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IMPORTANCE OF INTEREST RATES ON THE CREDIT MARKET IN SLOVAKIA

Abstract:

One of the ways how monetary policy can affect the economy is through the interest rate channel. Interest rates have vital importance for economic decision making and recently, we can observe a rare phenomenon in European monetary policy, the negative interest rate. This situation can affect the volume of granted loans of every European area country. Slovakia is ranked among the fastest countries of retail lending increase in the European Union. The aim of this paper is to analyse the development of consumer loans and three interest rates which can affect the amount of granted loans by the Slovak banking market from 2009 to 2019 period, using monthly based data. The paper is concentrated on eight groups of loans, according to the division of the National Bank of Slovakia and it analyses the impact of three interest rates, the fixed rate set by the European Central Bank, the EONIA interest rate and the average interest rate for a specific group of loans in Slovakia. The paper also focuses on the analysis of the development of the credit market in Slovakia and the development of the loans and interest rates. The main analytical part of the paper uses the ordinary least squares regression method for linear models, which analyses the relationship between group of loans, as a dependent variable, and interest rates, represented as independent variables. The ANOVA method is performed, and it allows a comparison of more than two groups at the same time to determine whether a relationship exists between them.

Keywords:

Slovak credit market, interest rate, fixed rate, EONIA, OLS, ANOVA, Kruskal-Wallis test

JEL Classification: G21, C12, B40