

BANKING STABILITY AND BORROWER DISCOURAGEMENT: A MULTILEVEL ANALYSIS FOR SMES IN THE EU-28

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Thematic area: Finance

Keywords: financial restrictions, z-score, financial integration, two-level model, information asymmetries.

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Banking stability and borrower discouragement: A multilevel analysis for SMEs in the EU-28

Abstract

A safer European banking system will bring important benefits to firms. However, bank stability comes with stronger regulations which might harm the access to finance for SMEs. We provide new evidence by analyzing whether the stability of the European banking system influences the likelihood of being discouraged from applying for a loan. We do so by applying multilevel methodology to 16,382 firms during the period 2011-2018. Our results show that SMEs operating in countries with more stable banking systems are less likely to be discouraged. Therefore, a more stable banking system does not seem to harm the access to finance of SMEs.

JEL Classification: G21, G30, G32.

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