



Bank Lending, Risk Taking, and the Transmission of Monetary Policy: New Evidence for Colombia

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We study the existence of a monetary policy transmission mechanism through banks in Colombia, using monthly banks' balance sheet data for the period 1996:4 – 2012:12. We obtain results which are consistent with the basic postulates of the bank lending channel (and the risk-taking channel) literature. The impact of short-term interest rates on the growth rate of loans is negative, indicating that increases in these rates lead to reductions in the growth rate of loans. This impact is stronger for consumer loans than for commercial loans. We find important heterogeneity in the monetary policy transmission across banks depending on banks-specific characteristics.

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