**Online Appendices**

How do institutional settings condition the effect of macroprudential policies on bank systemic risk?

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**Appendix A. Data description**

**Table A1. Sample composition.**

The table shows the sample country composition. It presents the distribution of 593 listed banks in 25 OECD countries: Australia, Austria, Belgium, Canada, Czech, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Mexico, Netherlands, Norway, Poland, Portugal, Slovakia, South Korea, Spain, Sweden, Switzerland, Turkey, UK, and US. The sample consists of 593 banks, among which 381 are from U.S., 70 are Japanese and 109 are European (from 18 different countries). These banks conveniently represent U.S., Euro-area, and Japanese banking sectors, which represent approximately, 71%, 50%, and 31%, respectively, of the total assets of all domestic banks recorded in BSI/Bloomberg.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Country | Banks | N |  | Country | Banks | N |
| Australia | 5 | 65 |  | Netherlands | 1 | 12 |
| Austria | 7 | 80 |  | Norway | 11 | 123 |
| Belgium | 2 | 24 |  | Poland | 10 | 119 |
| Canada | 8 | 99 |  | Portugal | 3 | 39 |
| Czech | 1 | 12 |  | Slovakia | 1 | 13 |
| Finland | 1 | 13 |  | South Korea | 4 | 39 |
| France | 16 | 185 |  | Spain | 6 | 63 |
| Germany | 6 | 64 |  | Sweden | 4 | 49 |
| Hungary | 1 | 13 |  | Switzerland | 17 | 205 |
| Ireland | 2 | 22 |  | Turkey | 14 | 125 |
| Italy | 15 | 176 |  | United-Kingdom | 5 | 57 |
| Japan | 70 | 670 |  | United-States | 381 | 3121 |
| Mexico | 2 | 24 |  | Total | 593 | 5412 |

**Panel A2. Sample distribution by calendar year.** The table shows the sample distribution by calendar year. The sample spans 13 years, from 2001 to 2013. Bank-year observations vary between 360 and 500 observations.

|  |  |  |
| --- | --- | --- |
| Year | Freq. | Percent |
| 2001 | 360 | 6.65 |
| 2002 | 382 | 7.06 |
| 2003 | 394 | 7.28 |
| 2004 | 422 | 7.80 |
| 2005 | 438 | 8.09 |
| 2006 | 476 | 8.80 |
| 2007 | 500 | 9.24 |
| 2008 | 498 | 9.20 |
| 2009 | 403 | 7.45 |
| 2010 | 441 | 8.15 |
| 2011 | 436 | 8.06 |
| 2012 | 414 | 7.65 |
| 2013 | 248 | 4.58 |
| Total | 5412 | 100 |

**Appendix B. Robustness checks**

**By considering only interaction terms, we conduct a battery of robustness checks:**

**- Table B1.** We runthe Eq. (2), where  is just one of the country-specific characteristics.

**- Table B2.** We run the Eq. (2), where is either is a set of the country-specific characteristics or a vector containing all of them.

**-** **Table B3.** We run the Eq. (2), where  is is a set of the country-specific characteristics or a vector containing all of them, and disentangling MPI into: FITI vs. MPI.

