Does Foreign Bank Presence Affect Interest Rate Pass-Through in Emerging and Developing Economies?

Discussant: Wen Si  
Shanghai Academy of Social Science  
Date: March 7, 2015

Merits:
- Firstly study the impact of foreign bank presence on interest rate pass-through and find the nonlinear relationship.
- Add to the current literature on the impact of foreign banks on monetary policy transmission and the determinants of interest rate pass-through.
- One high-quality empirical paper using a large sample and long period on the empirical test.
- Sufficient interest in both scholars and policymakers.
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- Add to the current literature on the impact of foreign banks on monetary policy transmission and the determinants of interest rate transmission.
- One high-quality empirical paper using the large samples and long period for the empirical test.
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Questions

Prezi
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- Firstly study the impact of foreign bank presence on interest rate pass-through and find the nonlinear relationship.

- Add to the current literature on the impact of foreign banks on monetary policy transmission and the determinants of interest rate transmission.

- One high quality empirical paper using the large samples and long period in the empirical test.

- Sufficient interest to both scholars and policymakers.
Questions

Question 1
Authors select 17 emerging and developing economies as the samples in empirical test. What are the selection criteria? Why does not include China in the sample?

Question 2
In the period from 1995 to 2010, did the government of the sample countries put the lower or upper limit on the lending rate?

Question 3
GDP growth may be closely related to inflation. In the empirical test, do these two variables have the high or low correlation?

Question 4
Q4. For the threshold effects, why not use the Threshold regression (Otsuka, 1995) or Quantile regression (Koenker and Bassett, 1978)?
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Authors select 57 emerging and developing economies as the samples in empirical test. What are the selection criteria? Why does not include China in the sample?

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GDP growth may be closely related to inflation. In the empirical test, do these two variables have the high or low correlation relationship?

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Q4. For the threshold effects, why not use the Threshold regression (Hansen, 1999) or Quantile regression (Koenker and Bassett, 1978)?
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Suggestions

Suggestion 1
In Section 2, Analytical Framework, authors use a half page to describe the bank lending channel, which is not clearly related to the topic of the paper and nearly irrelevant.

Suggestion 2
Instead of using the bank-specific variables, the empirical test became more accurate and meaningful if authors used the country-level data rather than the bank-level data.

Suggestion 3
In the "Robustness Checks by Thresholds" part, it is interesting finding that there is weak impact of foreign bank presence on firm growth at interest rate transmission in the subsample of 10%-45%, and you must give the explanation.

Suggestion 4
Working Notes:
- Discuss potential next steps for research.
- Consider limitations to the present study.
- Explore potential avenues for future research.

Suggestion 5
In the conclusion part, authors may describe the limitations of this paper, and provide the further study in this field.

Further study
- Discuss potential next steps for research.
- Consider limitations to the present study.
- Explore potential avenues for future research.

Thanks a lot!
Suggestions

Suggestion 1
In Section 2 Analytical Framework, authors use a half page to describe the bank lending channel, which is not closely related to the topic of the paper and seems to be redundant.

Suggestion 2
Most of the bank-specific variables could not be used in the empirical test because authors use the country-level data rather than the bank-level data.

Suggestion 3
In the "Robustness Checks for Thresholds" part, it is interesting finding that there is weak impact of foreign bank presence on the strength of interest rate transmission in the subsample of FIA > 63%. Authors may give the explanations.

Suggestion 4

Suggestion 5
In the conclusion part, authors may describe the limitations of this paper and provide the further study in this field.
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In Section 2 Analytical Framework, authors use a half page to describe the bank lending channel, which is not closely related to the topic of the paper and seems to be redundant.
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Working Papers

Published Papers
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Further Study

- Use the bank-level data and consider the bank-specific variables as the control variables.

- Consider the time-lag in the interest rate pass-through in empirical test.

- Consider the interest rate derivatives market in empirical test.

- The money market rate may not impact the lending rate directly, but via the deposit rate.
Thanks a lot!
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**Merits**
- Thoroughly study the impact of foreign bank presence on interest rate pass-through and find the mechanism.
- Add to the current literature on the impact of foreign banks on monetary policy transmission and the determinants of interest rate pass-through.
- One high-quality empirical paper using large samples and long periods as the empirical tests.
- Significant interest from both scholars and policymakers.