

# **Non-bank Lending during Financial Crises**

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Comments by  
Sergio L. Schmukler

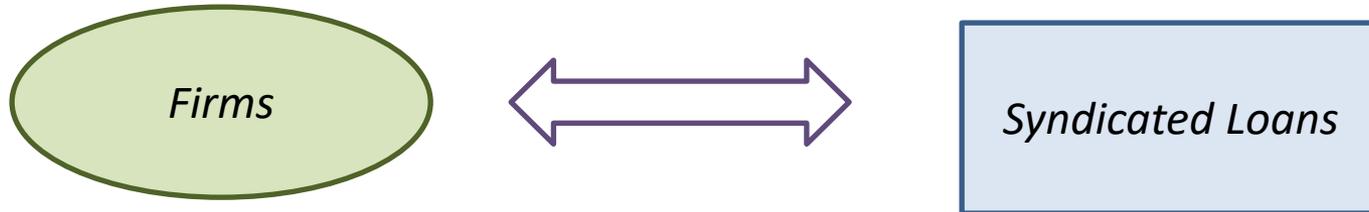
3<sup>rd</sup> Workshop on  
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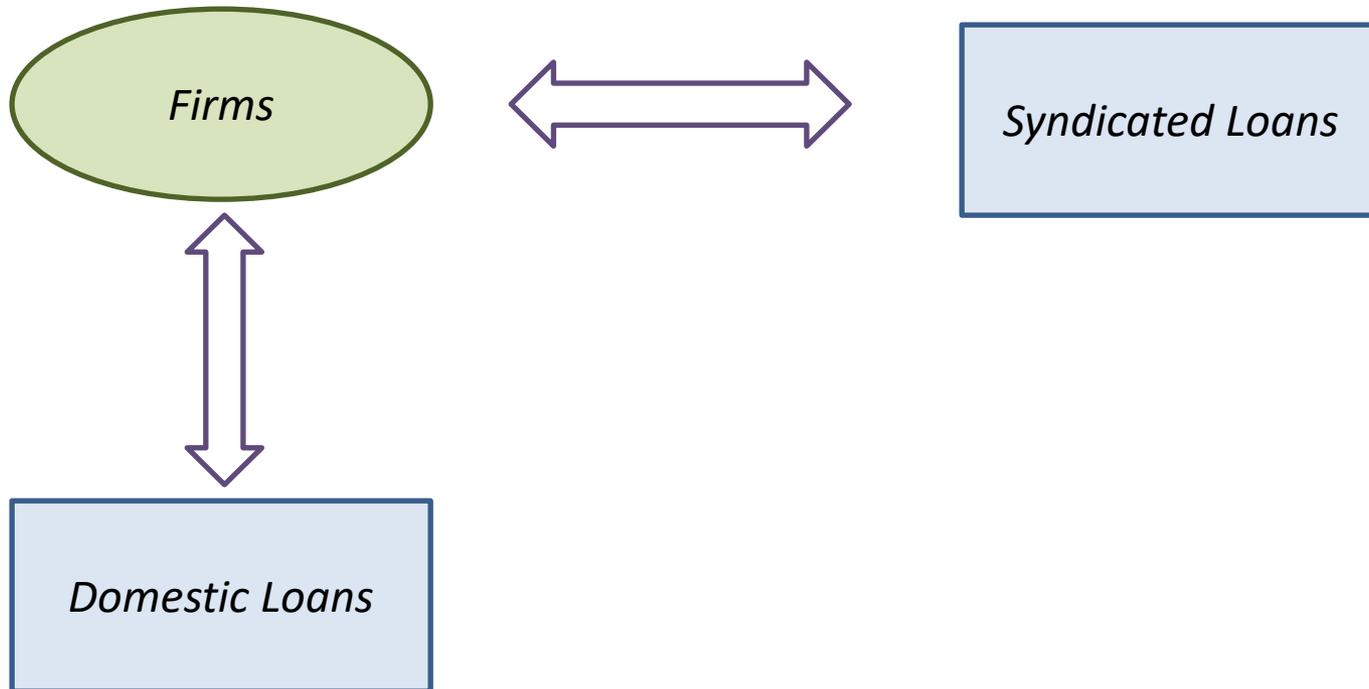
# Introduction

- Very nice paper
  - Carefully done
  - Several interesting findings
  - Opens many questions for further research, here or elsewhere
- General comments
  - Focus on the description of main analysis early on
  - Focus on generating additional results around the main findings
  - Less speculation on identification of supply/demand, channels
- More detailed comments
  1. Punchline of the paper
  2. Interpretation of the results
  3. Ideas for additional work/clarifications