**Table B1. Robustness test – Determinants of heterogeneity in the MPI-stability relationship.**

This table displays the drivers of time-varying conditional relationship between MPI (the aggregated macroprudential policies index) and systemic risk (MES and ΔCoVaR). Determinants of heterogeneity in such relationship are; institutional quality, and regulatory and supervisory traits. The table presents regression results of the model specification in Eq. (2), where  is just one of the country-specific characteristics, without controlling for the individual country-specific traits. Definitions of all variables are listed in Table 1. Standard errors are reported in parentheses below their coefficient estimates and adjusted for both heteroskedasticity and within correlation clustered at the bank level. We also ensure the absence of multicolinearity problems by computing the variance inflation factors (VIF test is not reported). \*\*\*, \*\*, and \* indicate significance of the p-value respectively at the 1%, 5%, and 10% levels.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (1) | (2) |  | (3) | (4) |  | (5) | (6) |  | (7) | (8) |  | (9) | (10) |  | (11) | (12) |
|  | MES | ∆CoVaR |  | MES | ∆CoVaR |  | MES | ∆CoVaR |  | MES | ∆CoVaR |  | MES | ∆CoVaR |  | MES | ∆CoVaR |
| MPIt-1 | -0.186\*\* | -0.303\*\*\* |  | -0.0169\* | -0.319\*\*\* |  | -0.103\*\* | -0.174\*\*\* |  | -0.129\*\* | -0.196\*\*\* |  | 0.0513 | -0.132\*\* |  | -0.320\*\*\* | -0.0925 |
|  | (-2.08) | (-3.21) |  | (-1.96) | (-4.23) |  | (-1.98) | (-3.12) |  | (-2.23) | (-3.30) |  | (0.82) | (-2.31) |  | (-4.16) | (-0.86) |
| MPIt-1×Discloset | -0.0429\*\* | -0.0899\* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | (-2.16) | (-1.83) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| MPIt-1×ROLt |  |  |  | -0.171\* | -0.213\*\*\* |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | (-1.68) | (-3.18) |  |  |  |  |  |  |  |  |  |  |  |  |
| MPIt-1×Creditor\_rightst |  |  |  |  |  |  | -0.126\*\*\* | -0.0811\* |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | (-3.05) | (-1.83) |  |  |  |  |  |  |  |  |  |
| MPIt-1×Capital\_stringencyt |  |  |  |  |  |  |  |  |  | 0.0407\* | -0.0541\*\*\* |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | (1.74) | (-2.87) |  |  |  |  |  |  |
| MPIt-1×Supervisory\_powert |  |  |  |  |  |  |  |  |  |  |  |  | 0.128\*\*\* | 0.0417\*\*\* |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  | (5.68) | (2.64) |  |  |  |
| MPIt-1×EGIt |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -0.107\*\*\* | 0.0550\* |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | (-3.12) | (1.83) |
| Sizet-1 | 0.367\*\*\* | 0.0291\*\* |  | 0.339\*\* | 0.0558\*\* |  | 0.367\*\*\* | 0.0258\*\* |  | 0.355\*\*\* | 0.0369\*\* |  | 0.319\*\* | 0.0095\* |  | 0.322\*\* | 0.0454 |
|  | (2.71) | (2.26) |  | (2.49) | (2.51) |  | (2.72) | (2.23) |  | (2.61) | (2.34) |  | (2.21) | (1.89) |  | (2.28) | (0.41) |
| Leveraget-1 | 3.514\*\*\* | 2.878\*\*\* |  | 3.612\*\*\* | 2.768\*\*\* |  | 3.602\*\*\* | 2.938\*\*\* |  | 3.478\*\*\* | 2.927\*\*\* |  | 3.628\*\*\* | 2.918\*\*\* |  | 3.461\*\*\* | 2.907\*\*\* |
|  | (3.82) | (3.09) |  | (3.89) | (3.01) |  | (3.91) | (3.13) |  | (3.77) | (3.11) |  | (3.96) | (3.12) |  | (3.76) | (3.09) |
