

The Impact of Foreign and Public Capital on Competition in the Polish Banking Sector

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Abstract

The aim of this study is to find the impact of foreign and public capital on competition and in the Polish Banking Sector. The Lerner index has been used to evaluate competition in the Polish banking industry. Concentration was analysed using concentration indices (i.e., concentration ratios [CR5] and the Herfindal-Hirschman indices [HHI]).

Empirical analysis based on panel data shows that the degree of competition in the Polish banking market between 1997 and 2007 enjoyed a slight upward trend. Results also demonstrate a slight decrease in competition throughout 2008-2009, caused by the global financial crisis. In 2010-2012 during the Eurozone sovereign debt crisis, competition in the Polish banking market increased. These same channels (prior to and during the financial crisis), which impacted changes in competition within the banking sectors of euro zone countries, had an impact on the Polish banking sector due to the involvement of capital from the euro zone. Furthermore, foreign capital had positive impact on competition indices in the period 1997-2009. Public Capital had negative impact on competition in this period. In 2010-2012 that effect is insignificant.

JEL classification: F36; G2; G21; G34; L1.

Keywords: Competition; Concentration; Foreign Capital; Public Capital, Mergers and Acquisitions; Market Structure; Lerner index.