## Contents

List of Tables		9	
List o	f Figure	es	10
Abbro	eviation	s	13
1 In	troduct	ion	15
	onetary nks in [	Transmission and the Role of Commercial Theory	19
2.1	Trans 2.1.1 2.1.2	smission Mechanisms and the Financial System The Money View and the Credit View Characteristics of the Financial System	19 20 23
2.2	2.2.1 2.2.2 2.2.3 2.2.4	Serve Management Model Assumptions Default Risk Liquidity Risk Risk Handling Comparative Statics of Risk	26 27 28 34 36 40
3 Co	ountry S	Studies: Stylized Facts and Experiences	43
3.1	The Aspec 3.1.1	Banking System: Institutional and Functional ets  The Central Bank 3.1.1.1 Constitutional Features 3.1.1.2 Monetary Framework 3.1.1.3 Monetary Instruments Commercial Banks 3.1.2.1 Ownership 3.1.2.2 Consolidation 3.1.2.3 Separated versus Universal Banking 3.1.2.4 Financial Intermediation and Banking Supervision	43 45 45 49 54 61 63 67 71
3.2	Mone 3.2.1 3.2.2	Macroeconomic Development Effects Monetary Policy Measures and Commercial Bank Behaviour	79 81 109

4	Empirical Analysis		145
	4.1	Methodology	146
	4.2	The Loan Volume as Indicator of Monetary Policy Actions	149
	4.3	Testing the Credit Channel in the Visegrád Countries 4.3.1 Features of modelling 4.3.2 Specification, Estimation, and Impulse Responses 4.3.3 Appendix	151 151 156 167
5	Con	nclusions	175
	5.1	Findings	175
	5.2	Outlook	180
Re	ferer	nces	185

## List of Tables

1	Two-tier Banking System Introduction: Hungary and Poland	46
2	Two-tier Banking System Introduction: Czech Republic and Slovakia	46
3	Monetary Framework in Hungary	52
4	Monetary Framework in the Czech Republic	52
5	Monetary Framework in Slovakia	53
6	Monetary Framework in Poland	54
7	Selected Direct Monetary Instruments	57
8	Selected Indirect Monetary Instruments	57
9	Prevailing State-Ownership in the Early-1990s	64
10	Structure of Hungary's Commercial Banking System	65
11	Structure of the Czech Commercial Banking System	65
12	Structure of Slovakia's Commercial Banking System	66
13	Structure of Poland's Commercial Banking System	67
14	Nonperforming Loans in 1992	68
15	Kinds of Banks in Hungary in the Late-1980s	72
16	Kinds of Banks in Former Czechoslovakia	72
17	Kinds of Banks in Poland in the Early-1990s	73
18	Supervisory Framework	77
19	Results of the DF Test	159
20	Hungary – Estimation Output	167
21	The Czech Republic – Estimation Output	168
22	The Slovak Republic – Estimation Output	169
23	Poland – Estimation Output	170

## **List of Figures**

1 Return to the Bank Function for Given r	30
2 Credit Rationing	38
3 Hungary's Central Government Surplus in % of GDP	82
4 Hungary's Current Account	83
5 Hungary's Current Account Surplus as Percentage of GDP	83
6 Hungary's Monthly Rate of Crawl	84
7 Exchange Rate of the HUF	84
8 Annual Growth of Hungary's Monetary Aggregates	85
9 Annual Growth of Hungarian Monetary Authorities` Total Reserves	85
10 Annual Growth of the Hungarian CPI	86
11 Annual Growth of Hungary's Real GDP	87
12 Hungary's Trade Balance	87
13 Annual Growth of the Czech Republic's Real GDP	89
14 The Czech Republic's Trade Balance	90
15 The Czech Republic's Current Account	91
16 The Czech Republic's Current Account as Percentage of GDP	91
17 Annual Growth of Czech CPI	92
18 Annual Growth of Czech M2	92
19 The Czech Republic's Central Government Surplus in % of GDP	93
20 Annual Growth of Czech Monetary Authorities` Total Reserves	94
21 Exchange Rate of the CZK	94
22 Annual Growth of Slovakia's Real GDP	96
23 Annual Growth of Slovakia's CPI	97
24 Slovakia's Current Account	97
25 Slovakia's Trade Balance	98
26 Exchange Rate of the SKK	99
27 Slovakia's Central Government Surplus in % of GDP	99
28 Annual Growth of Slovak Monetary Authorities` Total Reserves	100
29 Annual Growth of Slovak M2	100
30 Poland's Central Government Surplus in % of GDP	102

