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Abstract

Under the market discipline hypothesis, monitoring by interbank lenders may induce changes in either the price or availability of new interbank funds to borrower banks. However, the presence of interbank relationship lending has been evaluated based on the availability of funds only—disregarding their price. We revisit relationship lending in unsecured interbank lending markets by simultaneously evaluating the availability and price of funds. We calculate the survival ratio of networks containing the price of daily interbank lending in Colombia from 2014 to 2020. Under this framework, an interbank relation survives from one day to the next if the funds are available at a price that does not increase too much; that is, either a halt in interbank funding or a sizeable increase in the price of interbank funding mark a break in the relation between two banks. We find that about 38 percent of relations in the Colombian unsecured interbank lending market survive from one day to the next. Therefore, from a comprehensive market discipline perspective, we find evidence of interbank relationship lending in Colombia.