

Summer Research Paper:
The Impact of Non-Interest Income on Monetary Transmission:
Evidence from the Eurozone

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Abstract

This paper analyses the effect of non-interest income on bank lending and the transmission of monetary policy. Furthermore, it analyses the potential structural changes to the Bank Lending Channel that occurred during the crisis and in the years after. The study involves the analysis of 2303 banks in the Eurozone over the period of 1999 to 2015. Micro level bank data were collected from Bankscope. The findings are that banks with higher ratios of non-interest income to gross revenue are better able to insulate their loan supply from monetary policy shocks. Furthermore, these banks are associated with a higher growth in their loan supply. In terms of structural changes in the Bank Lending Channel, this study finds there to be significant changes during the crisis and in the post crisis period.