Climate Change-Related Regulatory Risks and Bank Lending

Isabella Mueller and Eleonora Sfrappini
Halle Institute for Economic Research

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Motivation

"Global warming of 1.5°C and 2°C will be exceeded during the 21st century unless deep reductions in CO2 and other greenhouse gas emissions occur in the coming decades." (IPCC, 2021)

- Climate change makes transitioning to a greener economy in the near future a priority.
- A transition relies on extensive regulatory intervention $\rightarrow$ Firms face regulatory risks.

- Effect of regulatory risks on **banks' lending patterns** has not been fully understood.
- Role of the financial sector: setting incentives and providing funding for transition.

Understanding the role of banks

Do banks lending decisions facilitate or hinder the transition?

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Greta Thunberg: Activist calls on banks to stop funding climate 'destruction'

29 October

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November 4, 2021
10:30 AM CET
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Banks' green push requires more stick than carrot

3 minute read

By Liam Proud

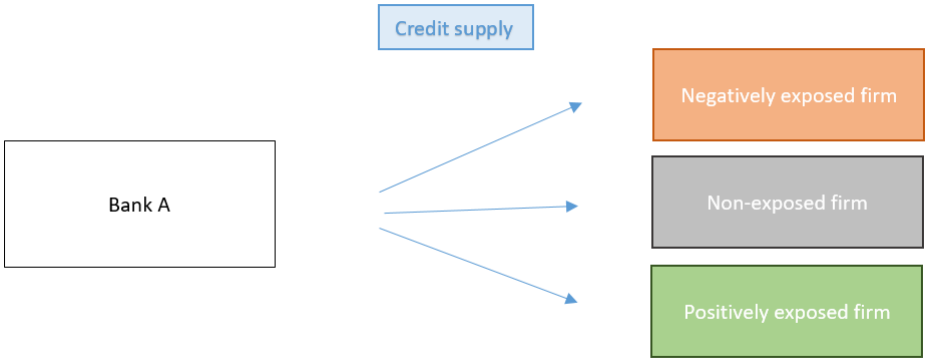
Links: BBC, Reuters

The set-up in a nutshell:

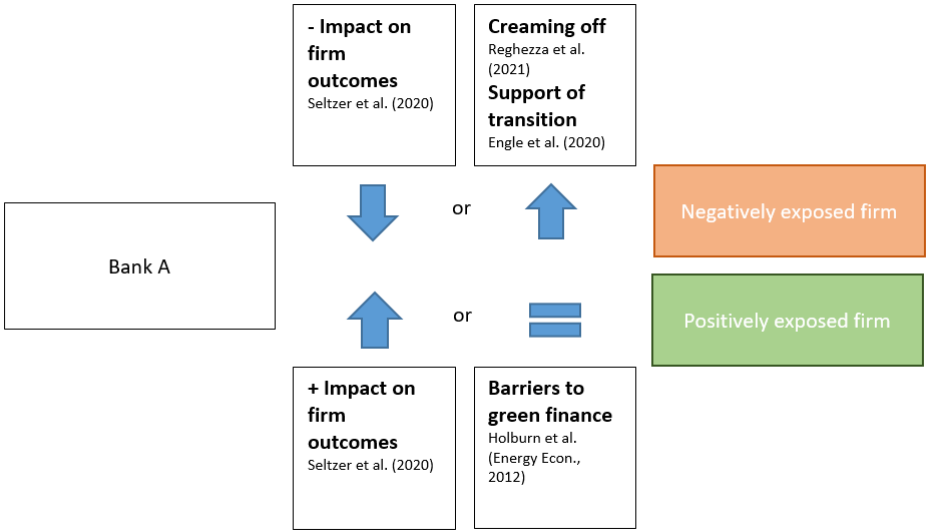
- Research question: **Do banks adjust their credit supply depending on firms' regulatory risks?**
- Paris Agreement in 2015 $\rightarrow$ shifting point for banks' awareness of the impact of climate change and the need for regulatory intervention (Krueger et al., 2020)
  - 196 nations agree to coordinate actions to limit global warning to below 2 degrees
  - Anticipation: Agreement unlikely and extent unforeseen
- International sample of firms and banks
  - All active syndicated loans between 2010 and 2019
- Identification of firms that are positively/negatively exposed to climate change-related regulatory risks
  - Firms' exposure to climate change-related regulatory risks: **Sautner et al. (2020)**
  - Exposure captures *frequency of occurence* of topic but also *sentiment* of conversations in quarterly earning conference calls

