

Ownership and Anti-Preemption: the geographical dynamics of a public development bank and private sector commercial banks*

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Abstract

We provide a dynamic and strategic spatial competition model with estimated parameters which rationalize rather puzzling patterns in the expansion of financial providers in Thailand. Financial providers are forward looking and take into account the actual transport network in their entry decision. There are no markets per se - branches are connected probabilistically to village locations. We compute the full dynamic equilibrium and propose an estimation procedure. When the model is fitted to data, we find anti-preemptive behavior of a public development bank (BAAC), yielding ground in anticipation of commercial banks that will enter in the future. Counterfactual exercises with alternative strategic interaction configurations and different identity structures assess the estimated model quantitatively.

Key words: Banking, Government, Ownership, Financial Access

JEL classification: G21, G28, H11, L32

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