

Basel III and the supply of bank credit in South Africa

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Abstract

Keywords: Bank capital, Bank regulation, Credit

JEL Codes: G01, G18, G28, G32, G38

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1 Introduction

The paper investigates the impact of Basel III regulation on bank lending in South Africa. This introduction is an overview of the paper

2 Context

A review of policy context, with focus on South Africa but also reference to other emerging markets. Further detail in Appendix 1 and 2a.

3 Literature

Osborne et al. (2017)

Jokipii and Milne (2008)

Gambacorta and Mistrulli (2004)

Schwert (2018)

Kim and Sohn (2017)

Carlson et al. (2013)

Tabak et al. (2011)

Altunbas et al. (2004)

Gambacorta and Shin (2018)

Berrospide and Edge (2010)

4 Developments in South African Banking

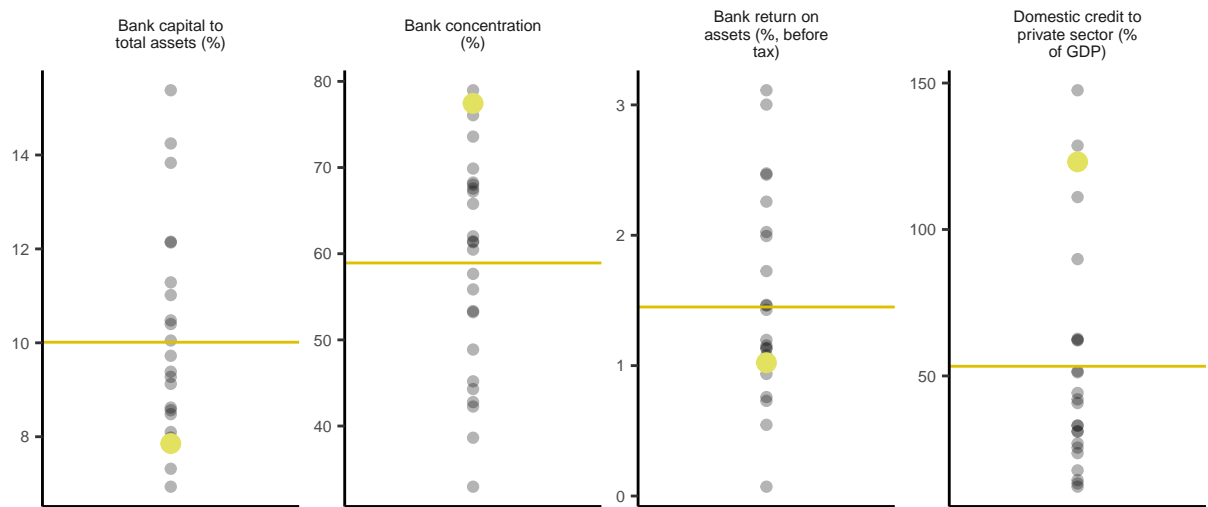


Figure 1: International Comparison. Source: World Bank (2022)

