# A Loan-level Analysis of Bank Lending in Mexico

## Discussion by

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# Main Idea

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- Which banks lend more?
- Which banks are sensitive to monetary policy?
- Which banks are sensitive to financial shocks?

# Empirical Methodology

- Quarterly data on bank financials and loan volume to each firm

- Use subsample that considers only firms that have **multiple loans from more than one bank** (Khwaja and Mian (2008))

- Regress loan volume on bank characteristics using *firm×time* **fixed effects** to control for loan demand

# Main Comment

- Interesting paper, but still too broad

- It would benefit from a narrower focus

- This would help the paper make a "**unique contribution**"

- Here are some recommendations for doing this…

# Baseline Specification

- I do not think the baseline specification is well identified

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- This is a relationship between credit growth and bank characteristics
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# Bank Lending Channel

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  - The heterogeneous impact of **monetary policy shocks**

- Here are some ideas on how to strengthen this…

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# Bank Lending Channel (2)

- Foreign versus domestic (F) interaction
- Bank*time fixed effects
  - Replaces non-interacted bank variables
  - See Ongena, Peydró and Saurina (2012)
- Cluster standard errors by bank

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- Foreign versus domestic (F) interaction
- Bank*time fixed effects
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  - See Ongena, Peydró and Saurina (2012)
- Cluster standard errors by bank
- Asymmetric monetary policy shocks
  - Tightening versus loosening
  - See  Drechsler, Savov, Schnabl (QJE 2017)

# Credit Registry Data

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- For example: Relationships mitigate the bank lending channel (Berlin and Mester RFS 1999)

- Construct relationship variables from the data
  - Length of relationship
  - Number of loans with lender
  - Number of lenders
  - Switching to new lender

# Credit Registry Data (2)

- What else can be done with the credit registry?


- **Firm size** (SME credit availability)
- **Small vs. large loans** (hard vs. soft info)
- **Risky vs. safe borrowers** (credit score)
- **Line of credit (**vs. term loan)
- **Collateral** (lending technology)
- **Loan maturity** (Black and Rosen)

# Other Suggestions

- Extensive vs. intensive lending margin

- Market characteristics
  - Branch presence
  - Banking concentration
  - Urban vs. rural

- Monetary policy shocks in home country of foreign lenders

- Any non-bank lenders in Mexico?

# Conclusion

- Very nice paper

- Potential for quality publication