

# Bank lending in Switzerland: Capturing cross-sectional heterogeneity and asymmetry over time <sup>\*</sup>

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## Abstract

We study the bank lending channel in Switzerland over three decades, working with unbalanced quarterly bank-individual data spanning from 1987 to 2016. In contrast to the usual empirical approach, we take an agnostic stance towards which bank characteristic drives the heterogenous lending response. In addition, our empirical model allows for a changing lending reaction over time in a state-dependent way. Our results are consistent with the existence of a bank lending channel, which is muted during specific periods, however. These episodes are characterised by increased economic uncertainty, which impacts negatively on loan growth.

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*Keywords: Bank lending channel, economic uncertainty, Markov switching model, Bayesian econometrics, unbalanced panel*

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