| RoAt-1 | -18.91\*\*\* | -6.132\* |  | -19.26\*\*\* | -6.222\* |  | -19.32\*\*\* | 5.739 |  | -18.89\*\*\* | -5.820\* |  | -19.41\*\*\* | -5.803\* |  | -19.15\*\*\* | -6.032\* |
|  | (-5.00) | (-1.74) |  | (-5.09) | (-1.77) |  | (-5.12) | (1.63) |  | (-5.00) | (-1.66) |  | (-5.16) | (-1.65) |  | (-5.09) | (-1.72) |
| Fundingt-1 | 0.376 | 0.796\*\* |  | 0.341 | 0.847\*\* |  | 0.384 | 0.800\*\* |  | 0.419 | 0.738\*\* |  | 0.361 | 0.791\*\* |  | 0.284 | 0.845\*\* |
|  | (1.01) | (2.24) |  | (0.90) | (2.40) |  | (1.04) | (2.24) |  | (1.13) | (2.10) |  | (0.97) | (2.21) |  | (0.76) | (2.39) |
| Liquidityt-1 | -0.930\*\*\* | -0.373\*\* |  | -0.917\*\*\* | -0.432\*\* |  | -0.988\*\*\* | -0.421\*\* |  | -0.937\*\*\* | -0.391\*\* |  | -0.908\*\*\* | -0.380\*\* |  | -0.906\*\*\* | -0.411\*\* |
|  | (-4.43) | (-2.08) |  | (-4.47) | (-2.44) |  | (-4.66) | (-2.35) |  | (-4.51) | (-2.20) |  | (-4.47) | (-2.13) |  | (-4.35) | (-2.31) |
| Efficiencyt-1 | -1.015\*\* | -0.311 |  | -1.005\*\* | -0.352 |  | -1.029\*\* | -0.320 |  | -0.984\*\* | -0.359 |  | -0.940\*\* | -0.290 |  | -0.966\*\* | -0.345 |
|  | (-2.40) | (-0.77) |  | (-2.39) | (-0.88) |  | (-2.45) | (-0.80) |  | (-2.32) | (-0.90) |  | (-2.29) | (-0.73) |  | (-2.30) | (-0.86) |
| Loant-1 | -1.522\*\*\* | -0.369 |  | -1.501\*\*\* | -0.492 |  | -1.622\*\*\* | -0.464 |  | -1.554\*\*\* | -0.401 |  | -1.472\*\*\* | -0.391 |  | -1.361\*\*\* | -0.519 |
|  | (-4.18) | (-1.07) |  | (-4.18) | (-1.44) |  | (-4.48) | (-1.32) |  | (-4.32) | (-1.16) |  | (-4.15) | (-1.13) |  | (-3.73) | (-1.52) |
| PolicyRatet-1 | 0.0188 | -0.0252 |  | 0.0474 | -0.0588\* |  | 0.0143 | -0.0278 |  | 0.0292 | -0.0389 |  | 0.0393 | -0.0181 |  | 0.0573 | -0.0448 |
|  | (0.62) | (-0.75) |  | (1.32) | (-1.72) |  | (0.47) | (-0.83) |  | (0.91) | (-1.13) |  | (1.24) | (-0.53) |  | (1.62) | (-1.16) |
| GDPt-1 | -0.0590\*\* | -0.068\*\* |  | -0.063\*\* | -0.068\*\* |  | -0.062\*\* | -0.070\*\* |  | -0.075\*\* | -0.0471 |  | -0.060\*\* | -0.069\*\* |  | -0.070\*\* | -0.064\*\* |
|  | (-1.99) | (-2.47) |  | (-2.20) | (-2.43) |  | (-2.04) | (-2.52) |  | (-2.44) | (-1.65) |  | (-2.01) | (-2.49) |  | (-2.46) | (-2.37) |
| Inflationt-1 | 13.34\*\*\* | -1.902 |  | 12.51\*\*\* | -0.470 |  | 14.29\*\*\* | -1.087 |  | 13.08\*\*\* | -1.039 |  | 13.09\*\*\* | -1.733 |  | 10.29\*\* | 0.118 |
|  | (2.75) | (-0.40) |  | (2.61) | (-0.10) |  | (2.93) | (-0.23) |  | (2.73) | (-0.22) |  | (2.70) | (-0.37) |  | (2.08) | (0.02) |
| Year FE | Yes | Yes |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |
| Bank FE | Yes | Yes |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |
| Observations | 5412 | 5412 |  | 5412 | 5412 |  | 5412 | 5412 |  | 5412 | 5412 |  | 5412 | 5412 |  | 5412 | 5412 |
| R-squared | 0.392 | 0.364 |  | 0.394 | 0.366 |  | 0.393 | 0.364 |  | 0.392 | 0.365 |  | 0.400 | 0.364 |  | 0.394 | 0.364 |
| Adjusted R–squared | 0.389 | 0.361 |  | 0.391 | 0.363 |  | 0.391 | 0.361 |  | 0.390 | 0.362 |  | 0.397 | 0.362 |  | 0.392 | 0.361 |
| Fischer test (p-value) | 43.05\*\*\* | 65.02\*\*\* |  | 44.11\*\*\* | 67.10\*\*\* |  | 44.62\*\*\* | 68.31\*\*\* |  | 43.01\*\*\* | 65.99\*\*\* |  | 45.97\*\*\* | 70.12\*\*\* |  | 47.13\*\*\* | 65.70\*\*\* |
| Cluster | Banks | Banks |  | Banks | Banks |  | Banks | Banks |  | Banks | Banks |  | Banks | Banks |  | Banks | Banks |
| No of banks | 593 | 593 |  | 593 | 593 |  | 593 | 593 |  | 593 | 593 |  | 593 | 593 |  | 593 | 593 |