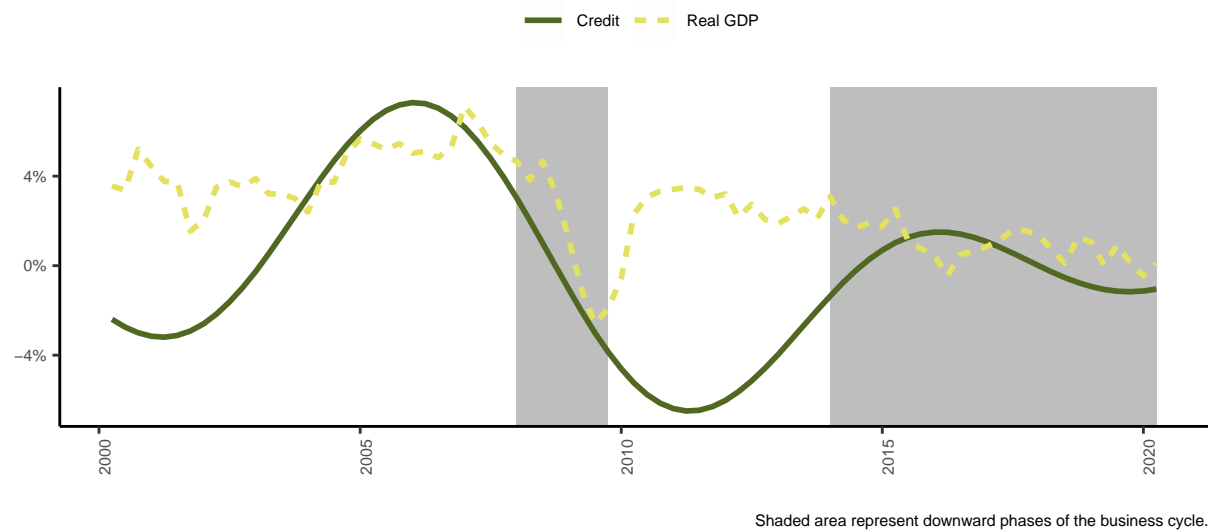


Figure 2: Credit Cycle. Source: South African Reserve Bank (2022)

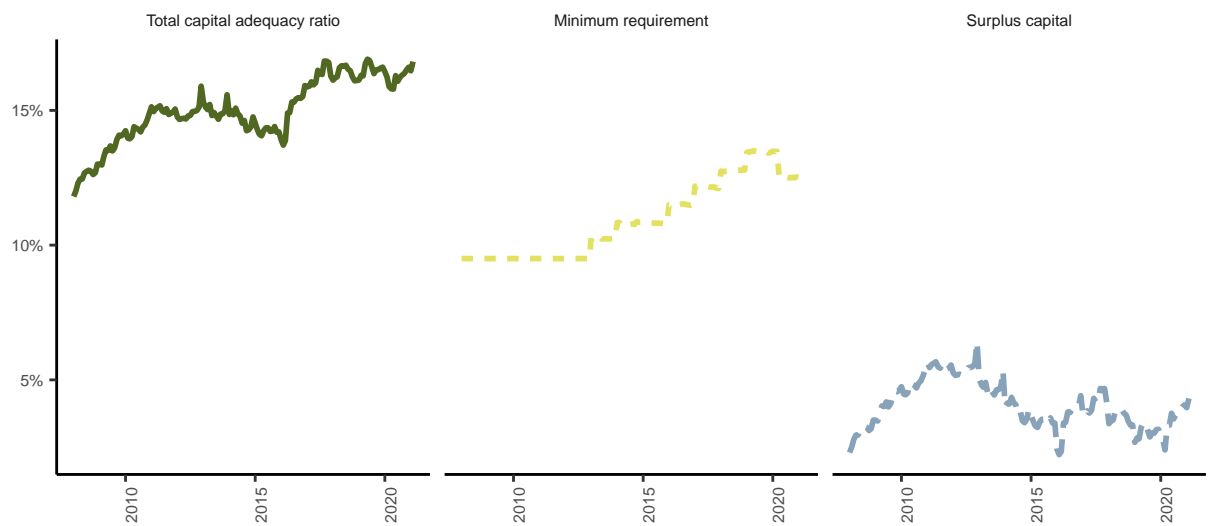
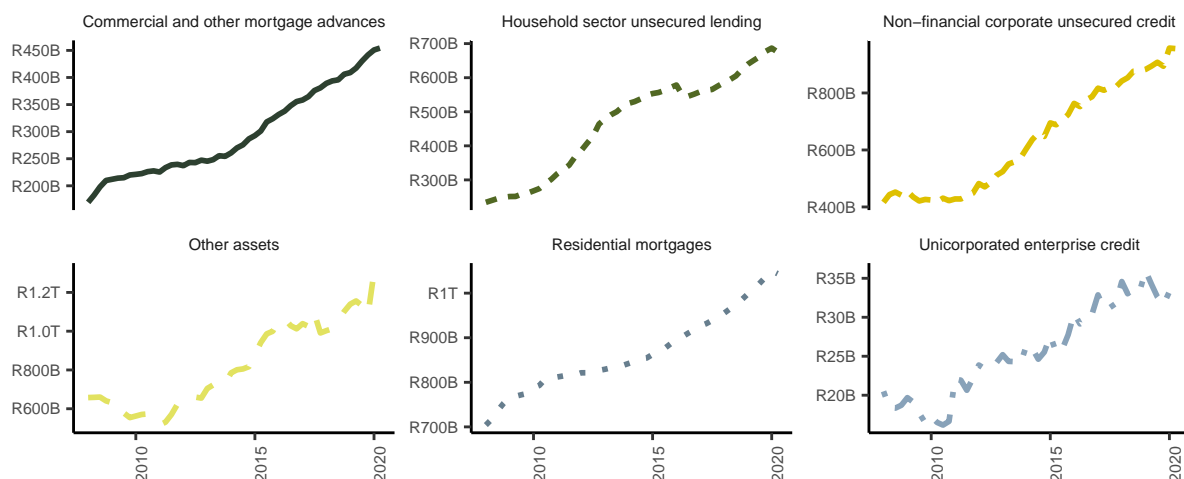


