

## Appendix A

**Table 1**  
**Bank Activities, Mixing Banking and Commerce,**  
**and Bank Development and Performance**

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Costs	Non- Perform Loans
Restrictions on Bank Activities	-0.061 (0.001)	0.003 (0.024)	0.000 (0.705)	-0.004 (0.453)
Securities Activities	-0.155 (0.001)	0.013 (0.007)	0.009 (0.016)	-0.033 (0.015)
Insurance Activities	-0.132 (0.022)	0.001 (0.776)	-0.005 (0.071)	-0.001 (0.951)
Real Estate Activities	-0.139 (0.001)	0.004 (0.143)	-0.003 (0.260)	-0.006 (0.690)
Banks Owning Nonfinancial Firms	-0.040 (0.410)	0.005 (0.207)	0.000 (0.914)	0.010 (0.480)
Nonfinancial Firms Owning Banks	-0.008 (0.861)	0.000 (0.906)	-0.003 (0.265)	-0.002 (0.901)

**Table 2**  
**Bank Entry and Bank Development and Performance**

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Costs	Non- Perform Loans
Entry into Banking Requirements	-0.015 (0.692)	0.004 (0.027)	0.005 (0.007)	0.011 (0.234)
Limitations on Foreign Bank Entry/Ownership	-0.050 (0.402)	-0.004 (0.486)	-0.001 (0.887)	0.009 (0.635)
Entry Applications Denied (%)	-0.237 (0.136)	0.012 (0.577)	0.003 (0.864)	-0.029 (0.596)
Foreign Entry Applications Denied (%)	-0.175 (0.214)	0.009 (0.685)	0.004 (0.813)	0.019 (0.678)

**Notes:** Each reported coefficient estimate is from a separate regression, with the independent variable on the left side column plus all variables in the conditioning set. The P-values are in parentheses under the coefficient estimate.

Conditioning Set for **Table 1**: Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Entry into Banking Requirement Government-Owned Banks, the logarithm of real per capita GNP in 1995.

Conditioning Set for **Table 2**: Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities Government-Owned Banks, the logarithm of real per capita GNP in 1995.

**Appendix A**

**Table 3**

**Capital Regulations and Bank Development and Performance**

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Capital Regulatory Index	-0.007 (0.751)	-0.001 (0.712)	0.001 (0.602)	-0.011 (0.164)
Overall Capital Stringency	-0.002 (0.917)	0.000 (0.836)	0.001 (0.431)	-0.021 (0.053)
Initial Capital Stringency	-0.025 (0.638)	-0.002 (0.664)	-0.001 (0.800)	0.015 (0.227)

**Table 4**

**Deposit Insurance Generosity and Bank Development and Performance**

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Moral Hazard Index	-0.004 (0.860)	0.000 (0.938)	0.001 (0.470)	0.004 (0.509)
Deposit Insurer Power	-0.023 (0.629)	0.000 (0.964)	0.001 (0.838)	0.013 (0.493)
Deposit Insurance Funds-to-Total Bank Assets	1.151 (0.121)	0.029 (0.703)	-0.001 (0.993)	-0.534 (0.018)

**Notes:** Each reported coefficient estimate is from a separate regression, with the independent variable on the left side column plus all variables in the conditioning set. The P-values are in parentheses under the coefficient estimate.

Conditioning Set for **Table 3**: Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities, Entry into Banking Requirements, Government-Owned Banks, the logarithm of real per capita GNP in 1999.

Conditioning Set for **Table 4**: Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities, Entry into Banking Requirements, Government-Owned Banks, the logarithm of real per capita GNP in 1999.

Appendix A

**Table 5**  
**Official Supervisory Practices/Power and Bank Development and Performance**

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Official Supervisory Power	-0.003 (0.840)	0.000 (0.985)	0.000 (0.962)	0.002 (0.700)
Prompt Corrective Power	-0.023 (0.114)	0.000 (0.807)	0.000 (0.791)	0.009 (0.039)
Restructuring Power	0.021 (0.562)	-0.002 (0.492)	0.000 (0.954)	0.011 (0.371)
Declaring Insolvency Power	-0.010 (0.873)	0.004 (0.447)	0.006 (0.155)	0.002 (0.923)
Supervisory Forbearance Discretion	0.028 (0.367)	-0.005 (0.211)	-0.004 (0.220)	-0.019 (0.070)
Supervisory Independence	0.055 (0.152)	-0.002 (0.611)	-0.005 (0.105)	-0.015 (0.283)
Multiple Supervisors	0.078 (0.497)	0.000 (0.984)	-0.005 (0.496)	-0.005 (0.854)

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Loan Classification Stringency	0.000 (0.709)	0.000 (0.998)	0.000 (0.017)	0.000 (0.654)
Provisioning Stringency	-0.001 (0.032)	0.000 (0.625)	0.000 (0.127)	0.000 (0.020)
Diversification Guidelines	0.040 (0.617)	-0.001 (0.935)	-0.003 (0.626)	0.001 (0.961)
No Foreign Loans	0.019 (0.873)	0.010 (0.319)	-0.005 (0.495)	0.019 (0.581)
Diversification Index	0.022 (0.772)	-0.003 (0.525)	0.000 (0.992)	-0.002 (0.933)
Supervisor Tenure	0.013 (0.112)	-0.001 (0.402)	0.000 (0.615)	-0.005 (0.138)

**Notes:** Each reported coefficient estimate is from a separate regression, with the independent variable on the left side column plus all variables in the conditioning set. The P-values are in parentheses under the coefficient estimate.

