ABSTRACT

Due to the fact that the active weighted average interest rate that the banks of the national financial system have applied to the loan portfolio has been stable in recent years, it was considered important to calculate the impact of this measure on the performance of the balance of the loan portfolio by economic activity in Guatemala from 2008 to 2016; it was considered this time frame since the consulted web portals shows more information as of 2008. With the above information, it will be possible to observe the important variations and what events could propitiate it, the percentage of growth and which economic sectors have most financed their operations. The increase in the loan portfolio, in addition to being considered a strategic objective of any financial institution to increase its market share and income, is also a sign of confidence among corporate users, family members, and other entities involved in maintaining the national economic stability.
The Variation in the Weighted Average Interest Rate

INTRODUCTION

Due to the fact that the active weighted average interest rate that the banks of the national financial system have applied to the loan portfolio has been stable in recent years; it was considered important to calculate the impact of this measure on the performance of the balance of the loan portfolio by economic activity in Guatemala from 2008 to 2016; it was considered this time frame since the consulted web portals show more information as of 2008.

With the above information, it will be possible to observe the important variations and what events could propitiate it, the percentage of growth and which economic sectors have most financed their operations. The increase in the loan portfolio, in addition to being considered a strategic objective of any financial institution to increase its market share and income, is also a sign of confidence among corporate users, family members and other entities involved in maintaining the national economic stability. Financing of productive activities should then also lead to an increase in employment, which in turn also impacts on other national macroeconomic variables, of which a correlation was also made over the same period. For the present study, the information that the 18 banking entities report to the Superintendence of Banks was used in a periodic manner and such information is available on the website of the Supervisory and Inspection Body.

Considering the importance of the financing that the banking entities provide to the different economic sectors and how it influences the increase of the economic activity of the country, it is important to evaluate how the credit portfolio has behaved in the national financial system and the relation that the interest rate has in the increase or contraction of the same. For this purpose, several aspects must be interweaved in order to analyze these behaviors. One of them is the leading interest rate fixed by the Bank of Guatemala on a monthly basis, since it is a tool that uses central banking to fulfill its mission (“To promote the stability in the general price level”) has a direct influence on the effect of the increase or decrease of credit. This leading interest rate is a parameter that central banking suggests, and is then observed in performing active and passive operations.

After the crisis of 2008 originated in the United States of America, the loan portfolio contracted, banks were more prudent in lending and precautionary measures were established to avoid contagion to the National Financial System. At the end, in Guatemala, there was no adverse effect on the financial system, given the current regulations and supervision that could be considered to be still conservative in some respects. After this crisis, interest rates were at their historical lows in some countries even in the negative, that is, that having the money in some investment or deposit was not remunerated, but the opposite, it lost value. The goal was to encourage people to circulate money to increase investment and boost the economy.
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