**Table B2. Robustness test – Heterogeneity in the MPI-stability relationship: institutional quality vs. regulatory and supervisory traits.**

Regression results of model specification in Eq. (2), where is either is a set of the country-specific characteristics or a vector containing all of them. This table presents the results of the conditioning effects of institutional quality and regulatory and supervisory on the relationship between macroprudential policies (MPI index) and stability (MES and ΔCoVaR) for the entire sample. We present interaction terms of the MPI index with a set of country-traits or a vector containing all of them, without controlling for the individual country-specific traits. Definitions of all variables are listed in Table 1. Standard errors are reported in parentheses below their coefficient estimates and adjusted for both heteroskedasticity and within correlation clustered at the bank level. We also ensure the absence of multicolinearity problems by computing the variance inflation factors (VIF test is not reported). \*\*\*, \*\*, and \* indicate significance of the p-value respectively at the 1%, 5%, and 10% levels.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | (1) | (2) |  | (3) | (4) |  | (5) | (6) |
|  |  | MES | ∆CoVaR |  | MES | ∆CoVaR |  | MES | ∆CoVaR |
| MPIt-1 |  | -0.272\*\* | -0.588\*\*\* |  | -0.0904 | 0.435\*\*\* |  | -0.439\*\*\* | -0.348\*\*\* |
|  |  | (-2.10) | (-6.49) |  | (-1.06) | (6.78) |  | (-4.23) | (-3.27) |
| MPIt-1×Discloset |  | -0.250\*\*\* | -0.247\*\*\* |  |  |  |  | -0.394\*\*\* | -0.220\*\*\* |
|  |  | (-2.74) | (-4.11) |  |  |  |  | (-6.23) | (-3.98) |
| MPIt-1×ROLt |  | -0.200\*\*\* | -0.193\*\*\* |  |  |  |  | -0.179\*\*\* | -0.233\*\*\* |
|  |  | (-2.83) | -(4.02) |  |  |  |  | (-3.43) | (-5.22) |
| MPIt-1×Creditor\_rightst |  | -0.244\*\*\* | -0.174\*\*\* |  |  |  |  | -0.298\*\*\* | -0.159\*\*\* |
|  |  | (-3.86) | (-4.13) |  |  |  |  | (-7.65) | (-4.08) |
| MPIt-1×Capital\_stringencyt |  |  |  |  | -0.0049 | -0.0398\*\* |  | -0.0289 | -0.0587\*\*\* |
|  |  |  |  |  | (-0.21) | (-2.30) |  | (-1.25) | (-3.07) |
| MPIt-1×Supervisory\_powert |  |  |  |  | 0.119\*\*\* | 0.0823\*\*\* |  | 0.119\*\*\* | 0.0860\*\*\* |
|  |  |  |  |  | (4.79) | (4.24) |  | (5.94) | (6.27) |
| MPIt-1×EGIt |  |  |  |  | -0.0736\*\* | 0.238\*\*\* |  | -0.0828\*\* | 0.0677\* |