Setting

Identification of 3 groups of firms

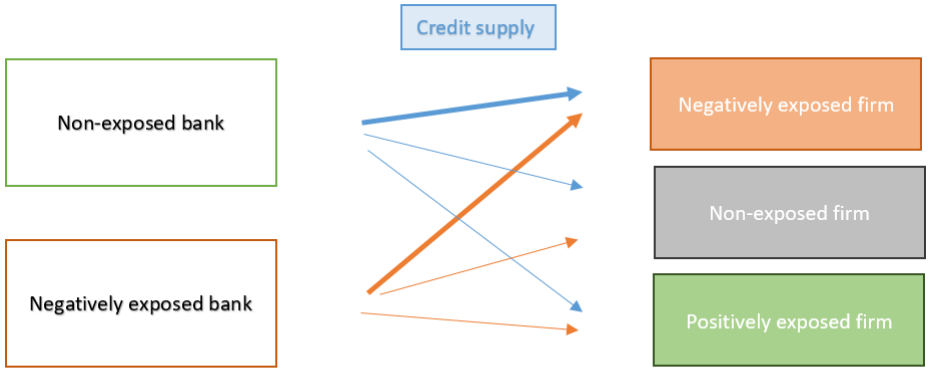


Hypotheses

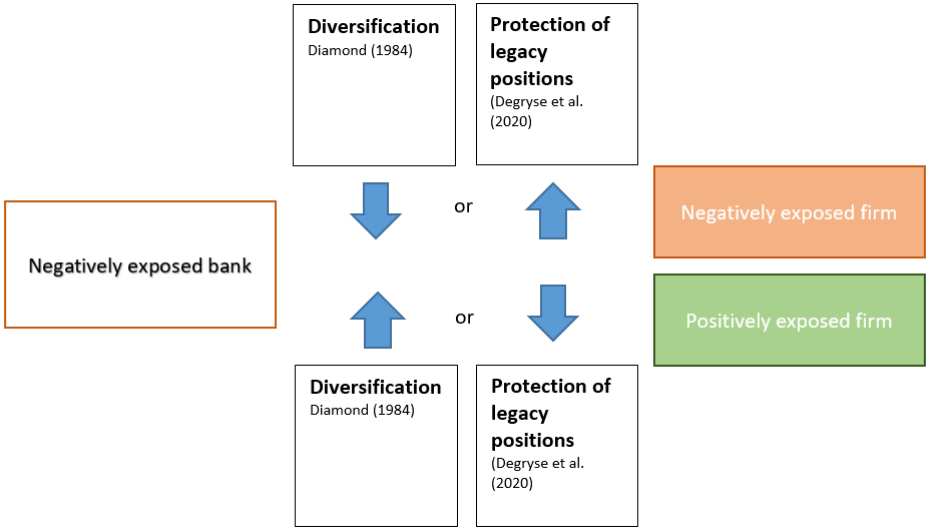

- Impact on firm outcomes
Seltzer et al. (2020)
Creaming off
Reghezza et al. (2021)
Support of transition
Engle et al. (2020)
Bank A
or
Negatively exposed firm
or
Positively exposed firm
+ Impact on firm outcomes
Seltzer et al. (2020)
Barriers to green finance
Holburn et al. (Energy Econ., 2012)

Setting: The role of banks' own exposure

Identification of banks' exposure via portfolio composition



Hypotheses: The role of banks' own exposure



Estimation strategy: Difference-in-differences design

Combination of Doerr and Schaz (JFE, 2020) and Degryse et al. (JFI, 2019)

$$\ln(\text{Credit})_{b,f,t} = \beta_1 \text{Positive}_f \times \text{Post}_t + \beta_2 \text{Negative}_f \times \text{Post}_t + \zeta_{j,l,s,t} + \zeta_{b,t} + \zeta_{b,f} + \varepsilon_{b,f,t} \quad (1)$$

