



# Interest rate pass-through in Colombia: a micro-banking perspective

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Banks and other credit institutions are key players in the transmission of monetary policy, especially in emerging market economies, where the responses of deposit and loan interest rates to shifts in policy rates are among the most important channels. This pass-through depends on the conditions prevailing in the loan and deposit markets, which are, in turn, affected by macroeconomic factors. Hence, when setting their policy, monetary authorities must take into account those conditions and the behavior of banks. This paper illustrates this point by means of a theoretical micro-banking model and shows empirical evidence for Colombia suggesting that some aspects of the model might be relevant features of the transmission mechanism.