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Monetary Policy and US. Bank Profitability: Quantile Regression Analysis

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Abstract: This study examines the impact of short-term interest rates on bank profitability. The sample consists of 100 banks operating in the United States, for the period spanning from 2000 to 2022. The authors utilize quantile regression (QReg), an econometric approach that estimates effects at different points of the profitability distribution. The results show that short-term interest rates exert a positive effect across all profitability quantiles. Nevertheless, the effects of bank-specific variables differ significantly across quantiles. As a matter of fact, this paper contributes to the literature since it highlights the heterogeneous impact of explanatory variables across the distribution of the dependent variable.

Keywords: Bank Profitability, United States, Monetary Policy, Interest Rate

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