

The Impact of Bank Levies on Interest Margins and Loan Supply: Evidence from Slovakia

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Abstract

In this paper, we examine the impact of the bank levy on interest margins and credit supply in the Slovak banking sector. Additional taxation of banks may have adverse real-economy consequences, as it could widen interest margins and constrain the availability of credit to firms and households. Although several empirical studies analyze the effects of bank levies, to the best of our knowledge, none focuses specifically on the Slovak case. Our dataset consists of a bank-level panel covering the period 2009–2024, with Slovak banks constituting the treated group and banks from Czechia, Lithuania and Estonia serving as the control group. We estimate a difference-in-differences model with bank and year fixed effects. The results show no statistically significant effect on loan growth, either after the introduction or following the abolition of the bank levy. The effect on interest margins (measured as customer spreads) is likewise insignificant while the levy was in force. However, customer spread declined significantly after the levy was abolished in 2021, suggesting asymmetric pricing behavior. From a policy perspective, these findings are favorable, as the levy does not appear to have reduced the availability of credit in the Slovak banking sector.

Keywords

Bank Taxation, Credit Supply, Difference-in-differences, Interest Margins, Slovakia.