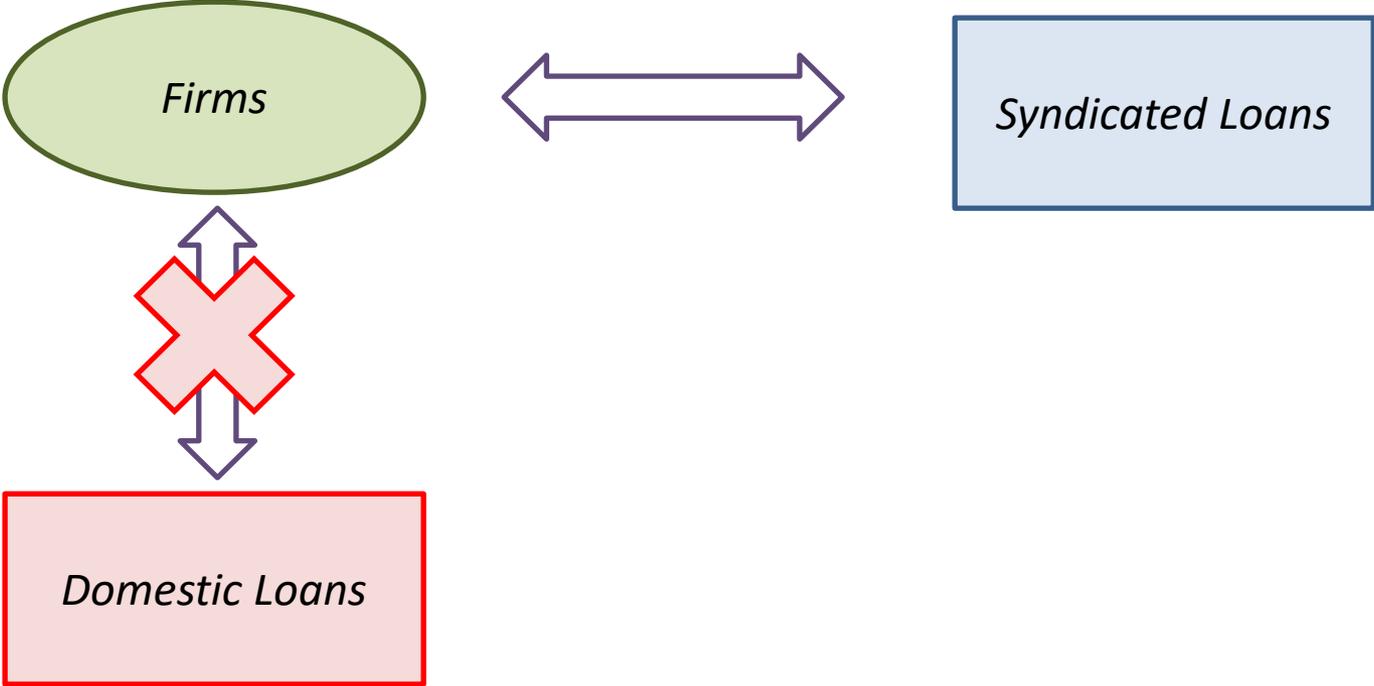
# 1. Punchline of the paper



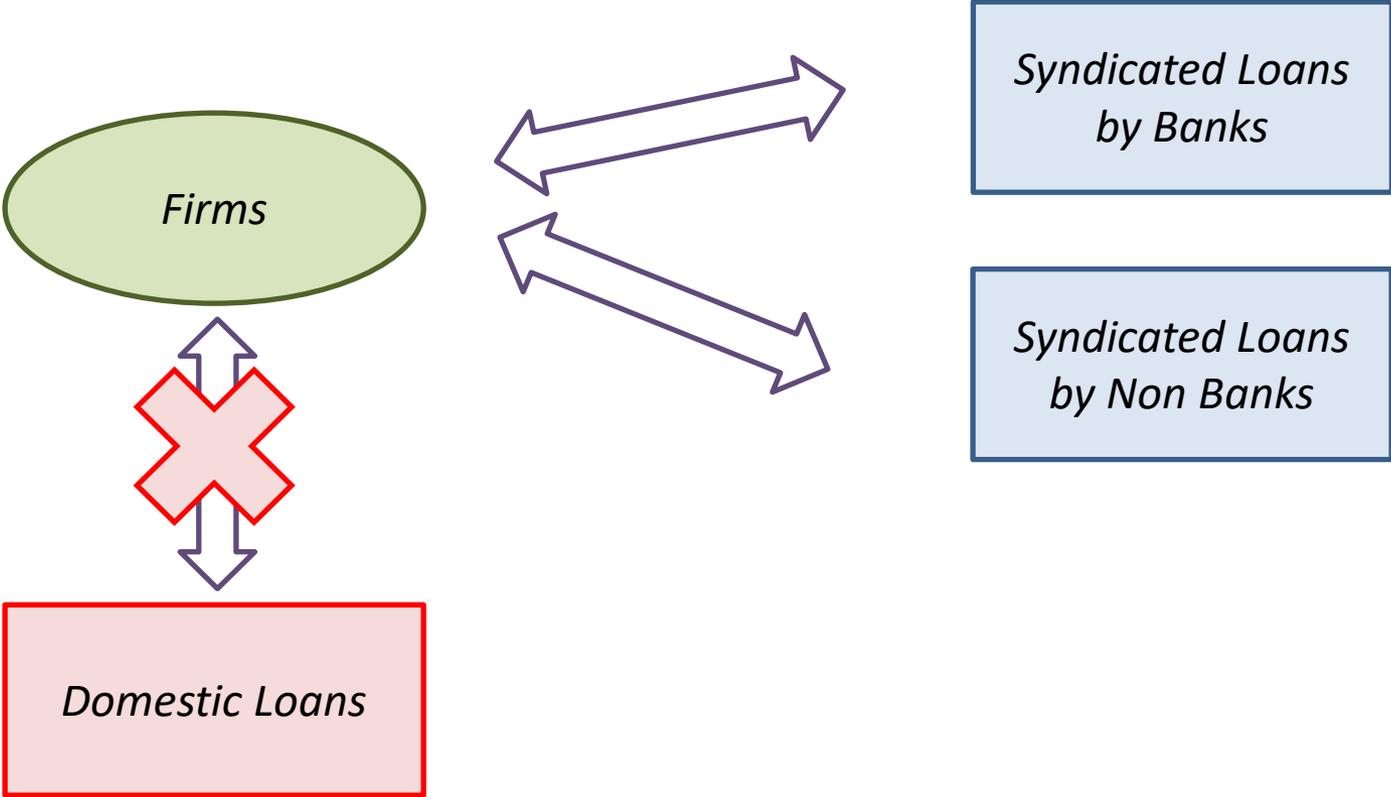
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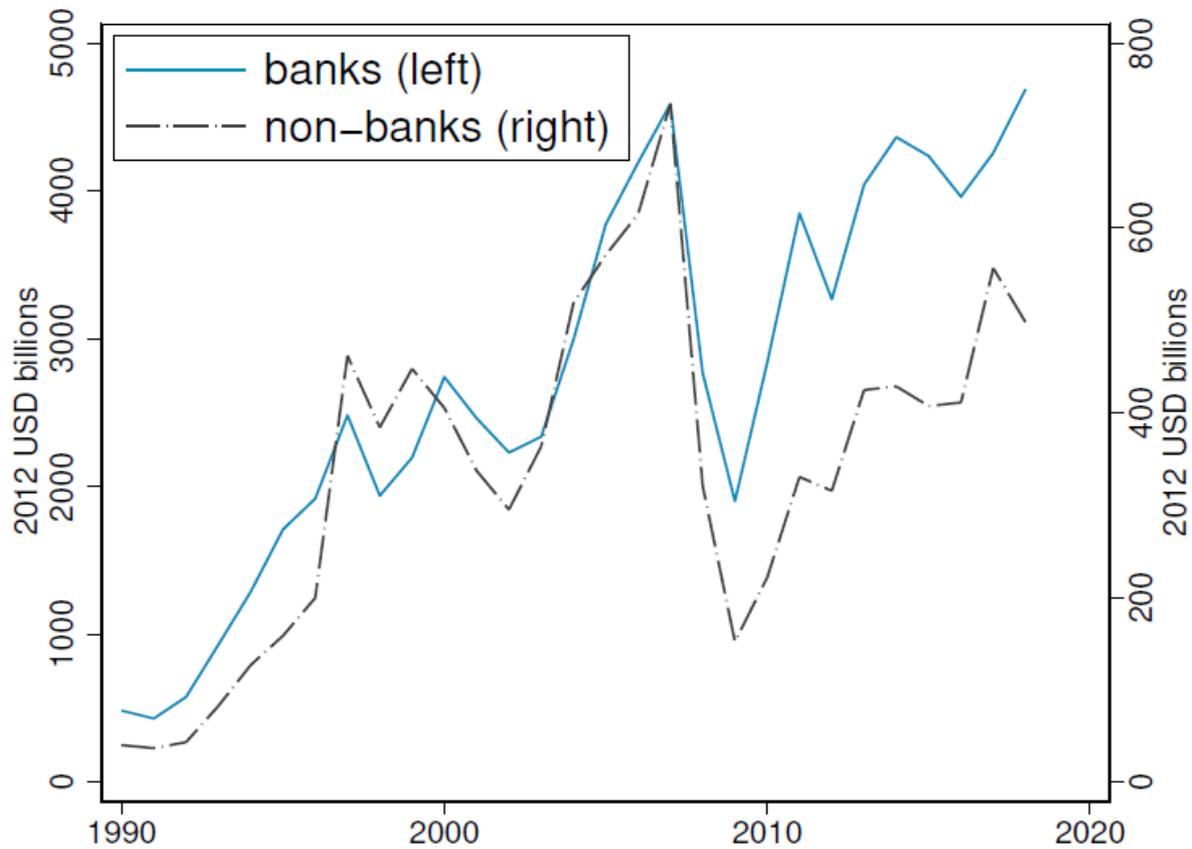
$$\log(\text{credit})_{i,b,t} = \beta_1 \text{crisis exposure}_{i,c,t-1} + \beta_2 \text{non bank}_l + \beta_3 \text{crisis exposure}_{i,c,t-1} \times \text{non bank}_l + \phi_{l,b} + \psi_{l,t} + \tau_{b,t} + \varepsilon_{l,b,t}$$

$$\text{crisis exposure}_{i,c,t} = \frac{\text{loan volume}_{l,c,t} \times \text{banking crisis}_{c,t}}{\text{loan volume}_{l,t}}$$

