

[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*). 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

Gómez, Camilo

Rodriguez-Novoa, Daniela

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:

Wednesday, 28 August 2024

Abstract

This paper examines the relationship between three government support measures (debt moratorium, credit guarantee programs, and payroll subsidies) and the firm's payment behavior on loans in Colombia. To do so, we use the COVID-19 pandemic episode as a case study. Using highly granular data at the bank-firm level and a difference-in-difference approach, we find that firms subject to debt reliefs and government guarantee programs experienced a lower probability of default while these policies were in force. Subsequently, once the programs ended, the dynamic of the payment behavior of these firms was similar to that of those untreated. On the contrary, payroll subsidies did not affect firms' payment behavior. Regarding the effect on banks' risk assessment, our results suggest that banks modified debtors' credit scores subject to relief programs since the participation status provided them with new information.