESTRI_S | | | | | | | | -0.136* (-4.794) | | | |
| RESTRI_I | | | | | | | | | -0.041*** (-1.714) | | |
| RESTRI_R | | | | | | | | | | -0.067* (-3.541) | |
| RESTRI_NF | | | | | | | | | | | -0.099* (-4.363) |
| Pseudo R2 | 0.234 | 0.258 | 0.282 | 0.266 | 0.257 | 0.241 | 0.234 | 0.338 | 0.245 | 0.296 | 0.310 |
| Obs. | 143 | 137 | 137 | 137 | 136 | 143 | 143 | 131 | 131 | 131 | 131 |

Notes: t-values are in parentheses; *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.