Conditioning Set for **Table 5**: Capital Regulatory Index, Private Monitoring Index, Restrictions on Bank Activities, Entry into Banking Requirements, Government-Owned Banks, the logarithm of real per capita GNP in 1995.

Appendix A

**Table 6**  
Regulatory and Supervisory Practices to Promote  
Private Monitoring and Bank Development

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Private Monitoring Index	0.046 (0.170)	-0.004 (0.088)	-0.002 (0.235)	-0.011 (0.185)
Certified Audit Required	-0.239 (0.373)	0.023 (0.018)	0.006 (0.732)	0.018 (0.430)
% of Banks Rated Internationally	0.003 (0.031)	0.000 (0.021)	0.000 (0.021)	0.000 (0.723)
No Deposit Insurance	-0.049 (0.528)	0.001 (0.886)	-0.006 (0.344)	-0.020 (0.428)

**Table 7**  
Regulatory and Supervisory Practices to Promote  
Private Monitoring and Bank Development  
Interaction Terms (without Government-Owned Banks)

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Private Monitoring Index	-0.039 (0.355)	0.007 (0.051)	0.005 (0.049)	0.010 (0.451)
Private Monitoring Index*	0.017 (0.031)	-0.002 (0.001)	-0.001 (0.001)	-0.008 (0.002)
Property Rights				

**Table 8**  
Regulatory and Supervisory Practices to Promote  
Private Monitoring and Bank Development and Performance

	Dependent Variables			
	Bank Development	Net Interest Margin	Overhead Cost	Nonperforming Loans
Government-Owned Banks (%)	-0.186 (0.315)	0.010 (0.520)	0.031 (0.061)	0.182 (0.002)
Bank Concentration	-0.344 (0.097)	0.023 (0.055)	0.018 (0.091)	-0.040 (0.281)
Foreign-Owned Banks (%)	-0.237 (0.085)	0.027 (0.024)	0.012 (0.305)	-0.075 (0.063)

**Notes:** For Table 6 and Table 8, each reported coefficient estimate is from a separate regression, with the independent variable on the left side column plus all variables in the conditioning set. The P-values are in parentheses under the coefficient estimate  
 Conditioning Set for **Table 6:** Capital Regulatory Index, Official Supervisory Power, Restrictions on Bank Activities, Entry into Banking Requirements, Government-Owned Banks, the logarithm of real per capita GNP in 1995  
 Conditioning Set for **Table 8:** Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities, Entry into Banking Requirements, Government-Owned Banks, the logarithm of real per capita GNP in 1995

For Table 7, each column reports two coefficient estimate from the same regression. Thus, Table 7 gives the results from four separate regressions. For each regression, independent variables include the two variables on the left side column plus all variables in the conditioning set  
 Conditioning Set for **Table 7:** Capital Regulatory Index, Official Supervisory Power, Restrictions on Bank Activities, Entry into Banking Requirements, the logarithm of real per capita GNP in 1995

## Appendix B

**Table 1**  
**Banking Crises and Activities**  
 (Logit Regressions)  
 (Only Countries with Equity Market Activities)

Restrictions on Bank Activities	0.560 (0.007)
Securities Activities	1.350 (0.055)
Insurance Activities	1.073 (0.036)
Real Estate Activities	0.898 (0.030)
Bank Ownership of Nonfinancial Firm	1.412 (0.007)
Nonfinancial Firm Ownership of Bank	0.807 (0.046)

**Table 2**  
**Banking Crises and Entry Requirements**  
 (Logit Regressions)

Entry into Banking requirements	-0.293 (0.208)
Limitations on Foreign Bank Entry/Ownership	0.784 (0.063)
Entry Applications Denied (%)	-0.348 (0.720)
Foreign Entry Applications Denied (%)	0.369 (0.699)

**Notes:** Each reported coefficient estimate is from a separate Logit regression. The P-values are in parentheses under the coefficient estimate. The dependent variable is Banking Crisis, and independent variables are the variable on the left side plus the conditioning set variable.

