From Financial Stability to Real Investment: The Confidence Channel of Macroprudential Policy

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discussed by

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Summary

Main contribution:

i) macroprudential policy may exert a real economic effect by altering firms' willingness to invest - **"the confidence channel"**;

ii) focus on the demand side of the credit market - firms that reported a need to invest but were (not) constrained;

iii) dis-aggregated use of the MP tools - focus on corporate-based measures;

iv) the use of micro-level data from the ECB's Survey on the Access to Finance of Enterprises.

Key findings:

i) changes in macroprudential policy can affect firms' real investment decisions;
ii) effects are heterogeneous depending on the MP tool used (e.g., tightening can even result in lower probability of dis-investment).

The confidence channel

Conceptual framework

- (macroprudential) regulatory actions affect the macroeconomic and macro-financial landscape;
- in response, firms adapt their behavior in order to react to (backward-looking) or predict the (forward-looking) changing economic and financial conditions;

Theoretical assumptions

- **firms are rational players**:
  - financial literacy by firms - e.g., previous banking relationship;
- **macroprudential policy (MP) is well understood**:
  - adopted measures - addressed in the paper;
  - the objective of the MP policy - macroprudential policy function;
  - the nature of the MP - the adoption phase (up to 2020) and the counter-cyclical phase (2020 onwards);
  - the communication of macroprudencial policy is key;

The two-step selection model

Selection equation

Q6A: In the past six months, for what purpose *was the financing you obtained* used?

$$Prob(N_{ijt} = 1) = \phi(\lambda_0 + \lambda_1 MAP_{ijt-1} + \lambda_2 Comp_{ijt} + \sum_{k=1}^{K} \theta_k Z_{ijt}^k + \delta_j + \epsilon_{ijt}) \quad (1)$$

Outcome equation

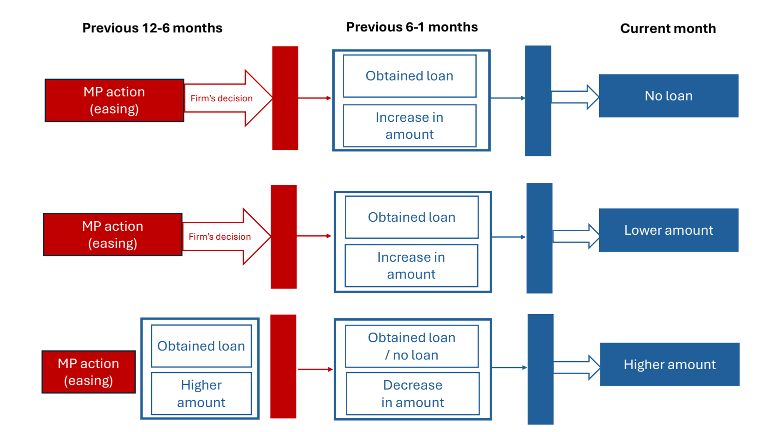
Q2: Compared with the previous six months, did your firm increase, maintain or reduce its investment in property, plant or equipment?

$$Prob(DI_{ijt} = 1|N = 1) = \phi(\beta_0 + \beta_1 MAP_{ijt-1} + \sum_{k=1}^{K} \theta_k Z_{ijt}^k + \delta_j + u_{ijt}) \quad (2)$$

- DI_{ijt} - binary variable if a firm de-invest in the previous or current 6 months;

The confidence channel

Study setup



Implications

Question #2:

- category #4: ”not applicable / no investment in either period” - what is the overlap with question 6A?
- no population of firms reporting answer #4 for the sub-population of firms selected by the question 6A;

Source of financing:

- firm has no banking relationship - de-investment as a result of changing macroeconomic conditions;
- potential volume of financing in $t-1$ is approximated by interest payments - what is the sign and statistical significance?
- substitution effect - bank vs. non-bank financing during the $1-6$ months period (Siranova, 2025);

Richer lag structure - credit channel:

- robustness with lag $t-2$ = even higher chance of having obtained a loan within the $6-12$ months period;
- robustness with MP announcement = even higher chance of having obtained a loan within the $6-12$ months period;

Minor Comments

Literature review:

- SME segment - indicated by descriptive statistics and size categories, but no discussion in the literature review regarding the specificity of this sector w.r.t. MP;
- firm-level evidence reported by BASEL-focused studies (e.g., Fisera et al., 2025);

Database:

- filtering technique drops only observations with missing data - SME-level studies often employ several filtering techniques (e.g., Siranova and Rafaj, 2023);
- winsorization of outliers;
- potential heterogeneity analysis - micro vs. small and medium enterprises, financial-literacy of firms etc.;

Presentation & discussion:

- reporting the figures for marginal effects might be redundant, in particular when confidence intervals are taken into account;

Other robustness checks:

- placebo test by random assignment of the dis-investment choice;
- changing MP nature - period sub-samples;
- the ECB key policy rate - time trend in data and approximation of funding costs;

Thank you for the opportunity to read your paper!

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