RUNNING FOR THE EXIT: INTERNATIONAL BANKS AND CRISIS TRANSMISSION

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THIS PAPER

- investigates the factors that determine stability of cross-border bank lending in the time of crisis
- goes beyond assessing the impact of macroeconomic variables on cross-border lending
- puts emphasis on how bank’s access to information about foreign borrower and its processing help limit agency problems and thus influence lending
- employs detailed micro data on cross-border syndicated bank lending from individual banks to individual countries
KEY FINDINGS

♦ during crisis banks tend to lend more to countries
  – that are geographically close
  – in which they have a subsidiary
  – where they have built up relationship with local banks

♦ stronger results for bank lending to emerging markets and for non-financial borrowers
COMMNTS: DATA AND VARIABLES

♦ loan distribution data available only for a quarter of the sample; is it representative enough to use similar pattern of loan distribution within syndicate also for other loans?
  – robustness check using only sample with loan distribution data

♦ what is the proportion of loan renewals/ lending to the same borrower with whom bank already has experience?

♦ measure of experience – account separately for cases when a bank was an arranger of the loan
 COMMENTS: METHODOLOGY

♦ two empirical approaches implemented do not produce the same results – more robustness checks needed

♦ difference-in-difference estimations?

♦ bank specific control variables
  – only the values for certain year (2007) considered in the regressions
  – nonperforming loans ratio
cross-border lending is influenced by macroeconomic developments in both the home and host country (Jeanneau and Micu, 2002)
only the borrower’s country characteristics are controlled for – what about the lender’s country?
do lenders from advanced countries behave differently in comparison to their counterparts from emerging markets?
OTHER COMMENTS

♦ is this paper about crisis transmission as the title indicates?
♦ provide list of countries (advanced and developing) to which lending flows