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MASTER THESIS

**The determinants of access to finance.
Evidence for transition economies**

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Abstract

The thesis provides an empirical analysis of impact of country-level and firm-level determinants on access to finance in transition economies. Generalized Ordered Logit model is applied on survey data for transition countries, combined with financial market indicators. The results show that higher concentration in banking sector, as well as higher financial deepening have a positive impact on access to finance, while volatile macroeconomic environment, higher implication of foreign-owned and state-owned banks seems to be perceived as increasing obstacles in accessing external financing. Combining indexes for liberalization in banking sector and liberalization of securities markets proved that before liberalization process firms had better access to finance. One of the possible explanations is that before liberalization state banks were forced by politicians to issue more loans, while after reforms the political pressure was removed, imposing stricter conditions for loan granting. Inclusion of corruption variable yields expectable results that higher corruption level is associated with worse access to finance. The results for firm-level variables indicate that larger firms and firms from service sector benefits from better access to finance. Also, companies that apply for an external audit face fewer obstacles in accessing finance, than those that do not. Inclusion of control variable for crisis period increases the consistency and robustness of results.

Keywords

Access to finance, Determinants, Transition economies, Generalized Ordered Logit

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