

The behavior of interest rates in the Bolivian banking system and the margin of Central Bank of Bolivia for interest rates policies

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ABSTRACT

It is studied the possibilities of Central Bank of Bolivia (CBB) to influence in the behavior of interest rates of banking system, in a non-competitive market structure of the financial system. Additionally, it is employed a model of signals extraction to analyze the response of banks to variability of the policy of open market operations. The interest rates behavior that these models predict, can explain the results of prior research, that indicate a reduced response of interest rates of banking market to the interest rates of monetary market, as well as a significant influence of microeconomic factors and certain macroeconomic variables. From empirical verification it is deduced that the margin that the CBB can gain to influence in interest rates of banking market, is small, if it adopts a monetary policy that minimizes the variability of interest rates of monetary market. The structure of banking system seems to be a fundamental factor that explains the rigidity of interest rates of banking market. As consequence, the mechanism of interest rates would not be very effective to influence on liquidity of the economy compared with the net internal credit.