- $\ln(\text{Credit})_{b,f,t}$: Log of outstanding credit between bank b and firm f in quarter t
- $\text{Post}_t = 1$ from 2015q4 onwards (= after Paris) and zero otherwise
- $\text{Positive}_f = \begin{cases} 1 & \text{if } \overline{\text{CCExposure}}_f > 0 \\ 0 & \text{otherwise} \end{cases}$
- $\text{Negative}_f = \begin{cases} 1 & \text{if } \overline{\text{CCExposure}}_f < 0 \\ 0 & \text{otherwise} \end{cases}$ ▸ CCExposure ▸ Distribution ▸ Pre-trends
- Industry-location-size-time ($\zeta_{j,l,s,t}$), bank-time ($\zeta_{b,t}$), bank-firm ($\zeta_{b,f}$) fixed effects

Estimation strategy: The role of banks' own exposure

Combination of Doerr and Schaz (JFE, 2020) and Degryse et al. (JFI, 2019)

$$\begin{aligned}\ln(\text{Credit})_{b,f,t} = {} & \gamma_1 \text{Positive}_f \times \text{Post}_t + \gamma_2 \text{Negative}_f \times \text{Post}_t \\ & + \gamma_3 \text{Positive}_f \times \text{Post}_t \times \text{NegBank}_b \\ & + \gamma_4 \text{Negative}_f \times \text{Post}_t \times \text{NegBank}_b \\ & + \eta_{j,l,s,t} + \eta_{b,t} + \eta_{b,f} + \epsilon_{b,f,t}.\end{aligned} \tag{2}$$

- $\text{NegBank}_b = \begin{cases} |\text{Bank exposure}_b| & \text{if Bank exposure}_b < 0 \\ 0 & \text{otherwise} \end{cases}$ ▸ Bank exposure ▸ Distribution
- Industry-location-size-time ($\eta_{j,l,s,t}$), bank-time ($\eta_{b,t}$), bank-firm ($\eta_{b,f}$) fixed effects

A first look at lending patterns after Paris

	(1) All	(2) USA	(3) Europe	(4) ROW
Positive × Post	0.128	-0.094	0.521***	0.006
	(0.097)	(0.126)	(0.114)	(0.102)
Negative × Post	0.164***	0.176***	0.055	0.135
	(0.048)	(0.060)	(0.111)	(0.106)
Observations	299,550	162,394	92,179	41,947
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
ILST FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.912	0.890	0.907	0.927
Number of banks	261	96	148	160
Number of firms	2,155	1,637	290	223
Clustering	Bank	Bank	Bank	Bank

▸ Controls ▸ Robustness ▸ Spread ▸ Trump

Does banks' own exposure play a role?

	(1) USA	(2) Europe
Positive × Post	-0.111	0.507***
	(0.134)	(0.113)
Positive × Post × NegBank	119.980	10.244
	(108.050)	(18.535)
Negative × Post	0.176***	0.029
	(0.060)	(0.106)
Negative × Post × NegBank	-3.912	**25.324*** **
	(9.188)	(9.639)
Observations	162,394	93,805
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Adjusted R^2	0.890	0.906
Number of banks	96	148
Number of firms	1,637	295
Clustering	Bank	Bank

Does bank behavior fuel or hinder the transition?

To whom is the money going? Firms' likelihood to transition

	(1) USA	(2) Europe
Positive × Post	-0.110	0.503***
	(0.135)	(0.111)
LessNegative × Post	0.210*	0.314***
	(0.108)	(0.108)
VeryNegative × Post	0.162**	-0.013
	(0.064)	(0.112)
Positive × Post × NegBank	114.725	13.404
	(111.034)	(19.156)
LessNegative × Post × NegBank	-190.181	5.915
	(213.348)	(11.661)
VeryNegative × Post × NegBank	-2.618	**32.975****
	(9.704)	(13.147)
Observations	162,394	93,805
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Adjusted R^2	0.890	0.907
Number of banks	96	148
Number of firms	1637	295
Clustering	Bank	Bank

Does bank behavior fuel or hinder the transition?