# 1. Punchline of the paper

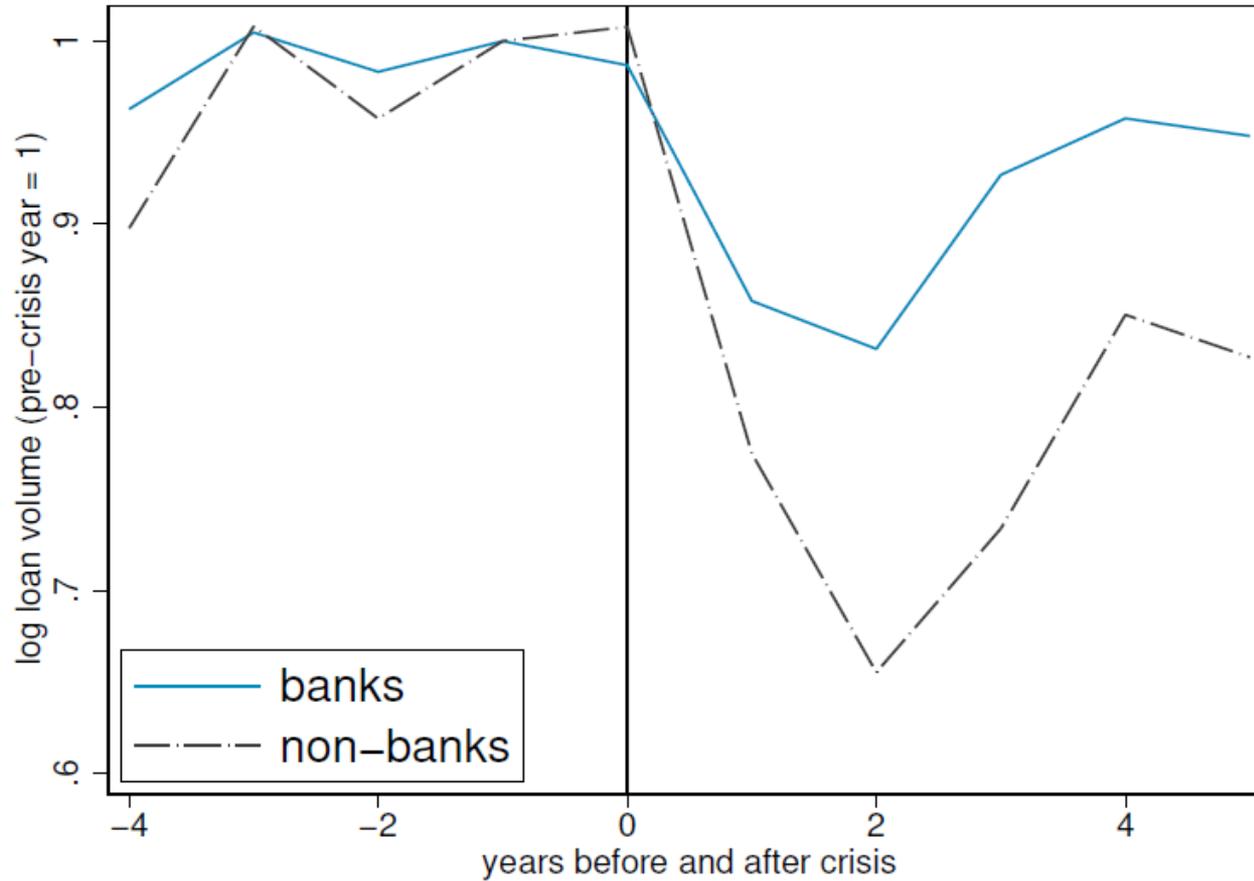
Figure 1: Non-bank lending across time and space

