Unconventional Monetary Policy Tools and Bank Interest Rates

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Abstract

In the aftermath of the global crisis, to alleviate the dilemma between price stability and financial stability and to reduce macro financial risks, many central banks in emerging economies developed unconventional policies and heavily used macro-prudential tools. In this process, the Central Bank of Turkey used a policy combination of interest rate corridor, one-week repo rate, reserve requirements, foreign exchange intervention and liquidity policy. In this study, using bank level data, we investigate the impact of alternative policy tool on the credit and deposit rates. Accordingly, we document that the impact of policy instruments on deposit and loan rates differs; implying different policy instruments could have significant implications for bank behavior.

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