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Abstract

This paper provides a novel approach for assessing the robustness of the relationship between different types of financial reforms and banking crises for the period 1973-2005. We document the following facts for emerging economies: (i) liberalizations of capital accounts, securities markets, interest rates, removal of credit controls, barriers to entry, and reduction of state ownership in the banking sector, all are positively associated with a higher frequency of banking crises; (ii) the increase in financial turbulence is mainly concentrated within a time-window of five years after the reforms: If a country does not experience a banking crisis within that period, the probability of experiencing a crisis afterwards becomes insignificant; and (iii) the results are robust to the inclusion of all control variables that have been found in the literature as significant determinants of banking crises.

Keywords: Financial Reforms, Banking Crises, Robustness

JEL Classification: E44, F36, F62, G01, G15

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