

Market structure of the Bolivian banking system

Oscar A. Díaz Quevedo

ABSTRACT

In last decades, Bolivian banking system has undergone important changes in order to achieve more efficiency. However, according to some economists, politicians and general public, banking entities still apply high interest rates and collateral requirements are an important constraint for granting credits.

In this context, it is of special interest to analyze the evolution of the competence degree of the Bolivian banking system for the period of 2003-2007. For this purpose, it is used instruments that were developed in industrial economics, as market power Lerner Index, the estimation of conjectural variations, and H statistic, as well as the Structure-Behavior-Results (SBR) hypothesis contrast versus efficiency, and the use of concentration measures.

Found evidence through different methodologies suggests that there is a low competence degree among different banking entities, although there had been important advances in the intermediation process and in the consolidation of their activities, all of which have derived in higher competence in the last six years, which is confirmed through the different applied models.

JEL Classification: C23, D21, D40, G21

Keywords: Competence; banking system; market structure