Abstract

Bad loans in the Italian credit markets: structural effects and impact on local economies

This thesis aims not only to analyze the evolutionary dynamics of bank loss loans, through the analysis of factors internal and external to the bank be able to influence their performance, but also then to correlate these variables with the economic growth of local markets.

Starting from the statements of the previous literature, it describes the behavior of banks operating in provincial Italian markets over the last ten years and tries to bring out the strengths and weaknesses in relation to the geo-economic context in which they operate.

In the logical path that has sought to accomplish, we chose to analyze the financial system and its interrelationships gradually, focusing first on the bank as an independent subject and then verifying its behavior in relation to other variables of the market.

In the first chapter, in fact, we tried to verify in which phase of life, these banks incur higher bad loans, and if the age of the banks is a factor that can impact on increasing the loss loans rate.

Through an empirical analysis were compared to rates of banks competing in the market for less than five years, defined de novo banks, and the rates of banks mature, demonstrating that even in the Italian provinces of younger banks experiment rate of suffering persistently higher than mature (for a period of time of at least ten years).

Next, we tried to identify the different types of banks competing in the Italian credit market, which may suffer most from the effects of age compared to the increase in bad loans.

The subgroup analysis on extracts from the sample used showed that the cooperative banks most affected by the effects of age compared to banks or banking groups with interests throughout the country, allowing to claim that younger and smaller banks are more likely to incur bad loans higher.

In the second chapter, the analysis focused on the behavior of banks in local credit markets and sought to test whether competition between a larger number of banks in these markets may reduce the likelihood of incurring higher bad loans. In making the estimate, they were considered the various internal and external factors that could affect banks on increasing bad loans.

The estimation results allowed to state that a more crowded market increases the percentage of bank loans and therefore acts as a destabilizing element of the financial intermediaries, as banks that compete in crowded markets are not be able to make a correct analysis of the market and efficiently select the customers to whom to grant the loan.

In the same chapter we tried to determine whether, compared to the sample considered, it was possible to identify the efficient level of banks be able to compete on the provincial Italian. The analysis allowed to say that in Italian local markets is preferable to keep the number of banks below the average of the banks already.

The last chapter tries to determine whether the increase in bank loss loans would reduce the economic growth of the Italian provinces. First, we tried to see if the crowding in the credit market, considered in chapter two, a variable able to affect the sufferings, can directly influence the growth of a country.

Then, not having found positive finding in this study, we tried to see if there is a significant correlation between economic growth and increase in bank loss loans.