From whom is the money coming? Banks' capital constraints

	(1) USA	(2) Europe
Positive × Post	-0.115	0.399***
	(0.156)	(0.131)
Positive × Post × LowCapital	-0.072	0.002
	(0.074)	(0.096)
Negative × Post	0.141**	0.023
	(0.058)	(0.131)
Negative × Post × LowCapital	**0.086****	-0.066
	(0.040)	(0.043)
Positive × Post × NegBank	142.436	16.786
	(135.855)	(20.594)
Negative × Post × NegBank	-6.489	17.682
	(8.414)	(12.525)
Observations	145,470	66,064
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Adjusted R^2	0.889	0.906
Number of banks	59	74
Number of firms	1,582	275
Clustering	Bank	Bank

What is driving banks' behavior: Is it their public commitments?

The preferences channel

	(1) USA	(2) Europe
Positive × Post	-0.100	0.424***
	(0.131)	(0.125)
Positive × Post × UNEPMember	-0.038	**0.141***
	(0.075)	(0.081)
Negative × Post	0.176***	-0.004
	(0.062)	(0.106)
Negative × Post × UNEPMember	-0.002	0.058
	(0.033)	(0.043)
Positive × Post × NegBank	130.351	18.547
	(107.777)	(18.729)
Negative × Post × NegBank	-3.899	26.931***
	(9.253)	(9.896)
Observations	162,394	93,805
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Adjusted R^2	0.890	0.907
Number of banks	96	148
Number of firms	1,637	295
Clustering	Bank	Bank

What is driving banks' behavior: Is it the regulatory environment?

The risk channel

	(1) USA	(2) Europe
Positive × Post	-0.095	0.410***
	(0.165)	(0.134)
Positive × Post × Target	-0.039	
	(0.154)	
Negative × Post	0.162***	0.445***
	(0.055)	(0.138)
Negative × Post × Target	0.049	
	(0.162)	
Positive × Post × HighScore		-0.346
		(0.261)
Negative × Post × HighScore		**-1.072*** **
		(0.154)
Positive × Post × NegBank	117.438	7.748
	(110.243)	(18.844)
Negative × Post × NegBank	-4.225	22.355***
	(9.072)	(8.377)
Observations	162,394	91,490
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Adjusted R^2	0.890	0.907
Number of banks	96	147
Number of firms	1,637	284
Clustering	Bank	Bank

Conclusions

This paper contributes to the growing field of climate finance by investigating banks' current role in mitigating transition risks.

We investigate whether and how banks adjust credit supply depending on:

- firms' regulatory risks
- banks' own exposure via their portfolio composition

Does banks' behavior fuel or hinder the transition?

- In the United States: support of negatively exposed firms
- In Europe: support of positively exposed firms, but banks' own exposure obstructs the transition

What drives banks' decisions? The regulatory environment rather than banks' own public commitments to tackle climate change.

Thank you for your attention

Firms' exposure to climate change-related regulatory risks

Construction by Sautner et al.(2020)

$$\text{CCExposure}_{f,t} = \frac{1}{\text{B}_{f,t}} \sum_{b}^{\text{B}_{f,t}} (1[b \in \mathbb{C}]) \times \sum_{b}^{\text{B} \in S} \tau(b) \tag{3}$$

- $b = 0, 1, ...\text{B}_{f,t}$ are the bigrams in firm f's conference call transcript in quarter t
- $1[.]$ = indicator function
- $\mathbb{C}$ = set of bigrams
- S represents the sentence containing $b = 0, 1, ...\text{B}_{f,t}$
- $\tau(b) = \begin{cases} 1 & \text{if } b \text{ has a positive tone} \\ -1 & \text{if } b \text{ has a negative tone} \\ 0 & \text{otherwise} \end{cases}$

