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

Stefany Moreno-Burbano / Andrés Vargas-Vargas / Juan Sebastián Vélez-Velásquez

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).

Publication Date:
Thursday, 15 August 2019

ABSTRACT

We study the dispersion of interest rates on commercial loans granted by banks to Colombian manufacturing firms between 2005 and 2013. Dispersion can be caused by two types of firm heterogeneity. Firms can differ in their ability to negotiate interest rate or firms can differ in how costly it is to provide a loan to them. We document the extent of interest rate dispersion and characterize the impact of borrowers', banks' and market characteristics on dispersion. Reduce-form regressions show that, on average, firms with less-than impeccable credit history and firms that are loyal to their banks, pay on equilibrium higher interest rates. Using quantile regressions, we find that, conditional on rates being high, a marginal increase on the firm's revenue is associated with higher interest rates. Finally, we evaluate the impact that the market structure has on the level and variation of interest rates on commercial loans, taking advantage of a wave of mergers that took place between 2006-2008.