Working Papers on Economics - Interbank relationship lending in Colombia

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Publication Date: Thursday, 11 of June 2020 Abstract
Stable and strong lending relations among financial institutions have been credited as the mainstay of interbank markets and financial stability. They are an indicator of trust among financial institutions. From a network perspective, we measure how stable relations are in the Colombian unsecured interbank lending market. We calculate the survival ratio of interbank networks, which corresponds to the fraction of linkages found in consecutive interbank lending networks. From January 2014 to September 2019, on average, about 58 per cent of linkages survive from one day to the next. About 36, 28, and 22 per cent of linkages survive during a 5-, 10-, and 20-day period, respectively. Regarding the strength of lending relations, results are robust to the exclusion of low-value linkages and non-banking institutions. A non-parametric test discards randomness as a plausible source of observed survival ratios. Preliminary examination of survival ratios during the first weeks of the financial turmoil caused by Covid-19 pandemic and falling oil prices suggests that trust in the interbank market was not seriously affected. Therefore, it is fair to conclude that stable and strong interbank lending relations exist in the Colombian market. From a financial stability perspective, the survival ratio may aid financial authorities in their quest for monitoring financial institutions' willingness to exchange funds among them.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-economics/interbank-relationship-lending-colombia