Conditioning Set for **Table 1**: Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Entry into Banking Requirements, Government-Owned Bank

Conditioning Set for **Table 2**: Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities, Government-Owned Bank

**Appendix B**  
**Table 3**  
**Banking Crises and Capital Requirements**  
(Logit regression)

**3.a**

Capital Regulatory Index	0.050 (0.732)
Overall Capital Stringency	0.072 (0.674)
Initial Capital Stringency	-0.015 (0.962)

**3.b**

(Also include Moral Hazard Index)

Capital Regulatory Index	-0.599 (0.062)
Overall Capital Stringency	-0.639 (0.059)
Initial Capital Stringency	-0.413 (0.469)

**Notes:** Each reported coefficient estimate is from a separate Logit regression. The P-values are in parentheses under the coefficient estimate. The dependent variable is Banking Crisis, and independent variables are the variable on the left side plus the conditioning set variable. Conditioning Set for **Table 3a**: Entry into Banking Requirements, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities, Government-Owned Bank. Conditioning Set for **Table 3b**: Entry into Banking Requirements, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities, Government-Owned Bank, also include Moral Hazard Index.

## Appendix B

**Table 4**  
**Banking Crises and Deposit Insurance**  
(Logit regression)

Moral Hazard Index	1.048 (0.000)
Deposit Insurer Power	0.818 (0.057)
Deposit Insurance Funds-to-Total Bank Assets	-10.104 (0.164)

**Table 5**  
**Banking Crises and Private Monitoring**  
(Logit regression)

Private Monitoring Index	0.297 (0.100)
Certified Audit Required	-1.286 (0.304)
% of Banks Rated Internationally	0.011 (0.105)
No Deposit Insurance	-1.324 (0.020)

**Notes:** Each reported coefficient estimate is from a separate Logit regression. The P-values are in parentheses under the coefficient estimate. The dependent variable is Banking Crisis, and independent variables are the variable on the left side plus the conditioning set variables.

Conditioning Set for **Table 4:** Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Entry into Banking Requirements, Restrictions on Bank Activities, Government-Owned Bank

Conditioning Set for **Table 5:** Capital Regulatory Index, Official Supervisory Power, Entry into Banking Requirement, Restrictions on Bank Activities, Government-Owned Bank

## Appendix B

**Table 6**  
**Banking Crises and Bank Structure**  
(Logit regression)

### 6.a

Government-Owned Banks (%)	2.662 (0.026)
Bank Concentration	-2.709 (0.031)
Foreign-Owned Banks (%)	-1.555 (0.047)

### 6.b

(includes Moral Hazard Index)

Government-Owned Banks (%)	6.836 (0.039)
Bank Concentration	-1.772 (0.315)
Foreign-Owned Banks (%)	-1.608 (0.396)

**Notes:** Each reported coefficient estimate is from a separate Logit regression. The P-values are in parentheses under the coefficient estimate. The dependent variable is Banking Crisis, and independent variables are the variable on the left side plus the conditioning set variables.  
Conditioning Set for **Table 6a:** Entry into Banking Requirements, Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities  
Conditioning Set for **Table 6b:** Entry into Banking Requirements, Capital Regulatory Index, Private Monitoring Index, Official Supervisory Power, Restrictions on Bank Activities and Moral Hazard Index

**Appendix B**  
**Table 7**  
**Banking Crises and Official Supervision**  
(Logit regression)

Official Supervisory Power	-0.080 (0.437)	Loan Classification Stringency	0.001 (0.399)
Prompt Corrective Power	0.141 (0.166)	Provisioning Stringency	0.007 (0.093)
Restructuring Power	-0.010 (0.972)	Diversification Guidelines	-0.846 (0.120)
Declaring Insolvency Power	-0.303 (0.409)	No Foreign Loans	0.213 (0.773)
Supervisory Forbearance Discretion	-0.600 (0.020)	Diversification Index	-0.561 (0.189)
Supervisory Independence	-0.141 (0.600)	Supervisor Tenure	0.052 (0.344)
Multiple Supervisors	0.433 (0.509)		

**Notes:** Each reported coefficient estimate is from a separate Logit regression. The P-values are in parentheses under the coefficient estimate. The dependent variable is Banking Crisis, and independent variables are the variable on the left side plus the conditioning set variables. Conditioning Set for **Table 7**: Capital Regulatory Index, Private Monitoring Index, Restrictions on Bank Activities, Government-Owned Banks, Entry into Banking Requirements.

**Appendix C: Checks and Balances Interaction Term in Table 3**  
**Government Integrity, Regulation, and Supervision: Checks and Balances**  
 Dependent Variable: Integrity of the Political System (bigger values imply less corruption)

