

[Download](#)
[Other Working Papers](#)

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

Stefany Moreno-Burbano /

Andrés Vargas-Vargas /

Juan Sebastián Vélez-Velásquez

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc).

Fecha de publicación

Thursday the 15th of August, 2019

The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors

ABSTRACT

We study the dispersion of interest rates on commercial loans granted by banks to Colombian manufacturing firms between 2005 and 2013. Dispersion can be caused by two types of firm heterogeneity. Firms can differ in their ability to negotiate interest rate or firms can differ in how costly it is to provide a loan to them. We document the extent of interest rate dispersion and characterize the impact of borrowers', banks' and market characteristics on dispersion. Reduce-form regressions show that, on average, firms with less-than impeccable credit history and firms that are loyal to their banks, pay on equilibrium higher interest rates. Using quantile regressions, we find that, conditional on rates being high, a marginal increase on the firm's revenue is associated with higher interest rates. Finally, we evaluate the impact that the market structure has on the level and variation of interest rates on commercial loans, taking advantage of a wave of mergers that took place between 2006-2008.