Financial transaction tax and banking margins : an empirical note for Colombia

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Resumen:

Taxes on financial transactions have been especially controversial because of their potential effects on banking disintermediation. A modality of such taxes (Bank Debit Tax, BDT) was introduced in Colombia since the late nineties. Using monthly panel data from 1996 to 2014 for the major depository institutions, this paper provides evidence on the effects of the BDT on bank intermediation spread. For the total sample (thirteen banks), results suggest that nowadays the hypothetical elimination of the BDT would reduce spreads in 60 basis points, i.e. from 7.7% to levels close to 7.1%. The results do not provide clear evidence of differential impacts by bank size. Additional instruments of the financial repression as well as other determinants of banking spreads confirm the expected effects.

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