HOW DO BANK MERGERS AFFECT MONETARY POLICY?

By YASUHIRO YAMAMOTO

《SUMMARY》

The number of banks fell from 1,069 in fiscal 1990 to 591 in fiscal 2010. Even though, policy interest rate was lowered to zero, the size of the bank credit market shrank about 11% during fiscal 2000 to 2010. Does a bank merger decrease or increase sum of expanding bank credit when the central bank cuts policy interest rate or eases quantitatively? A bank merger reduces the effectiveness of monetary policy by policy interest rate in most cases. For reducing risk premium by quantitative easing, a bank merger decreases the effectiveness of this monetary policy when the central bank focuses on merged banks

©Japan Society of Monetary Economics 2015