(a) Bank and non-bank lending over time



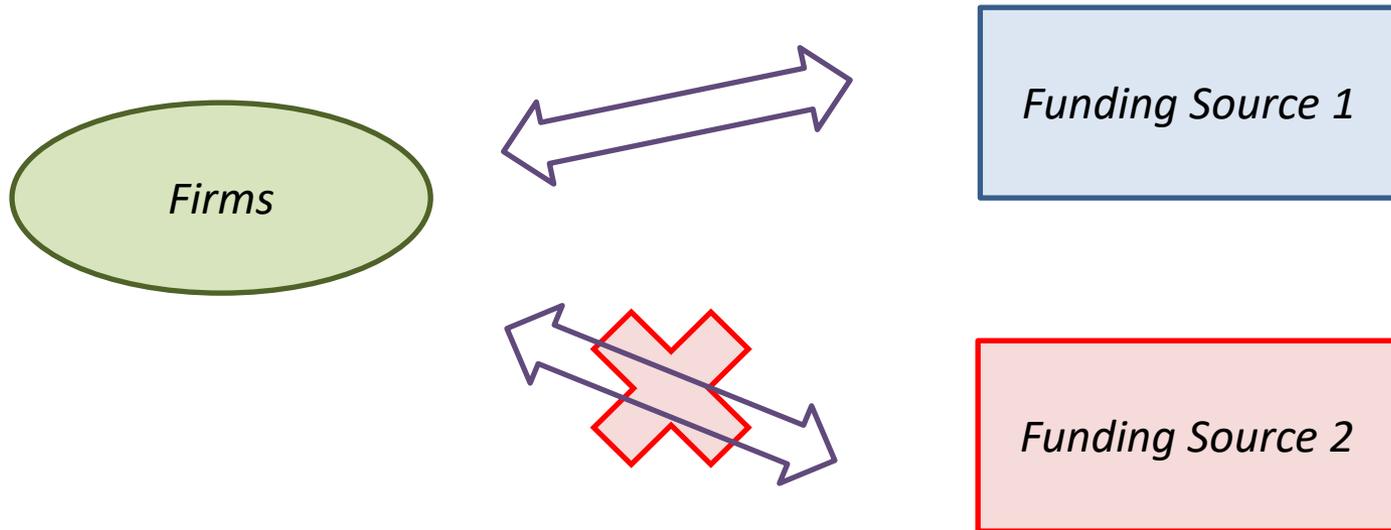
# 1. Punchline of the paper

Figure 2: Loan volume during a crisis



## 2. Interpretation of the results

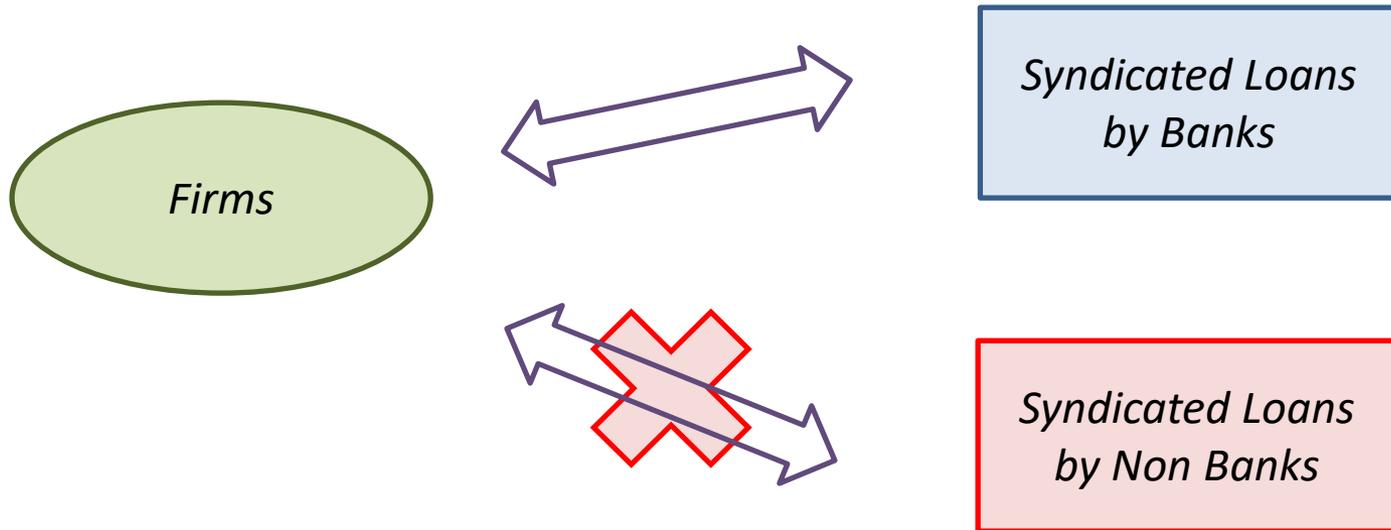
- Framework different from that in other papers
  - Shock to supply side of funds



