Institutional Development, Capital Ratios, and Bank Lending: Evidence from a Global Context

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Résumé

This paper examines the effect of capital ratios and institutional variables on bank lending in a global context. For this purpose, a Two-stage least square model is employed on a sample of commercial banks operating in 51 countries around the world from 2004 to 2015. Findings show that banks detaining higher capital ratios and operating in more developed institutional environments exhibit higher loan growth. Also, higher levels of institutional development alleviate pressure on lending during economic downturns. The results obtained in this paper contribute to the bank lending and the law and finance literature and have important policy implications.

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