What drives local lending by global banks?*

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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

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