|  |  |  |  |  | (-2.10) | (12.46) |  | (-2.51) | (1.96) |
| Sizet-1 |  | 0.356\*\*\* | 0.0717\*\* |  | 0.294\*\* | 0.440\*\*\* |  | 0.287\*\* | 0.361\* |
|  |  | (2.63) | (2.06) |  | (2.15) | (5.14) |  | (2.09) | (2.39) |
| Leveraget-1 |  | 3.762\*\*\* | 2.873\*\*\* |  | 3.588\*\*\* | 3.214\*\*\* |  | 3.803\*\*\* | 2.998\*\*\* |
|  |  | (4.07) | (3.11) |  | (3.91) | (3.12) |  | (4.13) | (3.20) |
| RoAt-1 |  | -19.35\*\*\* | -6.304\* |  | -19.50\*\*\* | -4.130 |  | -19.56\*\*\* | -6.020\* |
|  |  | (-5.16) | (-1.80) |  | (-5.20) | (-1.21) |  | (-5.25) | (-1.74) |
| Fundingt-1 |  | 0.344 | 0.850\*\* |  | 0.293 | 1.221\*\*\* |  | 0.294 | 0.844\*\* |
|  |  | (0.93) | (2.42) |  | (0.79) | (3.37) |  | (0.80) | (2.45) |
| Liquidityt-1 |  | -0.946\*\*\* | -0.439\*\* |  | -0.888\*\*\* | -0.826\*\*\* |  | -0.879\*\*\* | -0.447\*\* |
|  |  | (-4.57) | (-2.47) |  | (-4.38) | (-4.44) |  | (-4.41) | (-2.54) |
| Efficiencyt-1 |  | -0.979\*\* | -0.327 |  | -0.914\*\* | -0.952\*\*\* |  | -0.823\*\* | -0.358\* |
|  |  | (-2.35) | (-0.82) |  | (-2.23) | (-2.70) |  | (-2.03) | (-1.96) |
| Loant-1 |  | -1.499\*\*\* | -0.454\* |  | -1.349\*\*\* | -0.728\*\* |  | -1.250\*\*\* | -0.527\* |
|  |  | (-4.22) | (-1.93) |  | (-3.79) | (-2.38) |  | (-3.59) | (-1.96) |
| PolicyRatet-1 |  | 0.0399 | -0.0648\* |  | 0.0632\* | -0.0178 |  | 0.0885\*\* | -0.0972\*\* |
|  |  | (1.13) | (-1.89) |  | (1.73) | (-0.79) |  | (2.17) | (-2.56) |
| GDPt-1 |  | -0.0620\*\* | -0.0657\*\* |  | -0.0651\*\* | -0.135\*\*\* |  | -0.0782\*\*\* | -0.0353\* |
|  |  | (-2.12) | (-2.40) |  | (-2.13) | (-8.26) |  | (-2.59) | (-1.97) |
| Inflationt-1 |  | 13.29\*\*\* | -0.136 |  | 10.96\*\* | 12.70\*\*\* |  | 10.27\*\* | 2.521\*\* |
|  |  | (2.76) | (-0.03) |  | (2.17) | (3.44) |  | (2.08) | (2.57) |
| Year FE |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |
| Bank FE |  | Yes | Yes |  | Yes | Yes |  | Yes | Yes |
| Observations |  | 5412 | 5412 |  | 5412 | 5412 |  | 5412 | 5412 |
| R-squared |  | 0.397 | 0.368 |  | 0.401 | 0.237 |  | 0.408 | 0.372 |
| Adjusted R–squared |  | 0.395 | 0.365 |  | 0.398 | 0.235 |  | 0.405 | 0.368 |
| Fischer test (p-value) |  | 41.51\*\*\* | 62.36\*\*\* |  | 42.54\*\*\* | 85.73\*\*\* |  | 46.02\*\*\* | 62.22\*\*\* |
| Cluster |  | Banks | Banks |  | Banks | Banks |  | Banks | Banks |
| No of banks |  | 593 | 593 |  | 593 | 593 |  | 593 | 593 |