	1	2	3	4	5	6	7	8	9	10	11	12
Entry into Banking requirements	-0.040 (0.858)											
Limitations on Foreign Bank Entry/Ownership		1.169 (0.078)										
Entry Applications Denied (%)			-1.955 (0.389)									
Capital Regulatory Index				0.247 (0.269)								
Restrictions on Bank Activities					-0.332 (0.011)							
Private Monitoring Index						0.783 (0.000)						
Moral Hazard Index							0.014 (0.923)					
Official Supervisory Power								-0.265 (0.113)				
Prompt Corrective Power									-0.135 (0.530)			
Diversification Guidelines										2.090 (0.002)		
No Foreign Loans											-0.254 (0.887)	
Government-Owned Banks (%)												-4.011 (0.144)
Foreign-Owned Banks (%)												
Interaction with Checks & Balances	0.004 (0.923)	-0.412 (0.016)	-0.152 (0.843)	-0.048 (0.487)	0.026 (0.374)	-0.205 (0.003)	0.006 (0.877)	0.048 (0.284)	0.022 (0.726)	-0.457 (0.009)	-0.440 (0.583)	0.403 (0.623)
Checks & Balances	0.524 (0.060)	0.582 (0.000)	0.595 (0.000)	0.828 (0.039)	0.229 (0.369)	2.132 (0.000)	0.586 (0.000)	0.040 (0.932)	0.502 (0.000)	0.785 (0.000)	0.457 (0.000)	0.495 (0.001)
The Logarithm of Real Per Capita GNP in 1995	0.010 (0.937)	-0.022 (0.857)	0.006 (0.962)	0.016 (0.898)	-0.083 (0.415)	0.040 (0.709)	0.065 (0.583)	0.013 (0.913)	0.003 (0.983)	-0.019 (0.867)	0.046 (0.699)	-0.007 (0.951)
Constant	2.283 (0.214)	2.345 (0.020)	2.336 (0.052)	0.535 (0.745)	6.215 (0.001)	-4.174 (0.021)	1.470 (0.116)	4.789 (0.008)	2.344 (0.021)	1.265 (0.158)	2.178 (0.021)	2.775 (0.003)
R-square	0.258	0.291	0.464	0.278	0.416	0.357	0.342	0.307	0.271	0.347	0.335	0.392
N	61	48	45	61	67	62	53	61	61	61	61	55

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.



**Appendix C: Political Openness Interaction Term in Table 3**  
**Government Integrity, Regulation, and Supervision: Political Interactions**  
 Dependent Variable: Integrity of the Political System (bigger values imply less corruption)

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.068 (0.628)												
Limitations on Foreign Bank Entry/Ownership		0.037 (0.911)											
Entry Applications Denied (%)			-2.110 (0.001)										
Capital Regulatory Index				0.238 (0.020)									
Restrictions on Bank Activities					-0.242 (0.001)								
Private Monitoring Index						0.223 (0.030)							
Moral Hazard Index							0.011 (0.874)						
Official Supervisory Power								-0.159 (0.013)					
Prompt Corrective Power									-0.021 (0.798)				
Diversification Guidelines										0.909 (0.016)			
No Foreign Loans											-1.432 (0.004)		
Government-Owned Banks (%)												-2.856 (0.001)	
Foreign-Owned Banks (%)													0.353 (0.666)
Interaction with Political Openness/Competitive	0.045 (0.465)	-0.410 (0.073)	-0.947 (0.093)	-0.168 (0.049)	0.007 (0.835)	-0.157 (0.032)	0.024 (0.573)	0.096 (0.023)	-0.020 (0.768)	-0.511 (0.013)	-0.175 (0.651)	0.014 (0.985)	0.187 (0.805)
Political Openness/Competitive	0.484 (0.284)	0.801 (0.000)	0.909 (0.000)	1.798 (0.001)	0.522 (0.167)	1.954 (0.001)	0.753 (0.000)	-0.235 (0.606)	0.801 (0.000)	1.008 (0.000)	0.644 (0.000)	0.734 (0.000)	0.679 (0.005)
The Logarithm of Real Per Capita GNP in 1995	-0.073 (0.539)	-0.055 (0.628)	-0.031 (0.810)	-0.033 (0.765)	-0.113 (0.208)	-0.045 (0.661)	0.007 (0.952)	-0.067 (0.569)	-0.069 (0.552)	-0.087 (0.427)	-0.013 (0.904)	-0.077 (0.442)	-0.056 (0.695)
Constant	4.491 (0.003)	4.035 (0.000)	4.037 (0.001)	2.287 (0.018)	6.794 (0.000)	2.227 (0.047)	3.457 (0.000)	5.659 (0.000)	4.014 (0.000)	3.787 (0.000)	3.809 (0.000)	4.557 (0.000)	3.685 (0.003)
R-square	0.357	0.362	0.587	0.425	0.492	0.417	0.410	0.405	0.355	0.432	0.445	0.486	0.297
N	56	46	41	56	62	57	50	56	56	56	56	50	45

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

**Appendix C: Supervisory Independence Interaction Term in Table 3**  
**Government Integrity, Regulation, and Supervision: Supervisory Independence**  
 Dependent Variable: Integrity of the Political System (bigger values imply less corruption)