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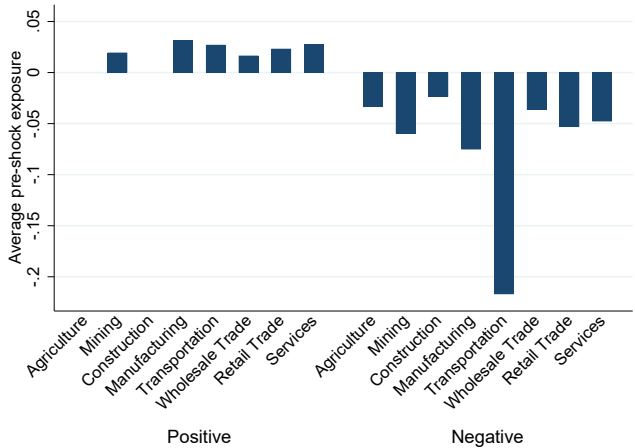
Distribution of firms' exposure



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Industry distribution of firms' exposure

	Mean	SD	Median	# of firms
Bottom-5 Industries				
49 Electric, Gas and Sanitary Svcs.	-0.197	0.313	-0.051	113
76 Miscellaneous Repair Svcs.	-0.110	0.164	-0.031	3
12 Coal Mining	-0.057	0.054	-0.063	11
45 Transportation by Air	-0.034	0.056	0.000	14
34 Fabricated Metal Prdcts	-0.029	0.075	0.000	24
Top-5 Industries				
25 Furniture and Fixtures	0.001	0.004	0.000	10
59 Miscellaneous Retail	0.001	0.006	0.000	47
56 Apparel and Accessory Stores	0.001	0.005	0.000	24
22 Textile Mill Prdcts	0.002	0.005	0.000	6
72 Personal Svcs.	0.002	0.007	0.000	8

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Banks' exposure to climate change-related regulatory risks

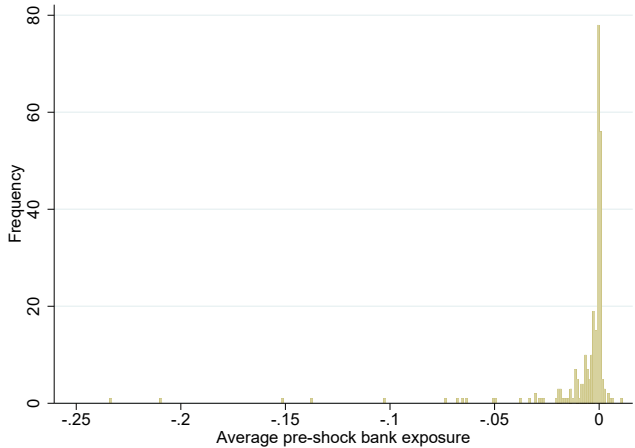
Banks are exposed through their lending portfolio:

$$\text{Bank exposure}_b = \frac{\sum_{f=1}^{N} \left(\frac{\text{lending}_{b,f}}{\text{lending}_b} \times \text{CCExposure}_f \right)}{N}. \tag{4}$$

$$\text{Bank exposure}_b \begin{cases} < 0 & \text{if a bank predominantly lends to negatively exposed firms} \\ > 0 & \text{if a bank predominantly lends to positively exposed firms} \\ = 0 & \text{if a bank lends to non-exposed firms only/ exposures cancel out} \end{cases}$$

Go Back

Distribution of banks' exposure



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Robustness checks

- Alternative specifications
  - Inclusion of loan and firm controls ▸ Controls
  - Alternative clustering schemes ▸ USA ▸ Europe
  - Inclusion of banks' country fixed effects ▸ FE USA ▸ FE Europe
- Anticipation effects ▸ Anticipation
- Greenwashing ▸ Greenwashing
- DealScan particularities ▸ DealScan
  - Exclusion of loans that are likely to be securitized
  - Exclusion of uncommon loan types
  - Exclusion of loans that are de facto no syndicate
- Location and timing of regulation ▸ Location+Timing
  - Exclusion of loans from foreign subsidiaries
  - Exclusion of short-term loans
- Alternative exposure measures and control group ▸ Alt. exposure
  - Cumulative exposure measure
  - Full period exposure measure
  - Exclusion of firms with zero exposure

