

---

[Download](#)

## Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of Colombia). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

## AUTHOR OR EDITOR

[Cabrera, Wilmar Gamba, Santiago Gómez, Camilo Villamizar-Villegas, Mauricio](#)

The series [Borradores de Economía \(Working Papers on Economics\)](#) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

---

Publication Date:  
Tuesday, 18 of October 2022

## **Abstract**

In this paper, we examine the financial and real effects of macroprudential policies with a new identifying strategy that exploits borrower-specific provisioning levels for each bank. Locally, we compare similar firms just below and above regulatory thresholds established in Colombia during 2008–2018 for the corporate credit portfolio. Our results indicate that the scheme induces banks to increase the provisioning cost of downgraded loans. This implies that, for loans with similar risk but with a discontinuously lower rating, banks offer a lower amount of credit, demand higher quality guarantees, and impose a higher level of provision coverage through the loan-loss given default. To illustrate, a 1 percentage point (pp) increase in the provision-to-credit ratio leads to a reduction in credit growth of up to 15pp and lowers the probability of receiving new credit by up to 11pp. When mapping our results to the real sector, we find that downgraded firms are constrained in their investment decisions and experience a contraction in liabilities, equity, and total assets.