One Size Doesn’t Fit All Heterogeneous Depositor Compensation During Periods of Uncertainty

Author:Nikolaos Artavanis, Daniel Paravisini, Claudia Robles Garcia, Amit Seru, Margarita Tsoutsoura

Date:2022-08-01

Keyword:NA

Url:[click here](https://www.nber.org/papers/w30369)

Attachment:[click here](https://www.nber.org/system/files/working_papers/w30369/w30369.pdf)

From:NEBR-working\_paper

We develop a new approach to identify different categories of depositors during periods of uncertainty and quantify their compensation to remain in the bank. We isolate withdrawals due to liquidity needs, deterioration of fundamentals, and expectation about withdrawal behavior of other depositors. We exploit variation in the cost of withdrawal induced by the maturity expiration of time deposits around unexpected uncertainty events and high-frequency microdata from a large Greek bank. Deposit withdrawals quadrupled in response to a policy uncertainty shock that doubled the short-run credit default swap (CDS) price of Greek sovereign bonds. About two-thirds of this increase is driven by direct exposure to deteriorating fundamentals, and the remainder due to strategic complementarities. We find that depositors need to be offered annualized returns exceeding 50% to remain in the bank during episodes of high uncertainty. Our findings provide new insights into the design of interventions that prevent runs by targeting depositors with the largest propensity to withdraw.