

**INTENSIFIED COMPETITION AMONG REGIONAL FINANCIAL
INSTITUTIONS AND THEIR BUSINESS STABILITY**

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《SUMMARY》

This paper examines the impact of intensified competition among regional financial institutions for their business stability. The markup ($P - MC$) for each institution, which represents financial institutions' competitive environment, has declined over 30 years. The estimation result shows that until the first-half of 1990s, that intensified competition had increased their business stability through the downward default risk by the decline of lending rate. However, from the second-half of 1990s, that intensified competition has decreased their business stability due to the tightening of their profits margins under the low interest rate environment. Focusing on the banks which exited from market due to their bankruptcy or mergers, they had tended to take more risks, and this action initially had increased profits, however, it had decreased their business stability in the long run.

(Bank of Japan)