Discussion of
Measuring Financial Restrictions of Brazilian Private Firms with Microdata: Did Credit Policies of Banco Central do Brasil During Covid-19 Pandemic Affect Investment Demand?
by Fernando N Oliveira

Discussion by Jennifer Peña

Central Bank of Chile

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§ The views and conclusions presented do not necessarily reflect the position of the Central Bank of Chile or its Board members
An interesting paper that makes an important contribution to understand the role of financial restrictions measures based on microdata related to bank loan contracts of private firms (SMEs).

within the literature that constructs indices of financial restrictions

The author’s analysis focuses on two key issues:
- they build Financial Restriction measures with a rich granular dataset.
- Assess whether the Credit policies undertaken by the Banco Central do Brasil (BCB) during Covid-19 Pandemic had any positive effect in mitigating credit restrictions of these firms.

Main results:
- Their Financial Restrictions measures explain the capacity Brazilian private firms have to access credit for investment.
- Investment is negatively related to financial restrictions in Brazil.
- Credit policies of BCB had positive effect on working capital loans but did not have any effect on investment of private firms in the Covid-19 pandemic.
Data and empirical strategy

- Sample of 5,664 firms.
- From 2010 to 2020.
- SMEs (Agriculture, Commerce, Energy, Industry, Services)
- Links with banks through different financial products (with interest in loan contracts of firms)
- Purpose of the loan: working capital, financing and investment.

**FR Measures**

- Core FR measures are extended: delinquency, derivatives contracts, performing portfolio and balance sheet information, firm’s bank relationships
- They select the best FR measure (probit panels)

**Investment**

Determinants of investment (Capital expenditure):

- They have estimations for FR or NFR firms
- Profitability (ebitda): a measure of cash-flow (+ and statistically significant for FR firms and for the case non-FR firms is - and statistically significant)
- While the coefficient of cash-flow measure in Pandemic is not statistically significant.
**Comments**

**Paper:**

▶ Is it possible to exploit other characteristics of the firms: age, labor, productivity, others? for example, confirm if that smaller and younger firms are more likely to face financial constraints ⇒ include a characterization of firms.

▶ Representativeness of the firms in each sector with respect to the total in Brazil. There is a bias to the services, is it normal for this to be the case?

**To deepen:**

▶ Why did they include the nominal series? did you test including sales, revenue, capital deflated? ⇒ Cherchye et al. (2020)


**Additional exercise:**

▶ Self-financing channel, i.e. the extent to which wealth accumulation enables firms to overcome financial frictions ⇒ Aguirre et al. (2021)
Thanks!
Suggested references

Aguirre, A. Tapia, M. and L. Villacorta (2021)
“Production, Investment and Wealth Dynamics under Financial Frictions: An Empirical Investigation of the Self-financing Channel”

Cherchye, L., Ferrando, A., Muller, K., Verscheld, M., and B. De Rock (2020)
“Identifying financial constraints,”

“Policy uncertainty and investment in Spain,”
Bank of Spain Working Paper Series No 1848.

“On the Direct and Indirect Real Effects of Credit Supply Shocks,”
Central Banks’ Credit Facilities to Banks (% GDP)**

[Bar chart showing the percentage of credit facilities to banks for various countries, with a focus on Central Bank of Brazil (BCB) policies in context.]