▸ Go back

Robust: Loan and Firm controls

	(1) USA	(2) USA	(3) Europe	(4) Europe
Positive × Post	-0.056	-0.010	0.439***	0.366***
	(0.124)	(0.072)	(0.105)	(0.079)
Negative × Post	0.150***	0.106**	0.031	0.282
	(0.057)	(0.049)	(0.097)	(0.186)
Loan Spread	-0.000		0.001**	
	(0.000)		(0.000)	
Loan Maturity	-0.011***		-0.007***	
	(0.002)		(0.001)	
ROA t-1		-0.001		0.024***
		(0.002)		(0.006)
Equity ratio t-1		-0.003*		0.004
		(0.002)		(0.008)
R&D investment ratio t-1		0.048		1.010***
		(0.032)		(0.189)
Capital expenditure ratio t-1		-0.007		0.081***
		(0.006)		(0.019)
Sales ratio t-1		-0.005**		0.028***
		(0.002)		(0.007)
Observations	159,017	62,908	92,452	35,412
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
ILST FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.892	0.912	0.912	0.929
Number of banks	92	84	148	122
Number of firms	1,621	1,301	292	182
Clustering	Bank	Bank	Bank	Bank

◂ Go Back to Robustness ▸ Go back to Baseline

What is happening in the USA?

	(1) Only Obama period	(2) Only Trump period	(3) Until announcement
Positive × Post	-0.089	-0.091	-0.066
	(0.085)	(0.124)	(0.092)
Negative × Post	0.161***	0.153**	0.167***
	(0.044)	(0.066)	(0.049)
Observations	97,211	143,343	106,900
Bank-Firm FE	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes
ILST FE	Yes	Yes	Yes
Adjusted R^2	0.908	0.888	0.907
Number of banks	92	96	94
Number of firms	1,515	1,634	1,540
Clustering	Bank	Bank	Bank

Go Back

Adjusting along other margins

The pricing of firms' regulatory exposure

Dependent Var: *Loan Spread*	(1) USA	(2) Europe
Positive × Post	14.872	-2.725
	(10.365)	(7.068)
Positive × Post × NegBank	-8242.203	2261.563
	(8435.687)	(1664.372)
Negative × Post	4.548	32.208***
	(4.673)	(6.201)
Negative × Post × NegBank	689.539	1209.877*
	(652.645)	(620.265)
Marginal effect at 90th percentile of NegBank		
Positive × Post	-111.518	31.955
	(126.303)	(26.209)
Negative × Post	15.122	50.761***
	(10.738)	(11.858)
Observations	159,017	92,452
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Loan controls	Yes	Yes
Adjusted R^2	0.946	0.958
Number of banks	92	148
Number of firms	1,621	292
Clustering	Bank	Bank

Go Back

Robust: Anticipation

	(1) USA	(2) Europe
Positive x Post	-0.094	0.521***
	(0.126)	(0.114)
Negative x Post	0.176***	0.055
	(0.060)	(0.111)
Observations	162,394	92,179
ILST FE	Yes	Yes
Bank-Time FE	Yes	Yes
Bank-Firm FE	Yes	Yes
Adjusted R^2	0.890	0.907
Number of banks	96	148
Number of firms	1,637	290
Clustering	Bank	Bank

◂ Go Back to Robustness ▸ Go back to Baseline

Robust: Greenwashing

	(1) USA	(2) Europe
Positive x Post	-0.136	0.414***
	(0.211)	(0.134)
Negative x Post	0.278***	-0.478***
	(0.077)	(0.075)
Observations	75767	33904
ILST FE	Yes	Yes
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
Adjusted R^2	0.890	0.886
Number of banks	76	92
Number of firms	537	91
Clustering	Bank	Bank

