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ASYMMETRIC INFORMATION AS A MARKET FAILURE: SOME REMARKS FOR BANKING SYSTEM OF OECD COUNTRIES

Abstract:

This paper examines the nature of banking system using the literature on market failures and asymmetric information. After describing banking system structure and asymmetric information on banking system, the paper tries to determine the quality of banking system in OECD countries. Asymmetric information creates adverse selection and moral hazard problems in the banking sector. The asymmetric information approach explains the patterns in crises which effects global economy. The main purpose of this paper is to analyze moral hazard, adverse selection problems in banking sector of OECD countries after 2010 period. Thus paper aims to find out relationship between asymmetric information in banking sector and financial crises.

Keywords:

Asymmetric Informtion, Banking System, Financial Crisis

JEL Classification: F65, G01, G18