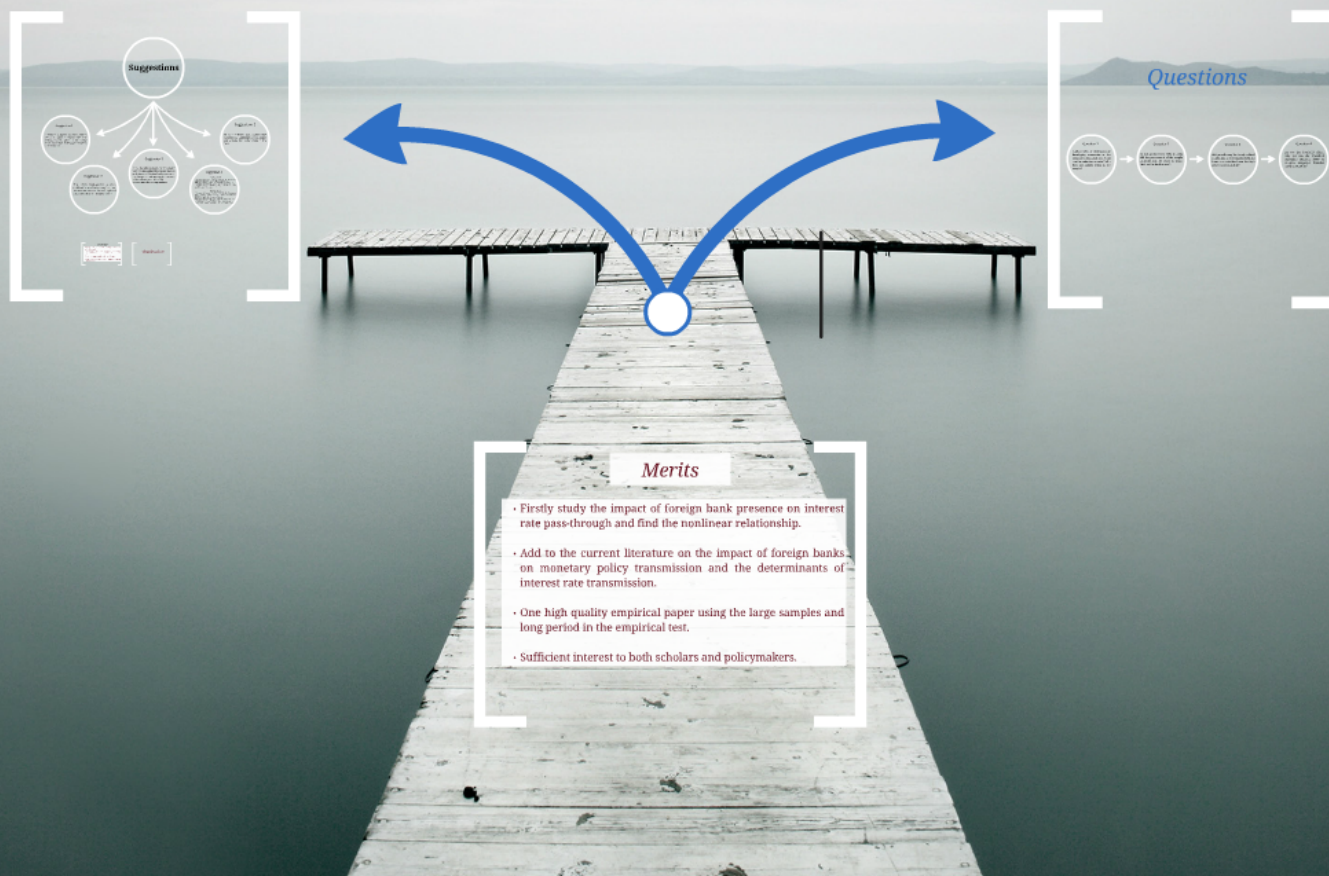


Does Foreign Bank Presence Affect Interest Rate Pass-Through in Emerging and Developing Economies?

