

Financial structure, capital openness and financial crisis

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This paper empirically investigates whether financial structure and financial openness influence the probability of two kinds of financial crisis occurrence by employing a panel probit approach. After applied a dataset of 38 countries to estimation, our result shows as following: First, financial structure plays an important role in reducing the probability of currency crisis. An economy with a more market-based structure also have lower likelihood of observing of currency crisis. Second, capital openness is also an important factor in the occurrence of currency crisis. A higher capital openness associate with lower probability of currency crisis. Third, capital openness can enlarge the effect of financial structure on currency crisis roughly 50%. It means countries with more market-based structure are more likely to obtain benefits from a more opened capital account. Fourth, differ from currency crisis, both financial structure and capital openness have no effect on banking crisis.

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