

# Identifying the fluctuations of Lending and Deposit markets: Nonparametric Estimation of Demand and Supply Factors

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## **Abstract**

This paper investigates what the origin of fluctuations in banking sector; i.e. lending and deposit markets. We decompose them into the demand and supply shift variables using partial identification method. We inspect the Japanese banking sector, which experiences remarkable events; i.e. asset price bubble in the latter 1980's, banking problems in the 1990s, and long-run low interest rate since 2000s. We find that bubble increases the demand curve in both lending and deposit markets, while decrease in lending market after bubble burst in 1990s. In addition, lending and deposit supply curves are increasing but demand curves are decreasing in 2010s.

Keywords: Banking sector; Partial identification; Demand and Supply shifts

JEL classification: G21, G28, C58, C31

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