Figure 3: Capital Buffers. Source: South African Reserve Bank (2022)

Bank assets in Rand



Bank assets as a percentage of GDP

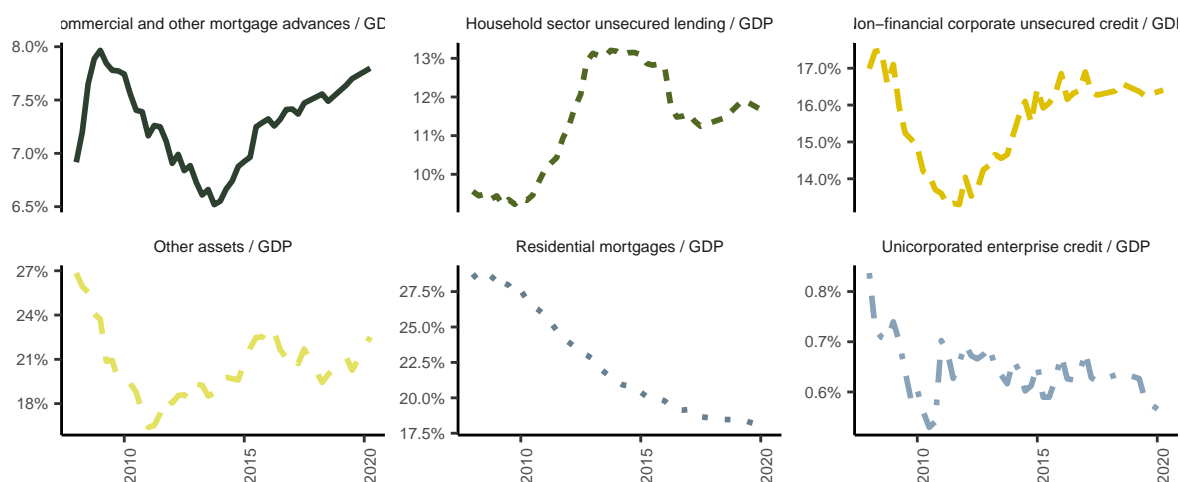


Figure 4: Bank assets. Source: South African Reserve Bank (2022)

