

[Working Papers](#)

Regulations, Market Structure, Institutions, and the Cost of Financial Intermediation

Asli Demirguc-Kunt, Luc Laeven & Ross Levine

SHARE



WORKING PAPER 9890

DOI 10.3386/w9890

ISSUE DATE August 2003

This paper examines the impact of bank regulations, market structure, and national institutions on bank net interest margins and overhead costs using data on over 1,400 banks across 72 countries while controlling for bank-specific characteristics. The data indicate that tighter regulations on bank entry and bank activities boost the cost of financial intermediation. Inflation also exerts a robust, positive impact on bank margins and overhead costs. While concentration is positively associated with net interest margins, this relationship breaks down when controlling for regulatory impediments to competition and inflation. Furthermore, bank regulations become insignificant when controlling for national indicators of economic freedom or property rights protection, while these institutional indicators robustly explain cross-bank net interest margins and overhead expenditures. Thus, bank regulations cannot be viewed in isolation; they reflect broad, national approaches to private property and competition.

[Download a PDF](#)

Acknowledgements and Disclosures



Citation and Citation Data



Published Versions

Demirgürç-Kunt, Asli, Luc Laeven, and Ross Levine. "[Regulations, Market Structure, Institutions, and the Cost of Financial Intermediation](#)." *Journal of Money, Credit and Banking* 36(3): 593-622, June 2004 citation courtesy of [RePEc](#)

Asli Demirgürç-Kunt & Luc Laeven & Ross Levine, 2004. "[Regulations, market structure, institutions, and the cost of financial intermediation](#)," *Proceedings, Federal Reserve Bank of Cleveland*, pages 593-626. citation courtesy of [RePEc](#)

Related

TOPICS

[Financial Economics](#)
[Financial Institutions](#)

PROGRAMS

[International Finance and Macroeconomics](#)

More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on](#)

Entrepreneurship — as well as online conference reports, video lectures, and interviews.



Martin Feldstein Lecture, Summer Institute 2025
The Fiscal Future

N. Gregory Mankiw, Harvard University and NBER
July 10, 2025

2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"

FELDSTEIN LECTURE

PRESENTER: N. GREGORY MANKIW

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025

Uncovering Causal Mechanisms: Mediation Analysis and Surrogate Indices



Raj Chetty, Harvard University and NBER
Kosuke Imai, Harvard University
July 24, 2025

2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms: Mediation Analysis and Surrogate Indices"

METHODS LECTURES

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediation
Imai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). “Experimental Designs...



International Trade and Macroeconomics, Summer Institute 2025

Panel on The Future of the Global Economy

Oleg Itskhoki, Harvard University and NBER
Paul Krugman, City University of New York and NBER
Linda Tesar, University of Michigan and NBER
July 8, 2025

2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue
Cambridge, MA 02138
[617-868-3900](tel:617-868-3900)
info@nber.org
webaccessibility@nber.org

Homepage

[Accessibility Policy](#)
[Diversity Policy](#)
[Privacy Policy](#)

FOLLOW



© 2026 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.