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.298 (0.343)												
Limitations on Foreign Bank Entry/Ownership		-1.176 (0.096)											
Entry Applications Denied (%)			-2.329 (0.206)										
Capital Regulatory Index				0.254 (0.375)									
Restrictions on Bank Activities					-0.151 (0.284)								
Private Monitoring Index						0.437 (0.095)							
Moral Hazard Index							-0.111 (0.571)						
Official Supervisory Power								-0.190 (0.270)					
Prompt Corrective Power									0.000 (0.998)				
Diversification Guidelines										0.958 (0.312)			
No Foreign Loans											0.024 (0.980)		
Government-Owned Banks (%)												0.514 (0.830)	
Foreign-Owned Banks (%)													1.434 (0.448)
Interaction with Supervisory Independence	0.122 (0.481)	0.539 (0.079)	-0.278 (0.709)	-0.098 (0.516)	-0.092 (0.132)	-0.110 (0.372)	0.091 (0.336)	0.021 (0.778)	-0.082 (0.351)	-0.210 (0.639)	-0.960 (0.041)	-1.623 (0.094)	-0.653 (0.567)
Supervisory Independence	-0.457 (0.715)	0.241 (0.421)	0.409 (0.176)	0.981 (0.285)	1.057 (0.080)	1.209 (0.209)	0.377 (0.125)	0.229 (0.778)	0.466 (0.088)	0.413 (0.134)	0.484 (0.025)	0.651 (0.026)	0.419 (0.248)
The Logarithm of Real Per Capita GNP in 1995	0.135 (0.304)	0.092 (0.483)	0.133 (0.395)	0.147 (0.261)	0.030 (0.791)	0.181 (0.151)	0.270 (0.042)	0.106 (0.387)	0.097 (0.460)	0.134 (0.295)	0.140 (0.207)	0.107 (0.366)	0.077 (0.616)
Constant	4.032 (0.116)	2.978 (0.034)	2.482 (0.075)	0.374 (0.858)	4.576 (0.014)	-1.573 (0.492)	0.947 (0.401)	4.071 (0.057)	2.351 (0.051)	1.744 (0.094)	1.986 (0.030)	2.067 (0.071)	2.046 (0.123)
R-square	0.094	0.153	0.307	0.093	0.377	0.139	0.152	0.145	0.134	0.110	0.264	0.247	0.043
N	60	48	44	60	59	60	47	60	60	60	60	54	48

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

**Appendix C: Multiple Supervisors Interaction Term in Table 3**  
**Government Integrity, Regulation, and Supervision: Multiple Supervisors**  
 Dependent Variable: Integrity of the Political System (bigger values imply less corruption)

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.080 (0.638)												
Limitations on Foreign Bank Entry/Ownership		-0.218 (0.558)											
Entry Applications Denied (%)			-2.906 (0.000)										
Capital Regulatory Index				0.095 (0.465)									
Restrictions on Bank Activities					-0.328 (0.000)								
Private Monitoring Index						0.203 (0.146)							
Moral Hazard Index							0.076 (0.449)						
Official Supervisory Power								-0.155 (0.027)					
Prompt Corrective Power									-0.158 (0.070)				
Diversification Guidelines										0.918 (0.028)			
No Foreign Loans											-2.036 (0.000)		
Government-Owned Banks (%)												-3.276 (0.001)	
Foreign-Owned Banks (%)													0.471 (0.604)
Interaction with Multiple Supervisors	-0.023 (0.934)	-0.488 (0.651)	-1.367 (0.898)	-0.048 (0.842)	0.286 (0.041)	-0.050 (0.833)	-0.198 (0.244)	0.391 (0.012)	0.160 (0.427)	-1.740 (0.003)	1.236 (0.137)	1.199 (0.495)	-2.434 (0.176)
Multiple Supervisors	0.574 (0.773)	0.437 (0.447)	0.390 (0.454)	0.722 (0.596)	-2.334 (0.089)	0.706 (0.719)	0.618 (0.096)	-3.678 (0.038)	0.181 (0.717)	0.952 (0.047)	0.428 (0.318)	0.580 (0.161)	1.392 (0.093)
The Logarithm of Real Per Capita GNP in 1995	0.129 (0.332)	0.118 (0.443)	0.110 (0.493)	0.138 (0.330)	0.114 (0.347)	0.170 (0.176)	0.237 (0.093)	0.098 (0.427)	0.108 (0.420)	0.131 (0.313)	0.124 (0.264)	0.084 (0.481)	0.046 (0.774)
Constant	3.282 (0.041)	3.205 (0.020)	3.411 (0.015)	2.100 (0.105)	6.010 (0.000)	0.980 (0.503)	1.931 (0.104)	4.576 (0.001)	3.151 (0.006)	2.315 (0.025)	3.006 (0.002)	3.490 (0.001)	2.924 (0.021)
R-square	0.038	0.039	0.284	0.044	0.309	0.071	0.106	0.109	0.089	0.119	0.229	0.217	0.066
N	61	48	45	61	61	62	48	61	61	61	61	55	49

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

**Appendix C: Checks and Balances Interaction Term in Table 4**  
**Bank Development: Checks and Balances**  
Dependent Variable: Bank Development

