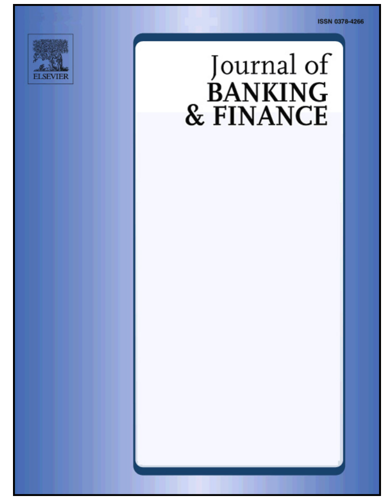

Does bank ownership affect lending behavior? Evidence from the Euro area

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PII: S0378-4266(14)00168-X
DOI: http://dx.doi.org/10.1016/j.jbankfin.2014.05.007
Reference: JBF 4452

To appear in: *Journal of Banking & Finance*

Received Date: 19 June 2013
Accepted Date: 9 May 2014

Please cite this article as: Ferri, G., Kalmi, P., Kerola, E., Does bank ownership affect lending behavior? Evidence from the Euro area, *Journal of Banking & Finance* (2014), doi: http://dx.doi.org/10.1016/j.jbankfin.2014.05.007

Does bank ownership affect lending behavior? Evidence from the Euro area

Giovanni Ferri*, Panu Kalmi, Eeva Kerola*****

Abstract

We analyze the differences in lending policies across banks characterized by different types of ownership, using micro-level data on Euro area banks during the period 1999-2011 to detect possible variations in bank lending supply responses to changes in monetary policy. Our results identify a general difference between stakeholder and shareholder banks: following a monetary policy contraction, stakeholder banks decrease their loan supply to a lesser extent than shareholder banks. A detailed analysis of the effect among stakeholder banks reveals that cooperative banks continued to smooth the impact of tighter monetary policy on their lending during the crisis period (2008-2011), whereas savings banks did not. Stakeholder banks' propensity to smooth their lending cycles suggests that their presence in the economy has the potential to reduce credit supply volatility.

JEL classification: G21; E52; L33; P13
Keywords: European banks; Monetary policy transmission; commercial banks; savings banks; cooperative banks; lending cyclicality

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1. Introduction[1]

The lending channel literature has long held that the impact of monetary (and financial) shocks is exacerbated because banks tend to curtail their loan supply after those shocks

[1] We would like to thank an anonymous referee for very useful insights that helped us to improve a previous draft of the paper.