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Economic Sectors and the Risk-taking Channel of Monetary Policy

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The recent financial crises brought about a new string of theoretical and empirical studies about the so-called risk-taking channel of monetary policy. There is strong empirical evidence of the channel in terms of local and in terms of the international spillovers of the mechanism. In this paper we contribute to this empirical literature and enhance the range of the analysis by studying which economic sectors are more vulnerable to the channel. We use loan level micro-data for 3019 Colombian firms between 2005:1 and 2014:3. The identification technique used for our estimations is the one developed in Jimenez et al. (2014). Our results show strong evidence of a risk-taking channel for the economy as a whole and a stronger effect in the agriculture and services sectors than in the others. This results are supported in terms not only of ex ante credit risk but also in terms of ex post credit risk. The firms more affected are the less profitable and the less leveraged.

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