

**FRIC Practitioner Seminar with Kim Padkjær Abildgren, Head of Economic Research,
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September 10, 2013
15.30-17.00 in D4.20

Credit supply and credit demand during the financial crisis

In the wake of the international financial crisis 2008/09, there has been a renewed research interest in the linkages between the financial sector and the real economy. One of the topical issues is the real effect of credit-supply shocks, i.e. shocks that affect the ability and willingness of monetary and financial institutions to supply credit to firms and households. The seminar presents two recent studies within this area of research. In the first study we use micro data from 2007 and 2009/10 to review the empirical evidence on how the recent financial crises affected the relationship between banks and their corporate customers.

The main research questions are as follows: Why did some small and medium sized enterprises (SMEs) get their application for loans from commercial/savings banks rejected during the financial crisis? Was it because of poor credit rating of the SME (poor economic performance and weak accounting data), tighter credit standards in the banking sector or insufficient capitalisation of the banks? Did exporting SMEs have easier access to bank loans than firms producing for the domestic market? Did micro firms face higher loan rejection rates than larger SMEs? Why did some SME decide not to apply for bank loans during the crisis (self selection)?

In the second study we use quarterly macroeconomic data since 1922 to explore when credit-supply shocks have affected the real economy at a macro level. Key research questions are as follows: What role does alternative sources of finance (in particular from mortgage banks) play for the real effects of supply shocks to credit from commercial/savings banks? What about government interventions? Can tight quantitative restrictions on credit intermediation affect the transmission of credit-supply shocks to the real economy?

Literature

- Abildgren, Kim (2012), Financial structures and the real effects of credit-supply shocks in Denmark 1922-2011, *European Review of Economic History*, Vol. 16(4), pp. 490–510.
- Abildgren, Kim, Peter Askjær Drejer and Andreas Kuchler (2012), A micro-econometric analysis of the banks' loan rejection rates and the creditworthiness of the banks' corporate customers, *Danmarks Nationalbank Working Paper*, No. 81, November.