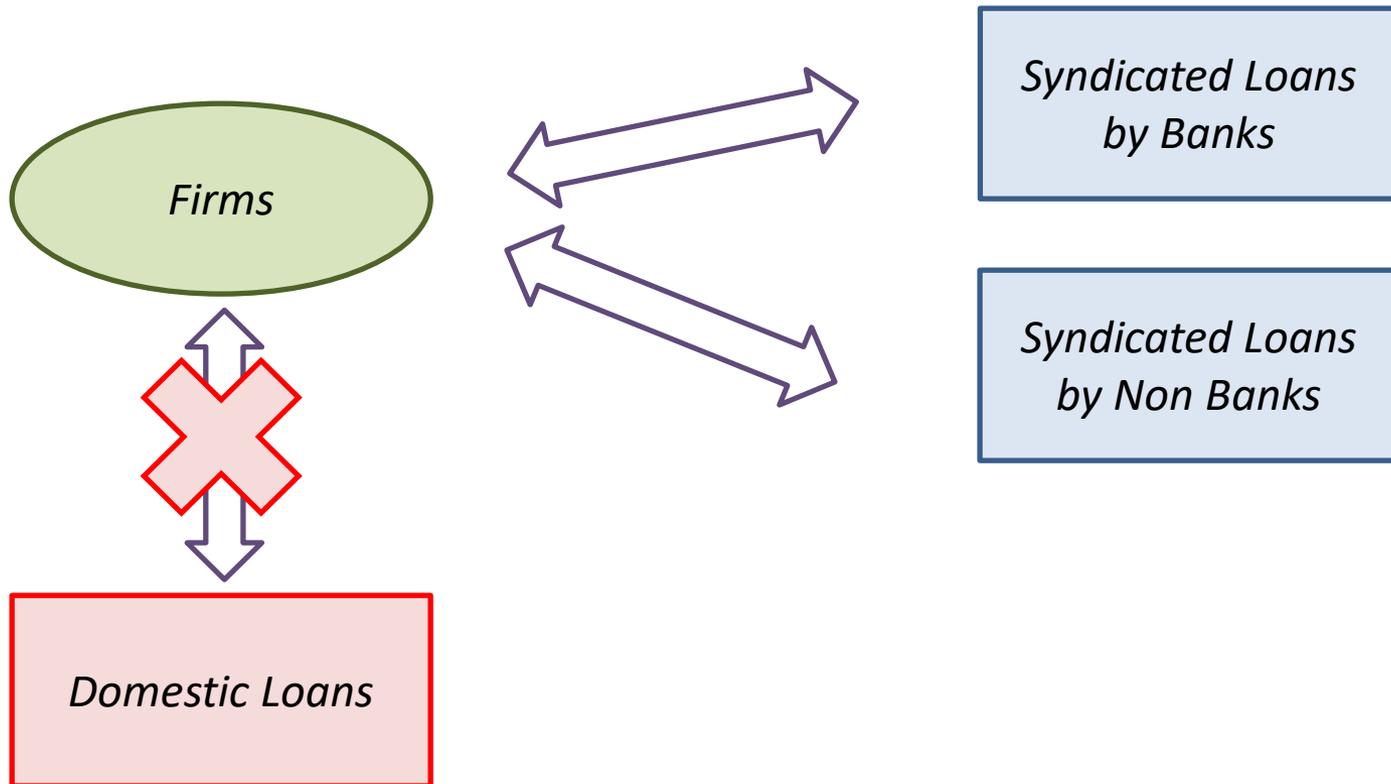
- Higher demand expected from funding source 1

## 2. Interpretation of the results

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  - Shock to supply side of funds



