

Title: Monetary Policy Transmission through SME loans: Analysis of Loan-Level Data from the Business Development Bank of Canada

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Abstract: How does monetary policy affect small and medium scale enterprises (SMEs)? Using loan-level data from the Business Development Bank of Canada, a Federal Crown Corporation that provides loans to SMEs, this paper analyzes how the performance and credit demand from authorized loans change following a monetary policy shock. In response to a contractionary monetary shock, on average, the performance of loans deteriorates and credit withdrawal increases. However, there are heterogeneous responses depending on borrower characteristics such as firm age, firm size, leverage, and whether loans are collateralized or not.