**Table B3. Robustness test – Heterogeneity in the disaggregated MPI-stability relationship: institutional quality vs. regulatory and supervisory traits.**

Regression results of model specification in Eq. (2), where is either is a set of the country-specific characteristics or a vector containing all of them. This table presents the results of the conditioning effects of institutional quality and regulatory and supervisory on the relationship between the decomposition of the aggregated macroprudential policies index (MPI), namely: the Borrower-Targeted Instruments index (BTI) and the Financial Institution-Targeted Instruments (FITI) and stability (MES and ΔCoVaR) for the entire sample. We present interaction terms of the FITI and/or BTI index with a set of country-traits or a vector containing all of them, without controlling for the individual country-specific traits. Definitions of all variables are listed in Table 1. Standard errors are reported in parentheses below their coefficient estimates and adjusted for both heteroskedasticity and within correlation clustered at the bank level. We also ensure the absence of multicolinearity problems by computing the variance inflation factors (VIF test is not reported). \*\*\*, \*\*, and \* indicate significance of the p-value respectively at the 1%, 5%, and 10% levels.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | (1) | (2) |  | (3) | (4) |  | (5) | (6) |
|  | MES | ∆CoVaR |  | MES | ∆CoVaR |  | MES | ∆CoVaR |
| FITIt-1 | -1.100\*\*\* | -0.955\*\*\* |  |  |  |  | -0.815\*\*\* | -0.765\*\*\* |
|  | (-5.07) | (-4.64) |  |  |  |  | (-3.22) | (-3.77) |
| FITIt-1×Discloset | -0.842\*\*\* | -0.608\*\*\* |  |  |  |  | -0.683\*\*\* | -0.485\*\*\* |
|  | (-6.35) | (-4.84) |  |  |  |  | (-4.32) | (-3.70) |
| FITIt-1×ROLt | -0.252\*\*\* | -0.240\*\*\* |  |  |  |  | -0.249\*\*\* | -0.215\*\*\* |
|  | (-4.42) | (-4.48) |  |  |  |  | (-4.23) | (-3.98) |
| FITIt-1×Creditor\_rights | -0.553\*\*\* | -0.350\*\*\* |  |  |  |  | -0.469\*\*\* | -0.279\*\*\* |
|  | (-7.73) | (-5.65) |  |  |  |  | (-5.17) | (-4.65) |
| FITIt-1×Capital\_stringencyt | -0.0407 | -0.0508\*\* |  |  |  |  | -0.0504\* | -0.0526\*\* |
|  | (-1.55) | (-2.24) |  |  |  |  | (-1.90) | (-2.27) |
| FITIt-1×Supervisory\_powert | 0.0829\*\*\* | 0.0655\*\*\* |  |  |  |  | 0.111\*\*\* | 0.0671\*\*\* |
|  | (2.97) | (3.64) |  |  |  |  | (3.96) | (3.47) |
| FITIt-1×EGIt | -0.0239 | 0.0913\*\* |  |  |  |  | -0.0344 | 0.0792\* |
|  | (-0.67) | (2.43) |  |  |  |  | (-0.86) | (1.78) |
| BTIt-1 |  |  |  | -7.033\*\*\* | -3.466 |  | -7.088\*\*\* | -2.643\* |
|  |  |  |  | (-3.22) | (-1.24) |  | (-3.15) | (-1.93) |
| BTIt-1×Discloset |  |  |  | 3.322\*\*\* | 2.023 |  | 3.056\*\* | 1.294 |
|  |  |  |  | (2.90) | (1.60) |  | (2.54) | (1.00) |
| BTIt-1×ROLt |  |  |  | 1.175\*\*\* | 1.011\*\*\* |  | 1.052\*\*\* | 0.505\*\* |
