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MINIMUM QUANTITATIVE REQUIREMENTS FOR COMMERCIAL LENDING WITH INTEREST RATE CAPS: THE CASE OF ARGENTINA

Abstract:

In 2012, Argentina passed a regulation imposing a minimum level of commercial lending on large banks. The regulation was meant to boost lending to SMEs in less favored regions via improved credit availability and capped interest rates, with the ultimate goal of spurring private investment. This paper studies two outcomes of the aforementioned regulation. First, using a difference-in-difference setup, it studies the degree to which this regulation fostered credit supplied by those banks affected by the new rules, and the speed of loan creation. Second, it investigates the performance of loans created as a result of the regulation. Overall, the paper highlights the potential bright and dark sides of imposing supply of banking services and products on private banks.

Keywords:

Interest rate caps, Priority lending schemes, Directed credit, SMEs

JEL Classification: G28, G21, E58