A Loan-level Analysis of Bank Lending in Mexico

Discussion by

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Main Idea

• “We employ loan-level data from the Mexican credit registry to study how bank-specific characteristics affect the supply of credit.”
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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

\[ \Delta \log(Credit_{i,b,t}) = \beta X_{b,t-1} + \alpha_b + \gamma_{i,t} + \epsilon_{i,b,t} \]

• This is a relationship between credit growth and bank characteristics

• There is no **treatment effect**
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$$\Delta \log (Credit_{i,b,t}) = (\beta + \beta^* F_b) X_{b,t-1} + \alpha_b + \gamma_{i,t} + \varepsilon_{i,b,t}$$

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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
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
• Asymmetric monetary policy shocks
  – Tightening versus loosening
  – See Drechsler, Savov, Schnabl (QJE 2017)
Credit Registry Data

- Take a more “micro” approach to credit data

- For example: Relationships migrate 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

Discussion of Cantu et al. - Lamont Black
Credit Registry Data

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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