|  |  |  |  | (3.59) | (3.51) |  | (2.64) | (2.72) |
| BTIt-1×Creditor\_Rightst |  |  |  | 2.163\*\*\* | 1.557\*\* |  | 2.063\*\* | 0.745\*\* |
|  |  |  |  | (2.91) | (2.17) |  | (2.56) | (2.52) |
| BTIt-1×Capital\_stringencyt |  |  |  | -1.108\*\*\* | -0.319\* |  | -1.037\*\*\* | -0.239\* |
|  |  |  |  | (-6.46) | (-1.92) |  | (-5.86) | (-1.98) |
| BTIt-1×Supervisory\_powert |  |  |  | -2.688\*\*\* | -0.749 |  | -2.785\*\*\* | -0.965\*\* |
|  |  |  |  | (-2.94) | (-0.60) |  | (-2.99) | (-2.16) |
| BTIt-1×EGIt |  |  |  | -1.892\*\* | -1.083 |  | -1.747\*\* | -0.760 |
|  |  |  |  | (-2.43) | (-1.01) |  | (-2.17) | (-0.70) |
| Sizet-1 | 0.299\*\* | 0.102\* |  | 0.370\*\*\* | 0.0619 |  | 0.283\*\* | 0.102\* |
|  | (2.16) | (1.95) |  | (2.70) | (0.57) |  | (2.03) | (1.97) |
| Leveraget-1 | 3.779\*\*\* | 2.955\*\*\* |  | 3.618\*\*\* | 3.041\*\*\* |  | 3.789\*\*\* | 2.972\*\*\* |
|  | (4.11) | (3.16) |  | (3.93) | (3.25) |  | (4.11) | (3.17) |
| RoAt-1 | -19.68\*\*\* | 6.257\* |  | -19.59\*\*\* | 5.596 |  | -19.70\*\*\* | 6.242\* |
|  | (-5.24) | (1.81) |  | (-5.23) | (1.59) |  | (-5.26) | (1.80) |
| Fundingt-1 | 0.251 | 0.861\*\* |  | 0.241 | 0.753\*\* |  | 0.217 | 0.850\*\* |
|  | (0.69) | (2.51) |  | (0.64) | (2.10) |  | (0.59) | (2.46) |
| Liquidityt-1 | -0.819\*\*\* | -0.421\*\* |  | -0.925\*\*\* | -0.400\*\* |  | -0.834\*\*\* | -0.441\*\* |
|  | (-4.07) | (-2.40) |  | (-4.41) | (-2.23) |  | (-4.16) | (-2.49) |
| Efficiencyt-1 | -0.737\* | -0.318 |  | -0.972\*\* | -0.279 |  | -0.739\* | -0.338 |
|  | (-1.80) | (-0.80) |  | (-2.31) | (-0.70) |  | (-1.81) | (-0.85) |
| Loant-1 | -1.126\*\*\* | -0.489 |  | -1.398\*\*\* | -0.313\* |  | -1.145\*\*\* | -0.519\* |
|  | (-3.23) | (-1.47) |  | (-3.88) | (-1.91) |  | (-3.27) | (-1.92) |
| PolicyRatet-1 | 0.0818\*\* | -0.0989\*\*\* |  | -0.00440 | -0.0537 |  | 0.0833\*\* | -0.0956\*\* |
|  | (2.10) | (-2.71) |  | (-0.15) | (-1.58) |  | (2.02) | (-2.49) |
| GDPt-1 | -0.0491 | -0.0218 |  | -0.0715\*\* | -0.0967\*\*\* |  | -0.0593\* | -0.0337\* |
|  | (-1.47) | (-0.79) |  | (-2.36) | (-3.34) |  | (-1.69) | (-1.88) |
| Inflationt-1 | 12.30\*\* | 3.085 |  | 14.92\*\*\* | -1.051 |  | 12.80\*\* | 2.568\*\* |
|  | (2.30) | (0.72) |  | (3.01) | (-0.21) |  | (2.32) | (2.57) |
| Year FE | Yes | Yes |  | Yes | Yes |  | Yes | Yes |
| Bank FE | Yes | Yes |  | Yes | Yes |  | Yes | Yes |
| Observations | 5412 | 5412 |  | 5412 | 5412 |  | 5412 | 5412 |
| R-squared | 0.409 | 0.372 |  | 0.397 | 0.367 |  | 0.413 | 0.372 |
| Adjusted R–squared | 0.406 | 0.368 |  | 0.393 | 0.364 |  | 0.409 | 0.368 |
| Fischer test (p-value) | 44.19\*\*\* | 61.87\*\*\* |  | 112.3\*\*\* | 70.64\*\*\* |  | 111.5\*\*\* | 62.52\*\*\* |
| Cluster | Banks | Banks |  | Banks | Banks |  | Banks | Banks |
| No of banks | 593 | 593 |  | 593 | 593 |  | 593 | 593 |