Discussant: Wen Si
Date: March 7, 2015

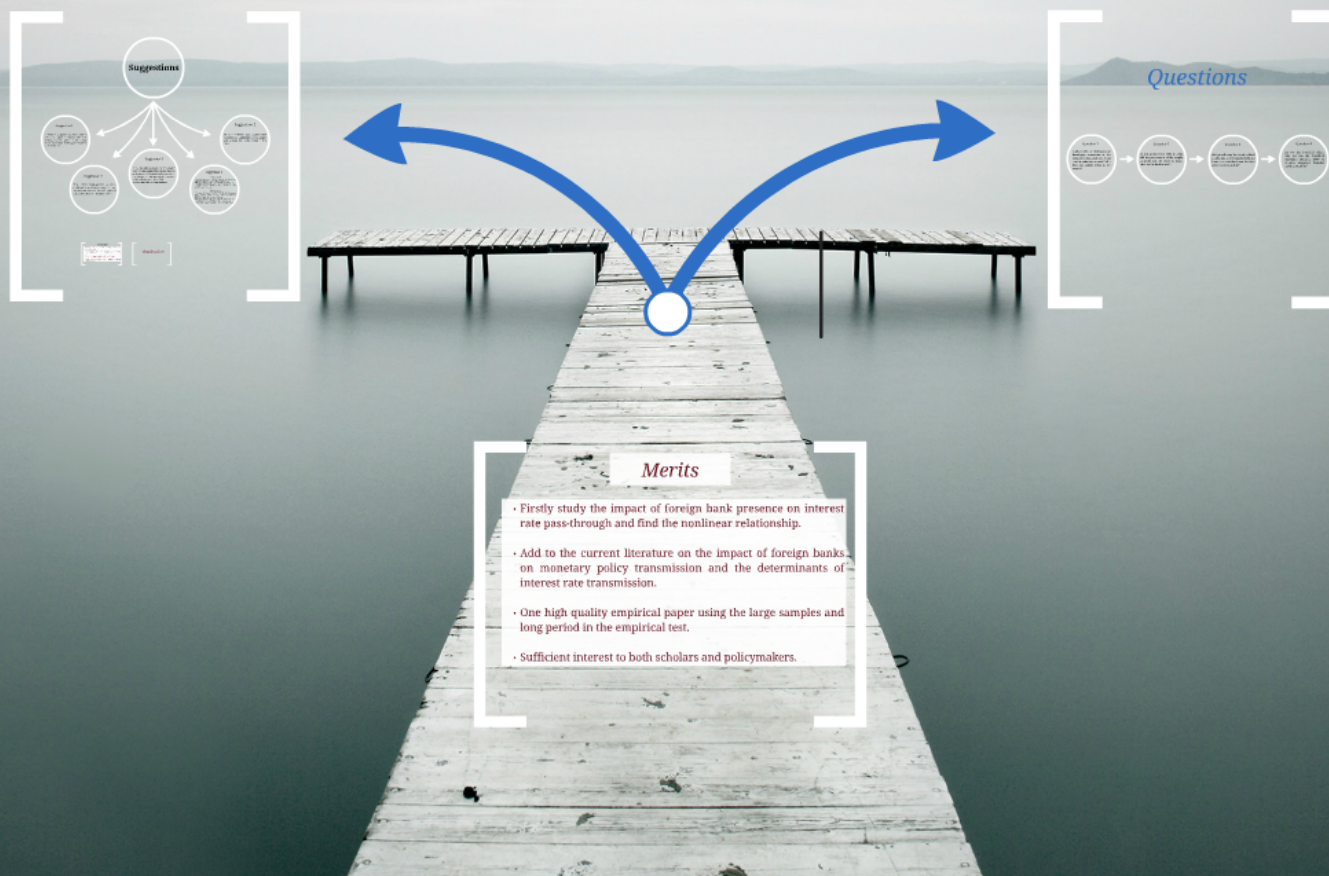
Shanghai Academy of Social Science



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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 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 57 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 (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 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 FBA > 65%. Authors may give the explanations.

Suggestion 5

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

Suggestion 4

Working Papers
1) Bernanke, B.S., and A.S. Blinder. 1988. "Credit, Money, and Aggregate Demand." NBER Working Paper No. 2134.
2) Bernanke, B.S., and M. Gertler. 1995. "Inside the Black Box: The Credit Channel of Monetary Policy Transmission." NBER Working Paper No. 5345.
Published Papers
1) Bernanke, B.S., and A.S. Blinder. 1988. "Credit, Money, and Aggregate Demand." *The American Economic Review Papers and Proceedings*, Vol. 78, No. 2, pp. 435-439.
2) Bernanke, B.S., and M. Gertler. 1995. "Inside the Black Box: The Credit Channel of Monetary Policy Transmission." *Journal of Economic Perspectives*, Vol. 9, No. 3, pp. 27-50.

Further Study

- Use the bank-level data and consider the bank-specific variables as the credit thresholds.
- Consider the time lag to the interest rate pass-through to empirical test.
- Consider interest rate transmission mechanism to empirical test.
- The money market rate may not impact the lending rate directly, but the bank spread rate.

Thanks a lot!

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The Credit Channel of Monetary Policy Transmission." NBER Working Paper No. 5146A.

Published Papers
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- 1) Bernanke, B.S., and A.S. Blinder. 1988. "Credit, Money, and Aggregate Demand." NBER Working Paper No.2534.
- 2) Bernanke, B.S., and M.Gertler. 1995. "Inside the Black Box: The Credit Channel of Monetary Policy Transmission." NBER Working Paper No. 5146A.

Published Papers

- 1) Bernanke, B.S., and A.S. Blinder. 1988. "Credit, Money, and Aggregate Demand." The American Economic Review Papers and Proceedings, Vol. 78, No. 2, pp.435-439
- 2) Bernanke, B.S., and M.Gertler. 1995. "Inside the Black Box: The Credit Channel of Monetary Policy Transmission." Journal of Economic Perspectives, Vol. 9, No. 4, pp. 17-48

Suggestion 5

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

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 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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