## 2. Interpretation of the results

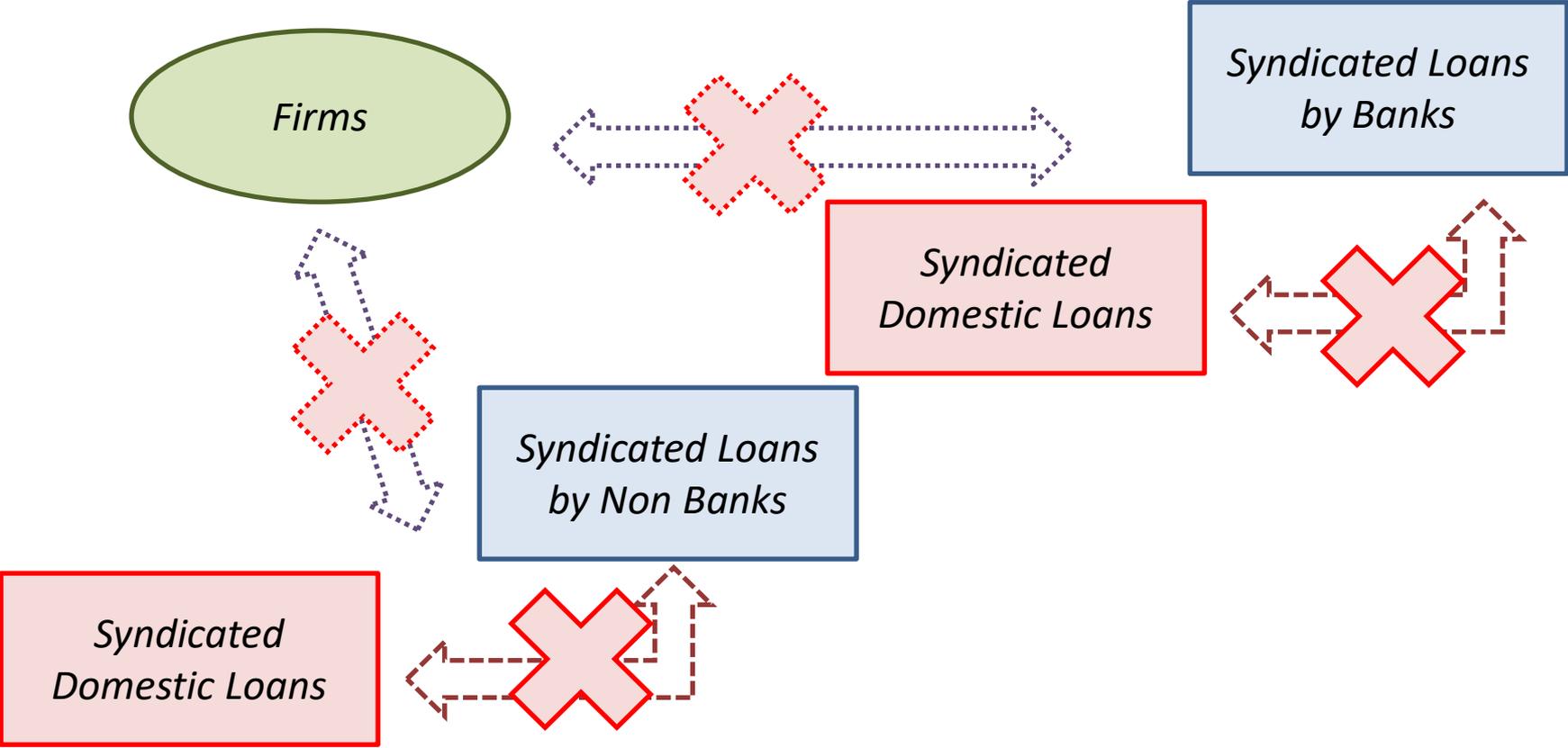


- Higher demand expected to substitute lending by domestic banks

## 2. Interpretation of the results

- Given expected higher demand by firms, lower credit by syndicated banks consistent with:
  1. Lower demand by firms, especially risky firms paying high rates
    - High uncertainty for firms during crises
    - Hard to know from transaction data, especially in this set up
    - Loan applications and responses can help identify demand and supply ✘
  2. Syndicated intermediaries less willing to lend (more risk averse?)
    - Particularly true for non-bank syndicated intermediaries
    - Lending rates can help identify willingness to lend, especially if spreads differ by intermediaries ?
  3. Break up in relation with local banks, if they are syndicates too
    - Composition of syndicates can help ✔

# 2. Interpretation of the results



## 2. Interpretation of the results

- Lower credit by syndicated banks can mean:
  1. Lower demand by firms, especially risky firms paying high rates
    - Higher demand expected to substitute lending by domestic banks
    - Loan applications and responses can help identify demand and supply ✕
  2. Syndicated intermediaries less willing to lend
    - Particularly true for non-bank syndicated intermediaries
    - Lending rates can help identify willingness to lend, especially if spreads differ by intermediaries ?
  3. Break up in relation with local banks, if they are syndicates too
    - Composition of syndicates can help ✓
- Paper strongly suggests 2, but without more evidence, hard to tell

## 2. Interpretation of the results

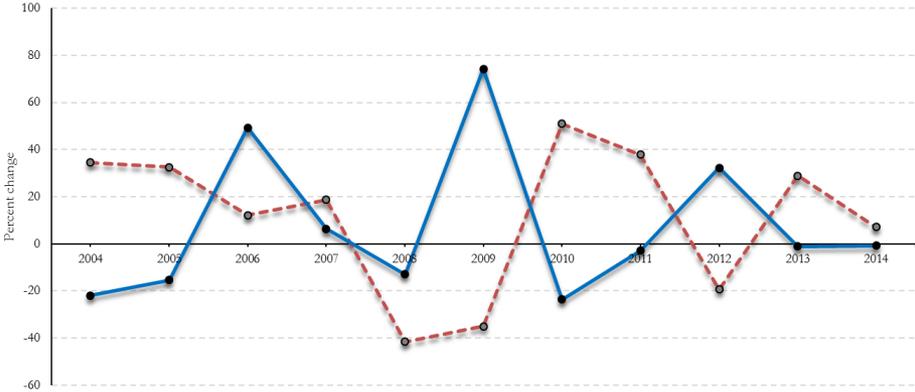
- Hard to generalize about non banks from syndicated loans
  - Need for more complete markets
- Non-bank/corporate bond lending increases during crises
  - Switch from syndicated loans to bonds
  - Switch from domestic to international markets during banking crises
  - Perhaps non banks participating more in corporate bonds than syndicated loans

# 2. Interpretation of the results

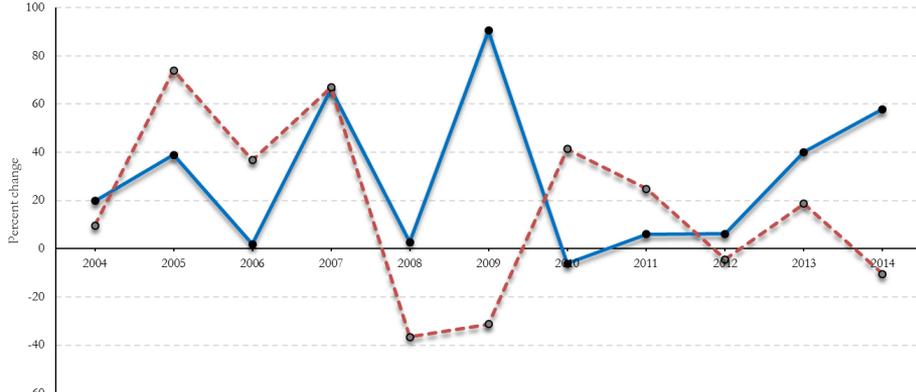
### Composition of Debt Issuance over Time, Corporate Bonds and Syndicated Loans

