A STUDY ON BANK LANDING CHANNEL IN BRAZIL MATCHING IMPULSE RESPONSE FUNCTIONS

Jocildo Fernandes Bezerra
Ricardo Chaves Lima
Igor Ézio Maciel Silva

ABSTRACT

This study uses aggregate data, in the period between 2000:6 to 2012:12, to address the issue of operability of bank lending channel in Brazil, and separate effects of supply and demand for loans, using a new approach in line with Cosimano (1988) and Hülsewig et al (2006). To do so, we specify a stylized model that characterizes the behavior of credit supply of banks in an environment of uncertainty about future monetary policy. The empirical strategy comprises the estimation of a Vector Error Correction Model (VECM), and a Dynamic Stochastic General Equilibrium model (DSGE), in order to statistically compare empirical and theoretical impulse response functions, as a result of monetary policy shocks, in addition to separate components of demand and supply of loans.

Keywords: Bank Lending Channel, VECM, And Monetary Policy.

JEL: E52, C32