The impact of bank lending on sectoral economic growth*

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Abstract

This research shows the effect of banking credit on the real sector of the Bolivian economy (at sectoral and aggregate level), considering the nonlinear relationships between credit and IGAE. Long-term results at the sectoral level (VEC model) show that the loan-growth elasticity of Agriculture and Industry sectors are 0.05pp and 0.08pp, respectively. Services and Industry activities show a strong relationship (1.04pp), which would explain the high elasticity of services credit with respect to its real economic performance. Likewise, the average short-term effect estimated from the PVAR model shows that positive shocks (impulse-response) in the credit portfolio are internalized in the activity in an interval of 0.2pp and 0.86pp over time. In this way, it is shown that credit is important to promote economic growth.

JEL Classification: *C23, C32, G21*
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