

Asymmetric information and the credit market

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ABSTRACT

The objective of this work is to explore if the asymmetric information has some influence in the credit granted by banks to private sector, and that in recent years it has registered an important fall in Bolivia. It is proposed a measure to approximate the repayment probability, which seems to have a significant explicative power on the credit granted by banks. This influence has a short term effect, while in the long term the main determinant factor of credit, is the deposits level. Amongst determinants of repayment probability, could be identified exchange rate competitiveness and money demand, which are variables associated to real economy performance. Likewise, Libor rate seems to have influence in the repayment probability. Considering that the existence of asymmetric information seems to constrain the credit, the solution should also include the provision of more information to financial system in order to identify in a better way the real risk to borrowers.

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