Abstract

This paper investigates the relationship between market concentration and banking stability in the Central and Eastern European region. Using data on 196 banks from 10 CEE countries over the period 2003-2012, we find that banks in a higher concentrated market are less vulnerable to risks. The main results hold after controlling for macroeconomic and institutional environments, and stay robust to different models and alternative measurements of key variables. This study provides little evidence for supporting the BDN model of "competition-stability" view, nor the MMR model of U-shape relationships.