Banking Concentration and Financial Stability: Evidence from Developed and Developing Countries

Mohamed Sami Ben Ali, Timoumi Intissar, and Rami Zeitun

The authors address the interesting topic of the effect of banking concentration on financial stability. Given the recent mergers and acquisitions in the international banking sector which the authors mention, the banking concentration variable is of high interest - especially in light of the recent financial crisis.

This also leads to the first comment: The authors should include in their robustness section estimations with different samples. A suggestion is to, firstly, arbitrarily split the sample. It is possible that their results would change as the determinants for systematic crisis are likely to differ between the 1980s and more recent years.

Furthermore, they should think about including additional explanatory variables as, for example, financial development. Levine et al. (2000) have shown that such a variable can have an influence on a country's economic growth and it is also imaginable that it is correlated with the authors' banking concentration variable.

Connecting to the previous comment, the authors should include a figure showing the evolution of the concentration variable in, for example, developing and developed countries such that the reader is able to easily get an overview about the development of this key variable.

A last comment is that the authors can improve their presentation of results. In the tables' notes they are not specific about whether they use the Sargan or Hansen test to check whether their instruments are valid. Also, they could think about not necessarily using abbreviations for the variables in the tables.

Literature: Levine, R., Loayza, N., and Beck, T. (2000). Financial intermediation and growth: Causality and causes. Journal of Monetary Economics, 46(1):31 - 77.