Maturity transformation and deposit franchise in Latin American banks

Documentos de Trabajo - Universidad del Rosario
Número:
323
DOI:
https://doi.org/10.48713/10336_45314
Publicado:
Martes, 13 Mayo 2025
Authors:
Carlos Castro-Iragorri[e],
Juan Camilo Medellín[e]
Ver más
[e]Externo
Clasificación JEL:
G21, E43, L22
Resumen:

This paper examines the role of deposit franchise in mitigating interest rate risk among Latin American commercial banks over the period 2005–2023. Using individual bank estimates and a panel dataset across multiple countries, we estimate expense betas—the sensitivity of funding costs to policy rate changes—as a measure of franchise strength. We find that Latin American banks exhibit average betas of 10%, significantly lower than the $35-40\%$ observed in U.S. and European banks, indicating strong franchise effects. We find that overhead costs and market power, rather than bank size, explain beta variation. While interest rate increases reduce deposit and loan volumes, they have limited effects on income, underscoring the franchise's stabilizing role.

Descargar documento

Lo más reciente

Estimación de densidad estacionaria para modelos ARCH con aplicaciones en regresión cuantílica
Manuel Darío Hernández-Bejarano, Zhibiao Zhao
Assessing the effects of recent provisioning rules on consumer credit allocation in Colombia
Fredy Gamboa-Estrada, Diego Cuesta, Camilo Sanchez-Quinto
Geopolitical risk and emerging market sovereign risk premia
Fredy Gamboa-Estrada, José Vicente Romero
Otras Publicaciones