Syndicated Loans ↓ : Bonds ↑

#### Developed Countries



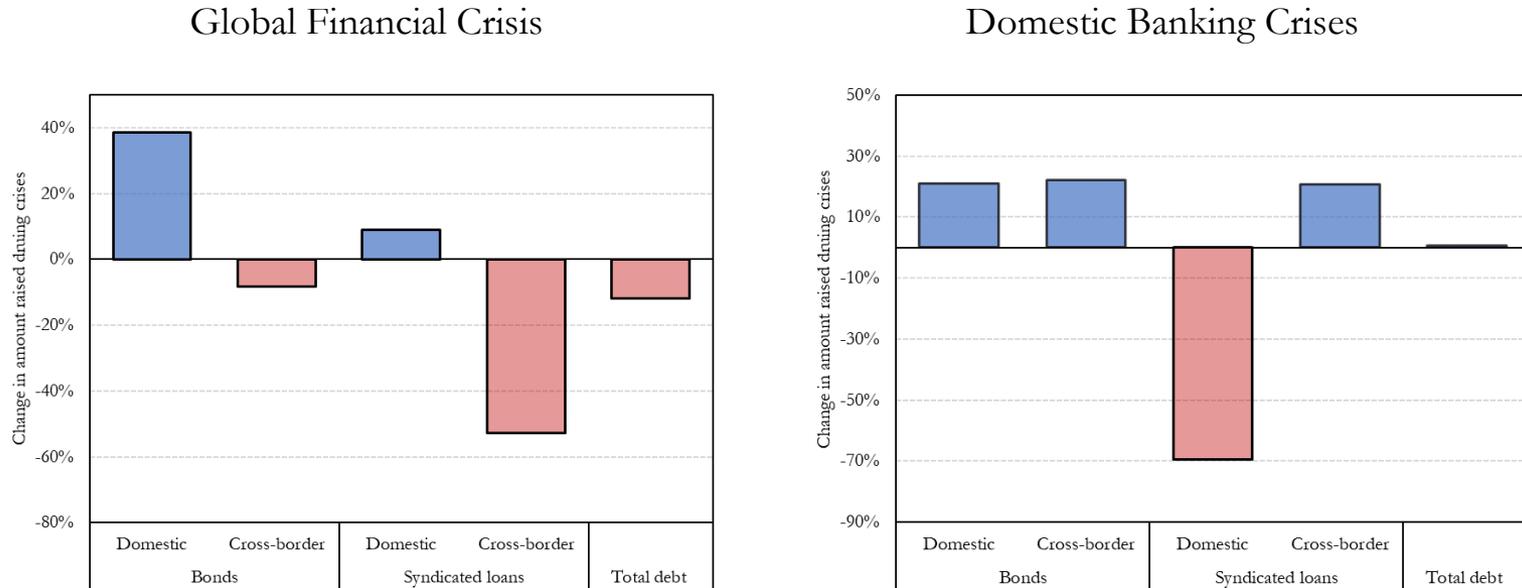
#### Developing Countries



■ Corporate bonds   ■ Syndicated loans

## 2. Interpretation of the results

**Figure 1.** Changes in Debt Issuance Amounts during Crises



*Note:* The chart shows changes in issuance amounts in each market and in total debt during the 2008-09 global financial crisis and domestic banking crises for firms from advanced and emerging economies.

*Source:* Cortina et al., (2021).

### 3. Ideas for additional work/clarifications

- Exploit information on syndicates during crises
  - Lender composition in loans granted (e.g., cross-border vs. domestic banks and non banks, other connections)
  - Spreads
  - Changes in firm composition during crises
- Exploit further information on crises
  - Domestic vs. international crises
  - GFC
  - Beginning of crises? Full duration?
  - Crisis exposure

$$crisis\ exposure_{i,c,t} = \frac{loan\ volume_{l,t} \times banking\ crisis_{c,t}}{loan\ volume_{l,t}}$$

- Why needed? Variations to this measure

### 3. Ideas for additional work/clarifications

- Identification of effects
  - *“same firm borrowing from banks and non-bank lenders in a given year ... using only the within variation of each lender-borrower combination”*
  - How often is lending occurring? Syndicated loans are sporadic
  - Identification coming from just few observations?
- More on extensive vs. intensive margin
  - *log (credit) vs. log (1 + credit)*
  - How many zeros in extensive margin?
    - From 360k to 1.2M observations
  - Separate fully extensive vs. intensive margin
    - Estimate extensive margin separately, with probability
    - Estimate *log (1 + credit)* non-linearly, with Tobit

### 3. Ideas for additional work/clarifications

- Clarifications
  - Number of countries given Compustat data
    - Non-U.S. data?
    - Split data for loans and real effects?
  - Instead of new lending, emphasize gross (as opposed to net) lending
  - Policy implications could focus not only on crises, also expansions

**Thank you!**