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In this paper we find empirical evidence of bank lending channel for Colombia, using a balanced panel data of about four thousand non-financial firms. We find that increases in the interest rate, proxying for the monetary policy instrument, lead to a reduction in the proportion of bank loans, out of total debt, of the firms. This bank lending channel amplifies the effect of the traditional interest rate channel, which leads to a reduction in total debt and spending when monetary policy tightens. Our result agrees with, and complements, those obtained by Gómez González and Grosz (2007), who provide evidence of the existence of a bank lending channel in Colombia using bank-specific financial variables.