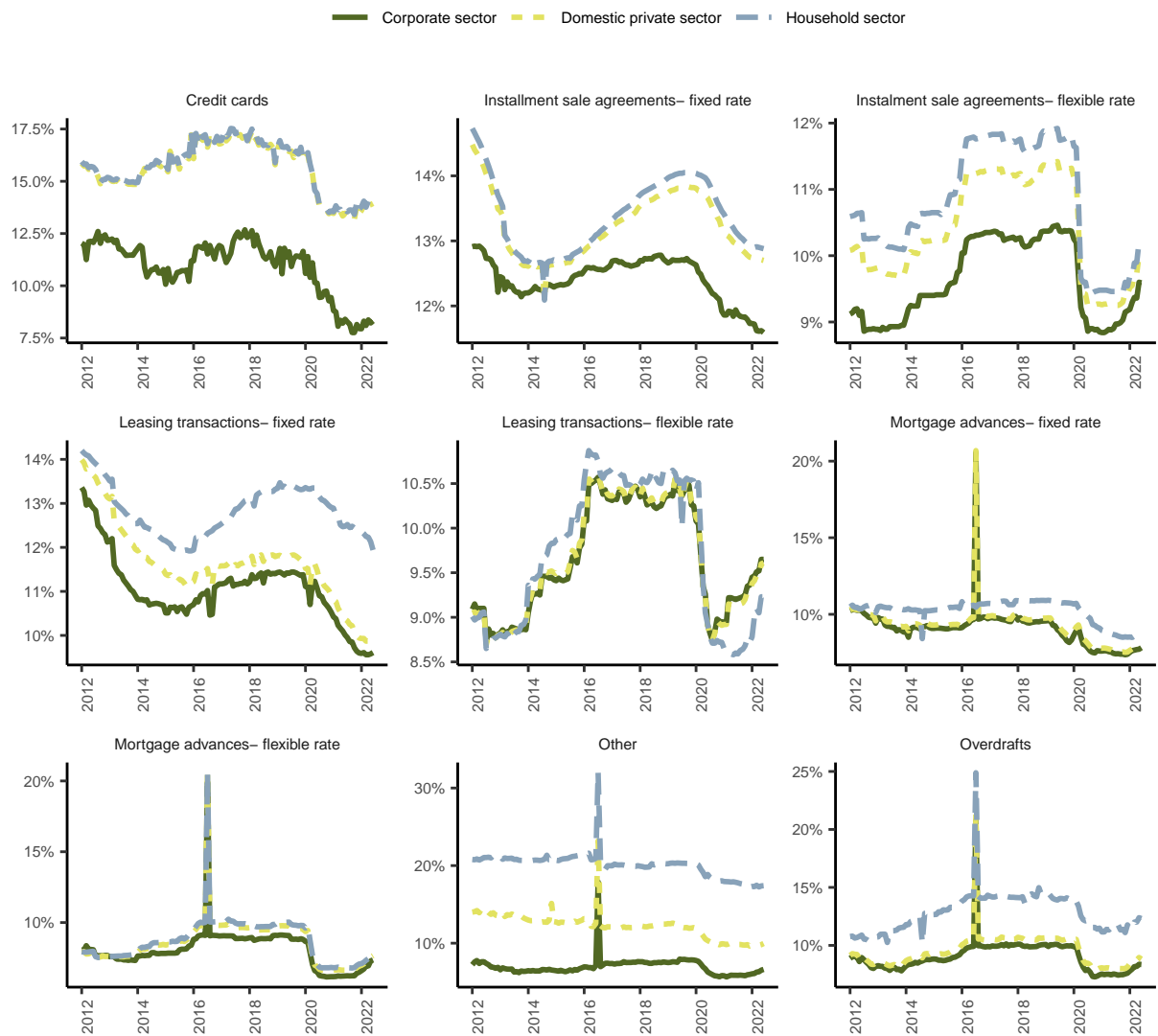


Figure 5: Lending Rates. Source: South African Reserve Bank (2022)

5 Specification

| Variable | Median | SD | Min | Max | IQR | Obs |
|--|--------|-----|------|------|-----|-----|
| Capital buffer | 4.1 | 0.9 | 2.3 | 5.8 | 1.3 | 44 |
| Commercial and other mortgage advances / GDP | 7.3 | 0.4 | 6.5 | 8.0 | 0.6 | 44 |
| Household sector unsecured lending / GDP | 11.5 | 1.4 | 9.2 | 13.2 | 3.1 | 44 |
| Non-financial corporate unsecured credit / GDP | 15.9 | 1.3 | 13.3 | 17.5 | 2.0 | 44 |
| Other assets / GDP | 19.9 | 2.4 | 16.4 | 26.8 | 3.0 | 44 |
| Real GDP | 1.9 | 1.6 | -2.6 | 4.7 | 2.3 | 44 |
| Residential mortgages / GDP | 22.0 | 3.6 | 17.9 | 28.8 | 6.6 | 44 |
| Unincorporated enterprise credit / GDP | 0.6 | 0.1 | 0.5 | 0.8 | 0.1 | 44 |

Table 1: Descriptives

6 Estimation Results

7 Conclusion

8 Appendix: Descriptive Analysis

8.1 Data

8.1.1 Capital Buffers

8.1.2 BA 900 Quartelty Data

8.1.3 BA 900 to GDP

9 Appendix: Detailed Literature Review

More detailed literature review

References

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