Muzaffarjon Ahunov will defend his Ph.D. on Tuesday December 6th 2011

The public defence of the Ph.D. in Applied Economics for Muzaffarjon Ahunov will take place on Tuesday December 6th 2011 at 4pm on the Etterbeek-campus of the Vrije Universiteit Brussel, Pleinlaan 2, 1050 Brussels in Building E, level 0, room E0.04.

The Ph.D thesis is called "The Impact of Banking Market Structure on Bank Performance and SMEs' Access to Finance in Institutionally Weak Transition Economies: Three Papers on Ukraine" (Promoters: Prof. dr. Leo Van Hove and Prof. dr. Marc Jegers)

Please confirm your attendance by Wednesday November 30th to Tom Matthijs

Abstract

This dissertation consists of three papers, co-authored with Leo Van Hove and Marc Jegers, that examine the ways in which variations in banking market structure, in particular in terms of ownership and market power concentration, affect the performance of banks and the availability of financing to small and medium-sized enterprises (SMEs). All three papers focus on Ukraine, an under-researched exemplar of a country with a stagnantly poor institutional environment. In paper one, we investigate the impact of cross-border takeovers on target banks’ profitability, efficiency, and market shares. We combine bank-level observations from the National Bank of Ukraine with unique, self-collected data on cross-border takeovers. Our results show that foreign investors have acquired Ukrainian banks with average efficiency and profitability, and that these indicators did not change significantly post-takeover. By contrast, foreign banks have targeted mainly large banks, and during the first two years following acquisition the targets’ loan market share and size even increased, whereas funding costs decreased.

In paper two, we investigate foreign banks’ interest in financing Ukrainian SMEs. We use unique, self-collected bank-level data on banks’ involvement with SMEs in 2004, 2006, 2009, and 2010. We find that initially foreign banks were neither less nor more interested in financing SMEs than domestic banks. Over time, an increasing number of the banks that are active in Ukraine exhibited a higher interest toward SMEs. However, with the surge in foreign-bank presence in 2005-2006, acquired foreign banks started demonstrating a higher involvement with SMEs relative to not only domestic banks, but also to greenfield foreign banks. The mode of entry of foreign banks thus clearly matters. And so does their country of origin: acquired banks from long-standing market economies are more inclined to offer SME-specific products in general, whereas their counterparts from post-socialist countries are more likely to provide loans to SMEs and run SME promotion activities.

In paper three, we investigate the impact of local banking market concentration on SMEs’ access to finance in the regions of Ukraine. This time we combine firm-level observations from the EBRD’s BEEPS 2008 survey with self-collected data on local banking markets. We find that, at low levels, banking market concentration does not affect SMEs’ access to finance independent of whether they are opaque or not. Only in highly concentrated local banking markets, opaque firms are more likely to perceive access to finance as a major or very severe obstacle relative to their non-opaque counterparts. This contrasts with the theories that claim that higher banking market concentration improves access to finance for opaque firms.