31	Poland's Monthly Rate of Crawl	103
32	Poland's Trade Balance	104
33	Poland's Current Account	104
34	Annual Growth of Poland's Real GDP	105
35	Annual Growth of Polish M2	105
36	Annual Growth of Polish CPI	106
37	Poland's Current Account Surplus as Percentage of GDP	107
38	Exchange Rate of PLZ	107
39	Annual Growth of Polish Monetary Authorities` Total Reserves	108
40	Required Reserve Ratio on Hungarian Bank Deposits	110
41	Interest Rates on Mandatory Reserves in Hungary	111
42	NBH Reverse Repo Rate (Agreements on One Week)	111
43	NBH Refinancing Rates	112
44	NBH Refinancing Rates and Interbank Rate	113
45	NBH Refinancing Rates and Total Bank Interest Rates	114
46	Bills of Exchange Rediscounted by the NBH	114
47	Banks' Refinancing with the NBH by Kinds of Operations	115
48	Household Deposits with the Hungarian Banking System	115
49	Composition of Credits Granted by the Hungarian Banking Sector	116
50	Credits of Hungarian Banks by Sectors	117
51	Required Reserve Ratios on Deposits by Type of Czech Institute	118
52	Bonds and Similar Bills Issued by the CNB	119
53	CNB Payables to Domestic Banks	119
54	CNB Refinancing Rates	120
55	Discount Rate and Czech Bank Average Short-term Rates	121
56	Czech Bank Average Lending Rates by Client	121
57	Czech Bank Average Deposit Rates by Client	122
58	Composition of Czech Bank Time Deposits in Domestic Currency	123
59	Foreign Currency Deposits of Czech Residents	123
60	Czech Domestic Credits	124
61	Composition of CZK Credits	124
62	Total Credit Volume in the Czech Republic	125

63 Annual Growth Rates of Czech Net Domestic Assets	126
64 Annual Growth Rates of Slovak Bank Reserves	127
65 Securities Issued by the NBS	128
66 NBS Reverse Repurchase Rate	128
67 NBS Refinancing Rates	129
68 NBS and Commercial Bank Lending Rates	130
69 Slovak Bank Lending Rate on New Loans to the Private Enterprises	130
70 NBS Refinancing Rates and Commercial Bank Deposit Rates	131
71 Bratislava Interbank Offered Rates	132
72 Growth in Components of Slovak Household Deposits	132
73 Annual Growth in Refinancing Loans Granted by the NBS	133
74 Slovak Bank Loan Volume by Recipient	133
75 Shares in Slovak Bank Loan Volume by Recipient	134
76 Currency Composition of Loans of the Slovak Banking Sector	135
77 Required Reserve Ratios on Polish Bank Deposits	136
78 Annual Growth of Polish Bank Reserves	137
79 NBP Reverse Repurchase Agreements with Commercial Banks	137
80 Securities Issued by the NBP	138
81 NBP Interest Rates	138
82 NBP and Commercial Bank Lending Rates	139
83 NBP Discount Rate and Commercial Bank Deposit Rates	139
84 Deposits of Polish Households by Time Structure	140
85 Deposits of Polish Households by Currency	140
86 Bank Refinancing with the NBP by Kind of Operation	141
87 Polish Bank Claims on the Non-financial Sector by Item	142
88 Composition of Polish Bank Claims on the Non-financial Sector	142
89 Polish Treasury Securities to Total Securities	142
90 Responses to a One Standard Deviation of the Hungarian Base Rate	143
91 Responses to a One Standard Deviation of the Czech Lombard Rate	
92 Responses to a One Standard Deviation of the Slovak Discount Rate	172
93 Responses to a One Standard Deviation of the Polish Discount Rate	173
- Manon of the Polish Discount Rate	174