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.088 (0.101)												
Limitations on Foreign Bank Entry/Ownership		0.047 (0.773)											
Entry Applications Denied (%)			-0.183 (0.544)										
Capital Regulatory Index				0.027 (0.683)									
Restrictions on Bank Activities					-0.030 (0.436)								
Private Monitoring Index						0.061 (0.303)							
Moral Hazard Index							-0.021 (0.624)						
Official Supervisory Power								-0.098 (0.019)					
Prompt Corrective Power									0.020 (0.624)				
Diversification Guidelines										-0.002 (0.991)			
No Foreign Loans											0.664 (0.231)		
Government-Owned Banks (%)												-0.344 (0.671)	
Foreign-Owned Banks (%)													0.431 (0.280)
Interaction with Checks & Balances	0.023 (0.071)	-0.026 (0.641)	-0.093 (0.251)	-0.005 (0.813)	-0.012 (0.290)	0.001 (0.971)	0.006 (0.656)	0.030 (0.012)	-0.011 (0.425)	0.043 (0.519)	-0.341 (0.097)	-0.039 (0.881)	-0.189 (0.109)
Checks & Balances	-0.071 (0.302)	0.101 (0.031)	0.122 (0.032)	0.117 (0.417)	0.174 (0.104)	0.084 (0.571)	0.117 (0.002)	-0.225 (0.067)	0.096 (0.048)	0.063 (0.083)	0.103 (0.007)	0.087 (0.102)	0.145 (0.013)
The Logarithm of Real Per Capita GNP in 1995	-0.016 (0.595)	-0.023 (0.466)	-0.048 (0.168)	-0.016 (0.601)	-0.021 (0.336)	-0.002 (0.956)	0.013 (0.684)	-0.008 (0.788)	-0.016 (0.602)	-0.015 (0.607)	0.000 (0.997)	-0.017 (0.622)	-0.001 (0.962)
Constant	0.976 (0.007)	0.413 (0.108)	0.623 (0.068)	0.210 (0.692)	0.770 (0.055)	-0.183 (0.704)	0.041 (0.857)	1.325 (0.015)	0.350 (0.217)	0.380 (0.184)	0.210 (0.341)	0.454 (0.044)	0.074 (0.766)
R-square	0.120	0.148	0.329	0.102	0.344	0.176	0.216	0.168	0.108	0.133	0.186	0.165	0.178
N	73	55	54	73	79	74	56	73	73	73	72	66	60

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

**Appendix C: Political Openness Interaction Term in Table 4**  
**Bank Development: Political Interactions**  
Dependent Variable: Bank Development

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.034 (0.217)												
Limitations on Foreign Bank Entry/Ownership		-0.023 (0.677)											
Entry Applications Denied (%)			-0.373 (0.001)										
Capital Regulatory Index				0.040 (0.049)									
Restrictions on Bank Activities					-0.054 (0.001)								
Private Monitoring Index						0.051 (0.015)							
Moral Hazard Index							-0.003 (0.874)						
Official Supervisory Power								-0.017 (0.380)					
Prompt Corrective Power									0.002 (0.888)				
Diversification Guidelines										0.178 (0.042)			
No Foreign Loans											-0.222 (0.015)		
Government-Owned Banks (%)												-0.465 (0.003)	
Foreign-Owned Banks (%)													-0.066 (0.737)
Interaction with Political Openness/Competitive	0.032 (0.031)	-0.050 (0.264)	-0.224 (0.008)	-0.029 (0.139)	-0.017 (0.152)	0.004 (0.848)	0.009 (0.614)	0.037 (0.017)	-0.009 (0.575)	0.015 (0.855)	-0.089 (0.272)	0.098 (0.496)	-0.182 (0.252)
Political Openness/Competitive	-0.097 (0.234)	0.123 (0.020)	0.184 (0.001)	0.288 (0.027)	0.253 (0.056)	0.092 (0.536)	0.145 (0.002)	-0.258 (0.094)	0.138 (0.016)	0.108 (0.001)	0.123 (0.008)	0.084 (0.162)	0.166 (0.013)
The Logarithm of Real Per Capita GNP in 1995	0.008 (0.759)	-0.016 (0.625)	-0.006 (0.854)	0.013 (0.634)	0.000 (0.984)	0.014 (0.611)	0.026 (0.415)	0.015 (0.594)	0.005 (0.870)	0.008 (0.771)	0.019 (0.505)	0.011 (0.717)	0.009 (0.751)
Constant	0.618 (0.014)	0.625 (0.028)	0.554 (0.040)	0.110 (0.682)	0.970 (0.000)	-0.025 (0.933)	0.230 (0.355)	0.504 (0.106)	0.392 (0.106)	0.315 (0.170)	0.326 (0.165)	0.457 (0.056)	0.372 (0.119)
R-square	0.213	0.154	0.463	0.228	0.428	0.234	0.273	0.252	0.184	0.241	0.262	0.255	0.210
N	66	51	48	66	72	67	52	66	66	66	65	59	54

