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Determining the Heterogeneity of Banks Lending Behavior in Response to Monetary Policy

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Abstract
The purpose of this study is to investigate the effect of CAMEL financial health indicators on country's banks lending within the bank lending channel. In order to nalyze the Heterogeneity of banks' behavior in response to monetary policy, the variables that are called the interaction effect of the CAMEL Ratios whit monetary policy have been defined in the model that are obtained by multiplying the monetary policy in each of these Ratios. In model estimation using GMM method, the balance sheet and profit and loss statement panel data of the 24 banks in the period 1384-1396 are used. Results indicate that the monetary policy variable -monetary base- has a positive and significant relationship with bank lending and the CAMEL ratios change the intensity of monetary policy effectiveness on banks lending. In other words financial health indicators are a factor for banks to behave differently in response to monetary policy, which is the heterogeneous concept of banks' behavior. The impact of monetary policy on bank lending will deacrease with higher levels of liquidity and management quality indicators. But two indicators of capital adequacy and asset quality strengthen the effectiveness of monetary policy on bank lending and earning indicator doesn't have any effect. Also the degree of competition in the banking industry strengthens the effectiveness of monetary policy on bank lending.

Keywords: Monetary Policy, Banks Heterogeneity, Panel Data, CAMEL Ratios.
JEL Classification: C33, E52, G21.

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