Paper ID Number: *253*

Paper prepared for the

EY International Congress on Economics II

"GROWTH, INEQUALITY AND POVERTY"

Ankara, November 5-6, 2015

EKONOMİK YAKLAŞIM
Quarterly Peer-Reviewed Scientific Journal
Department of Economics - Gazi University

The Impact of Monetary Policy on Credit Growth: Evidence from Firm Level Micro Data

Altunok F.[1] and Oduncu A.[2]

1 Central Bank of the Republic of Turkey, Ankara, Turkey
2 Central Bank of the Republic of Turkey, Ankara, Turkey

arif.oduncu@tcmb.gov.tr

The Impact of Monetary Policy on Credit Growth: Evidence from Firm Level Micro Data*

Altunok F. and Oduncu A.

Abstract

We make use of a unique data set that includes loan and bank relationship information at the firm level to investigate the role of monetary policy on the loan growth of firms. We analyze how Turkish firms adjust their credit growth in response to unexpected monetary policy shocks. We use unexpected shocks instead of interest-rate changes in order to solve the possible endogeneity problem between monetary policy and credit growth. We show that unexpected monetary tightening has a significant effect on the decline of firm credit growth. This effect is larger for credit-constrained firms. We find that unexpected shocks are effective only for short term loans but are not effective for medium and longterm loans. We also show the asymmetric impact of monetary policy on loan growth. Our results are robust to firm characteristics, credit demand and firm financial performance factors as well as the firm-bank relationship.
Keywords: Enter minimum 3 maximum 6 keywords and separate them by commas.

JEL classification: G30, G32, E52

* The views expressed herein are solely of the authors and do not necessarily reflect those of the Central Bank of the Republic of Turkey or its staff.