

Who Runs? The Importance of Relationships in Bank Panics

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Discussion by

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Purpose

- Study depositor characteristics in bank runs
- Main idea/application
 - Banking regulation and bank runs
 - Who runs?
 - Fine tune regulation
- How?
 - Study a unique data set from a run on a bank in India

Main findings

- Depositors with loan-link less likely to run
- Depositors with longer bank relationship less likely to run
- Minority depositors more likely to run

General Comments

- Main worry
 - One run, one bank and one country
 - Are depositor characteristics persistent across runs, banks and countries/regulatory regimes?
- Bigger picture
 - Maybe regulation should depend on run characteristics, bank characteristics etc

Comments

- Are the results economically significant?
 - What fraction of loan linkage depositors run vs. other depositors?
 - How much does the probability of running decrease with loan linkage?
- Need more data to say something about causality
 - Loan linkage may proxy for many things

Data

- Descriptive statistics for accounts, but not for depositors
- Example
 - Savings Account: 308 runners (2.9%)
 - Fixed Deposit Account: 207 runners (4.2%)
- Loan Linkage:
 - Savings Account: 808 obs (7.5%)
 - Fixed Deposit Account: 276 obs (5.6%)

Data cont

- If loan linkage has no effect, we expect:
 - Savings Account: 23 runners with loan link
 - Fixed Deposit Account: 12 runners with loan link
- Find significantly less runners with loan link
- I want to see how many depositors with a loan link that were running

Suggestions

- Look at difference in characteristics between
 - 0 withdrawers and net depositors
 - Less than 25% withdrawers
 - Less than 50% withdrawers
 - Less than 75% withdrawers
 - The rest
- Alternatively, intervals of amounts

Suggestions

- Look at depositors who have both a fixed deposit and a savings accounts
 - Do we see the same pattern as with a loan linkage?
 - Do they liquidate both accounts?

Conclusion

- The paper provides information about something we know very little about
- This version of the paper is a big improvement on the previous version
- I wish you had more data (but I do not wish more people were running)