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

**Appendix C: Supervisory Independence Interaction Term in Table 4**  
**Bank Development: Supervisory Independence**  
Dependent Variable: Bank Development

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.032 (0.584)												
Limitations on Foreign Bank Entry/Ownership		-0.068 (0.595)											
Entry Applications Denied (%)			-0.615 (0.028)										
Capital Regulatory Index				0.001 (0.987)									
Restrictions on Bank Activities					0.015 (0.599)								
Private Monitoring Index						0.088 (0.077)							
Moral Hazard Index							0.024 (0.525)						
Official Supervisory Power								-0.016 (0.625)					
Prompt Corrective Power									0.024 (0.421)				
Diversification Guidelines										0.185 (0.347)			
No Foreign Loans											0.252 (0.329)		
Government-Owned Banks (%)												-0.190 (0.596)	
Foreign-Owned Banks (%)													0.014 (0.966)
Interaction with Supervisory Independence	-0.001 (0.982)	0.031 (0.636)	0.097 (0.432)	0.001 (0.986)	-0.046 (0.000)	-0.011 (0.652)	-0.010 (0.630)	0.002 (0.922)	-0.031 (0.040)	-0.069 (0.476)	-0.227 (0.032)	-0.153 (0.394)	-0.083 (0.661)
Supervisory Independence	0.095 (0.765)	0.056 (0.352)	0.039 (0.569)	0.083 (0.646)	0.494 (0.000)	0.160 (0.350)	0.126 (0.028)	0.070 (0.723)	0.131 (0.030)	0.106 (0.120)	0.117 (0.017)	0.121 (0.046)	0.088 (0.208)
The Logarithm of Real Per Capita GNP in 1995	0.002 (0.942)	0.027 (0.332)	-0.013 (0.673)	0.004 (0.881)	-0.012 (0.523)	0.016 (0.503)	0.038 (0.216)	0.002 (0.934)	-0.002 (0.945)	0.003 (0.896)	0.011 (0.667)	-0.001 (0.963)	0.011 (0.627)
Constant	0.511 (0.273)	0.164 (0.542)	0.566 (0.075)	0.255 (0.561)	0.303 (0.349)	-0.430 (0.246)	-0.021 (0.936)	0.444 (0.369)	0.278 (0.285)	0.211 (0.408)	0.168 (0.454)	0.317 (0.170)	0.183 (0.364)
R-square	0.054	0.043	0.170	0.042	0.330	0.132	0.124	0.051	0.112	0.053	0.090	0.144	0.044
N	85	64	62	85	84	85	50	85	85	85	84	78	72

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

**Appendix C: Multiple Supervisors Interaction Term in Table 4**  
**Bank Development: Multiple Supervisors**  
Dependent Variable: Bank Development

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking requirements	-0.025 (0.340)												
Limitations on Foreign Bank Entry/Ownership		-0.038 (0.539)											
Entry Applications Denied (%)			-0.497 (0.000)										
Capital Regulatory Index				0.018 (0.455)									
Restrictions on Bank Activities					-0.064 (0.000)								
Private Monitoring Index						0.069 (0.008)							
Moral Hazard Index							0.012 (0.621)						
Official Supervisory Power								-0.008 (0.633)					
Prompt Corrective Power									-0.036 (0.042)				
Diversification Guidelines										0.178 (0.052)			
No Foreign Loans											-0.310 (0.000)		
Government-Owned Banks (%)												-0.591 (0.000)	
Foreign-Owned Banks (%)													-0.117 (0.471)
Interaction with Supervisory Independence	-0.052 (0.650)	0.265 (0.179)	0.426 (0.586)	-0.039 (0.510)	0.016 (0.708)	0.001 (0.984)	-0.009 (0.836)	0.001 (0.986)	0.061 (0.168)	-0.480 (0.014)	1.043 (0.001)	0.647 (0.209)	-0.557 (0.154)
Supervisory Independence	0.338 (0.674)	-0.167 (0.215)	-0.124 (0.457)	0.191 (0.617)	-0.182 (0.674)	0.022 (0.946)	0.039 (0.784)	-0.031 (0.951)	-0.151 (0.302)	0.156 (0.318)	-0.177 (0.077)	-0.104 (0.367)	0.123 (0.488)
The Logarithm of Real Per Capita GNP in 1995	0.010 (0.682)	0.021 (0.475)	0.000 (0.996)	0.016 (0.526)	0.003 (0.882)	0.021 (0.411)	0.043 (0.206)	0.012 (0.644)	0.005 (0.856)	0.016 (0.518)	0.013 (0.597)	0.009 (0.732)	0.013 (0.599)
Constant	0.562 (0.032)	0.345 (0.172)	0.566 (0.021)	0.230 (0.405)	1.065 (0.000)	-0.183 (0.553)	0.182 (0.518)	0.450 (0.148)	0.494 (0.043)	0.257 (0.225)	0.406 (0.038)	0.476 (0.024)	0.339 (0.080)
R-square	0.017	0.045	0.150	0.011	0.188	0.098	0.046	0.007	0.055	0.076	0.157	0.114	0.050
N	87	65	64	87	87	88	51	87	87	87	86	78	72

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. P-values in parentheses under the regression coefficients.

