

Title: Financial Repression, Deposit Rate Deregulation \ and Bank Market Power

Speaker: Dr. Nirupama Kulkarni, Senior Research Director at CAFRAL

Area: Economics

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Abstract:

Mandating low deposit rates, a form of financial repression, allows banks to raise deposits cheaply and makes investment in government securities profitable but limits credit access. Using regulatory data, we exploit India's 2011 deregulation of savings deposit rates to show that deposit rates increase after deregulation, more so for banks with low market power --- consequently, deposits increase and deposit maturity contracts. These banks shift from low-yielding government securities to loans, including personal, services, and small business loans. Loan maturity shortens to match deposit-maturity shortening. A structural model demonstrates that high-market power banks restrain deposit growth. Deregulation improves financial intermediation, but banks' market power limits gains.

Speaker Profile:



Nirupama Kulkarni is a Senior Research Director at CAFRAL, a research organization promoted by the Reserve Bank of India. She is an applied economist interested in banking, corporate finance, household finance, and real estate. Her research explores how government intervention influences banks, borrowers, and household decisions.

Research interests: Banking, Corporate Finance, Household Finance, Real Estate

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