

Accepted Manuscript

Macprudential policy instruments and procyclicality of loan-loss provisions
– cross-country evidence

Małgorzata Olszak, Sylwia Roszkowska, Iwona Kowalska

PII: S1042-4431(17)30063-X
DOI: <https://doi.org/10.1016/j.intfin.2018.01.001>
Reference: INTFIN 1009

To appear in: *Journal of International Financial Markets, Institutions & Money*

Received Date: 30 January 2017
Revised Date: 14 November 2017
Accepted Date: 10 January 2018

Please cite this article as: M. Olszak, S. Roszkowska, I. Kowalska, Macprudential policy instruments and procyclicality of loan-loss provisions – cross-country evidence, *Journal of International Financial Markets, Institutions & Money* (2018), doi: <https://doi.org/10.1016/j.intfin.2018.01.001>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



**Macprudential policy instruments and procyclicality of loan-loss provisions –
cross-country evidence**

Małgorzata Olszak^{1a}, Sylwia Roszkowskab, Iwona Kowalskac

a Department of Banking and Money Markets, Faculty of Management, University of Warsaw, Poland

b Faculty of Economic and Sociology, University of Łódź, National Bank of Poland, Poland

**c Department of Mathematics and Statistical Methods, Faculty of Management, University of Warsaw,
Poland**

Abstract

We analyze the effectiveness of various macroprudential policy instruments in reducing the procyclicality of loan-loss provisions (LLPs) using individual bank information from over 65 countries and applying the two-step GMM Blundell-Bond (1998) approach with robust standard errors. Our research identifies several new facts. Firstly, borrower restrictions are definitely more effective in reducing the procyclicality of loan-loss provisions than other macroprudential policy instruments. This effect is supported in both unconsolidated and consolidated data and is robust to several robustness checks. Secondly, dynamic provisions, large exposure concentration limits and taxes on specific assets are effective in reducing the procyclicality of loan-loss provisions. And finally, we find that both loan-to-value caps and debt-to-income ratios, are especially effective in reducing the procyclicality of LLP of large banks. Concentration limits and taxes are also effective in reducing the procyclicality of LLP of large banks. Dynamic provisions reduce the procyclicality of LLP independently of bank size.

Key words: macroprudential policy, loan-loss provisions, business cycle, procyclicality

JEL classification: E32, G21, G28, G32

Acknowledgements

The authors gratefully acknowledge the financial support provided by the Polish National Scientific Centre (NCN), No. of decision DEC-2012/05/D/HS4/01356. The authors wish to thank in particular two anonymous referees for insightful and helpful comments, particularly with regard to the estimation issues. The authors would also like to thank participants at International Risk Management Conference 2017 (10th edition) in Florence for their comments. This paper's findings, interpretations, and conclusions are entirely those of the authors and do not necessarily represent the views of institutions to which the authors are affiliated. All errors and omissions as usual rest with the authors.

1 Corresponding author: email: molszak@wz.uw.edu.pl

**Macprudential policy instruments and procyclicality of loan-loss provisions – cross-country
evidence**

Abstract

Download English Version:

<https://daneshyari.com/en/article/7364241>

Download Persian Version:

<https://daneshyari.com/article/7364241>

[Daneshyari.com](https://daneshyari.com)