### Appendix D: GMM Regressions with Instrumental Variables for Table 3

#### Government Integrity, Regulation, and Supervision

Dependent Variable: Integrity of the Political System (bigger values imply less corruption)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Entry into Banking Requirements	-1.027 (0.077)														
Limitations on Foreign Bank Entry/Ownership		-3.739 (0.000)													
Entry Applications Denied (%)			-5.568 (0.000)												
Capital Regulatory Index				0.280 (0.465)											
Restrictions on Bank Activities					-0.426 (0.000)										
Private Monitoring Index						1.038 (0.012)									
Moral Hazard Index							0.375 (0.014)								
Official Supervisory Power								-0.747 (0.000)							
Prompt Corrective Power									-0.542 (0.082)						
Diversification Guidelines										-3.098 (0.006)					
No Foreign Loans											0.631 (0.755)				
Government-Owned Banks (%)												-4.283 (0.080)			
Foreign-Owned Banks (%)													-12.362 (0.001)		
Supervisory Independence														0.632 (0.366)	
Multiple Supervisors															3.007 (0.116)
The Logarithm of Real Per Capita GNP in 1995	0.172 (0.246)	0.195 (0.331)	0.331 (0.029)	0.166 (0.211)	-0.012 (0.913)	0.220 (0.177)	0.228 (0.080)	0.012 (0.943)	0.058 (0.661)	0.444 (0.006)	0.268 (0.042)	0.212 (0.089)	-0.313 (0.386)	0.258 (0.035)	-0.092 (0.588)
Constant	9.647 (0.046)	4.095 (0.037)	2.108 (0.121)	0.738 (0.707)	7.831 (0.000)	-5.423 (0.083)	1.892 (0.084)	11.239 (0.000)	4.086 (0.003)	1.516 (0.302)	1.448 (0.182)	2.690 (0.041)	9.439 (0.008)	0.448 (0.809)	4.126 (0.003)
N	58	46	44	58	64	59	53	58	58	58	58	52	47	57	59

Notes: Every column from 1 to 15 is a separate regression. Independent variables are in the left side column. Instrumental variables used for all regression are :

constant, the logarithm of Real Per Capita GNP in 1995, dummy variable for legal origin from British, dummy variable for legal origin from France, dummy variable for legal origin from Germany, dummy variable for Catholic religion, dummy variable for Muslim religion, dummy variable for other religions, and ethnic diversity.

P-values in parentheses under the regression coefficients.

**Appendix D: GMM Regressions with Instrumental Variables for Table 4**  
**Bank Development, Regulation, and Supervision**  
 Dependent Variable: Bank Development

	1	2	3	4	5	6	7	8	9	10	11	12	13
Entry into Banking Requirements	-0.342 (0.010)												
Limitations on Foreign Bank Entry/Ownership		0.087 (0.538)											
Entry Applications Denied (%)			-0.380 (0.015)										
Capital Regulatory Index				-0.005 (0.901)									
Restrictions on Bank Activities					-0.056 (0.017)								
Private Monitoring Index						0.082 (0.403)							
Moral Hazard Index							-0.037 (0.391)						
Official Supervisory Power								0.043 (0.118)					
Prompt Corrective Power									0.108 (0.090)				
Diversification Guidelines										0.226 (0.118)			
No Foreign Loans											0.420 (0.304)		
Government-Owned Banks (%)												0.206 (0.631)	
Foreign-Owned Banks (%)													-0.405 (0.105)
The Logarithm of Real Per Capita GNP in 1995	0.012 (0.737)	-0.010 (0.760)	-0.040 (0.108)	-0.009 (0.709)	0.001 (0.970)	0.015 (0.598)	0.022 (0.466)	0.034 (0.296)	0.045 (0.229)	0.014 (0.554)	0.009 (0.766)	0.004 (0.902)	-0.011 (0.704)
Constant	2.884 (0.012)	0.529 (0.085)	0.822 (0.001)	0.542 (0.119)	1.012 (0.001)	-0.207 (0.786)	0.286 (0.238)	-0.227 (0.634)	-0.049 (0.888)	0.274 (0.216)	0.334 (0.257)	0.372 (0.219)	0.584 (0.032)
N	63	48	48	63	69	64	55	63	63	63	63	57	52

Notes: Every column from 1 to 13 is a separate regression. Independent variables are in the left side column. Instrumental variables used for all regression are : constant, the logarithm of Real Per Capita GNP in 1995, dummy variable for legal origin from British, dummy variable for legal origin from France, dummy variable for legal origin from German dummy variable for Catholic religion, dummy variable for Muslim religion, dummy variable for other religions, and ethnic diversity. P-values in parentheses under the regression coefficients.

