Financial markets in different areas of the world have many similarities, but also some idiosyncratic features making them special. The similarities come from the fact that most of the basic financial needs of household and entrepreneurs are, in a broad sense, analogous across countries and regions. Credit, saving and insurance are demanded everywhere to smooth consumption, make investments and face risks. But substantial differences arise in the way these needs are met by the local financial institutions. Culture, geography, politics and economics can, in fact, influence the interaction between the institutions and their clients in a relevant manner.

In the first part of the thesis I focus on credit markets in developing countries, and describe the competitive interaction between Microfinance Institutions (MFIs). Microfinance has recently attracted a lot of attention from investors, politicians, scholars and, most of all, people working on development. As a result, a huge number of MFIs are being created all over the world so that, as of today, practitioners reckon that about 100 millions of customers are being served. Remarkably, about 67% of them are women.

The reason of this extraordinary effort is that Microfinance is considered the most promising development tool currently available. This belief is based on two important features of Microfinance: (i) It promises to be financially viable (and in some cases even profitable) since poor people have proven to be reliable clients. As a result, Microfinance is potentially a zero-cost development tool. (ii) It hinges on the entrepreneurial abilities of the poor. It is designed to help the poor to help themselves, in their own home countries, by allowing them to use their skills, ideas and potentials. This should progressively make developing countries independent of rich ones' help.

The growth of Microfinance has been so fast that many issues and related research questions are still not answered. In my thesis I try to address one of them, that I believe particularly important: the increase of competition between MFIs. As economic theory predicts, competition can have dramatic consequences in terms of borrower welfare, profitability of the institutions and, therefore, on the attractiveness of the business for potential investors, donors and entrants. I use the tools of industrial organization and contract theory to understand these effects, measure them, and give some interesting policy advice.

In the first paper, I analyze the effects of entry of a new MFI in a previously monopolistic microcredit market. In order to catch the salient features of financial markets in developing countries, I use a model of asymmetric information and assume that institutions can offer only one type of contract. I consider different behavioral assumptions for the MFIs and study their influence on equilibrium predictions. The model allows showing that competition can lead to equilibria in which MFIs differentiate their contracts in order to screen borrowers. This process can, unfortunately, make the poor borrowers worse off. Interestingly, the screening process we describe creates a previously unexplored source of credit rationing. I also prove that the presence in the market of an altruistic MFI, reduces rationing and, via this channel, affects positively the competitor's profit.
In the second paper, I study the effects of competition in those markets in which, due to the absence of credit bureaus, small entrepreneurs can simultaneously borrow from more than one institution. As in the first paper, I analyze an oligopolistic microcredit market characterized by asymmetric information and institutions that can offer only one type of contract. The main contribution is to show that appropriate contract design can eliminate the ex-ante incentives for multiple borrowing. Moreover, when the market is still largely unserved and particularly risky, a screening strategy leading to contract differentiation and credit rationing is unambiguously the most effective to avoid multiple borrowing. The result of this paper can also be read as important robustness checks of the findings of my first paper.

In the last part of the thesis, I depart from the analysis of developing countries to consider, more generally, the corporate governance of financial infrastructures. The efficient functioning of financial markets relies more and more on the presence of infrastructures providing services like clearing, settlement, messaging and many others. The last years have been characterized by interesting dynamics in the ownership regime of these service providers. Both mutualizations and de-mutualizations took place, together with entry and exit of different players.

Starting from this observation, in the last paper (with Joachim Keller), we analyze the effects of competitive interaction between differently owned financial providers. We mainly focus on the incentives to invest in safety enhancing measures and we describe the different equilibrium market configurations. We use a model in which agents need an input service for the financial market they operate in. They can decide whether to provide it themselves by forming a Cooperative or outsource it from a Third Party Provider. We prove that the co-existence of differently governed infrastructures leads to a significant reduction in the investment in safety. In most cases, monopolistic provision is preferable to competition. Moreover, the decision rule used within the Cooperative plays a central role in determining the optimal market configuration.

All in all, throughout my thesis, I use the tools of industrial organization and contract theory to model the competitive interaction of the different actors operating in financial markets. Understanding the dynamics typical of developing countries can help in gaining a deeper comprehension of the markets in richer countries, and vice-versa. I am convinced that analyzing the differences and the similarities of financial markets in different regions of the world can be of great importance for economic theorists, in that it provides a counterfactual for the assumptions and the results on which our predictions and policy advices are based.