What drives local lending by global banks?*

Stefan Avdjiev  Uluc Aysun†  Ralf Hepp
Bank for International Settlements  University of Central Florida  Fordham University

Abstract

We find that the lending behavior of large global banks’ subsidiaries throughout the world is more closely related to local macroeconomic conditions and their financial structure than to their owner-specific counterparts. This inference is drawn from a panel dataset populated with bank-level observations from the Bankscope database. Using this database, we identify ownership structures and incorporate them into a unique methodology that identifies and compares the owner and subsidiary-specific determinants of lending. A distinctive feature of our analysis is that we use multi-dimensional country-level data from the BIS international banking statistics to account for exchange rate fluctuations and cross-border lending.

Keyword(s): Bankscope; G-SIB; bank-level data; global banks; BIS international banking statistics.

JEL Classification: E44; F32; G15; G21

*Most of the analysis for this project was conducted at the Bank for International Settlements under its research fellowship program. We are grateful for the research support that was received at the bank. The views expressed in this paper are those of the authors and do not necessarily reflect the views of the Bank for International Settlements. We thank Florida State University seminar participants and Jonathan Kreamer for helpful comments and Swapan Pradhan for excellent assistance with the BIS international banking statistics.

†Corresponding author: Department of Economics, University of Central Florida, College of Business Administration 4000 Central Florida Blvd., Orlando, Florida 32816-1991. Phone: +1 (530) 574-3951, fax: +1 (407) 823-3269, e-mail: uuaysun@bus.ucf.edu.