Go Back

Robust: DealScan particularities

	(1) USA	(2) USA	(3) USA	(4) Europe	(5) Europe	(6) Europe
Positive x Post	-0.063	-0.094	-0.028	0.758***	0.527***	0.532***
	(0.118)	(0.125)	(0.114)	(0.094)	(0.114)	(0.117)
Negative x Post	0.174***	0.155***	0.130***	0.126	0.045	0.057
	(0.056)	(0.047)	(0.045)	(0.105)	(0.112)	(0.112)
Observations	161,055	157,845	152,070	90,561	91,597	91,156
ILST FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank-Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.895	0.893	0.898	0.914	0.909	0.912
Number of banks	94	91	93	147	146	146
Number of firms	1,633	1,523	1,615	277	284	291
Clustering	Bank	Bank	Bank	Bank	Bank	Bank

Go Back

Robust: Alternative exposure measures + control group

	(1) USA	(2) USA	(3) USA	(4) Europe	(5) Europe	(6) Europe
Positive x Post	-0.094	-0.023	-0.439***	0.521***	0.407***	0.670***
	(0.126)	(0.107)	(0.118)	(0.114)	(0.114)	(0.206)
Negative x Post	0.176***	0.159***		0.055	-0.044	
	(0.060)	(0.060)		(0.111)	(0.083)	
Observations	162,394	162,394	50,100	92,179	92,179	37,171
ILST FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank-Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.890	0.890	0.886	0.907	0.907	0.908
Number of banks	96	96	56	148	148	100
Number of firms	1,637	1,637	404	290	290	88
Clustering	Bank	Bank	Bank	Bank	Bank	Bank

Go Back

Robust: Location + timing of regulation

	(1) USA	(2) USA	(3) Europe	(4) Europe
Positive x Post	-0.015	-0.061	0.769***	0.448***
	(0.130)	(0.122)	(0.110)	(0.115)
Negative x Post	0.180***	0.179***	0.171	0.071
	(0.058)	(0.061)	(0.116)	(0.113)
Observations	146951	152041	85547	83438
ILST FE	Yes	Yes	Yes	Yes
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.896	0.888	0.909	0.900
Number of banks	92	93	137	144
Number of firms	1588	1604	281	288
Clustering	Bank	Bank	Bank	Bank

Go Back

Robust: Alternative FE USA

	(1) SIC1	(2) 5 Size Bins	(3) Year	(4) Country FE
Positive × Post	-0.057	-0.126	-0.070	-0.094
	(0.041)	(0.117)	(0.075)	(0.126)
Negative × Post	0.195***	0.104***	0.097***	0.176***
	(0.041)	(0.034)	(0.029)	(0.060)
Observations	162,394	162,394	162,394	162,394
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
ILST FE	Yes (SIC1)	Yes (5bins)	Yes (Year)	Yes
Bank Country FE	No	No	No	Yes
Adjusted R^2	0.867	0.882	0.891	0.890
Number of banks	96	96	96	96
Number of firms	1,637	1,637	1,638	1,637
Clustering	Bank	Bank	Bank	Bank

Go Back

Robust: Alternative FE Europe

	(1) SIC1	(2) 5 Size Bins	(3) Year	(4) Country FE
Positive × Post	0.593***	0.431***	0.319***	0.519***
	(0.116)	(0.114)	(0.066)	(0.114)
Negative × Post	-0.007	-0.049	0.028	0.055
	(0.075)	(0.094)	(0.049)	(0.112)
Observations	93,805	93,805	93,805	93,805
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
ILST FE	Yes (SIC1)	Yes (5bins)	Yes (Year)	Yes
Bank Country FE	No	No	No	Yes
Adjusted R^2	0.897	0.905	0.894	0.906
Number of banks	148	148	148	148
Number of firms	295	295	295	295
Clustering	Bank	Bank	Bank	Bank

Go Back

Robust: Clustering USA

	(1)	(2)	(3)	(4)
Positive x Post	-0.094	-0.094	-0.094	-0.094
	(0.198)	(0.184)	(0.115)	(0.119)
Negative x Post	0.176**	0.176*	0.176***	0.176***
	(0.086)	(0.091)	(0.058)	(0.042)
Observations	162,394	162,394	162,394	162,394
ILST FE	Yes	Yes	Yes	Yes
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.890	0.890	0.890	0.890
Number of banks	96	96	96	96
Number of firms	1,637	1,637	1,637	1,637
Clustering	Bank-Firm	Firm	Bank-Time	Location

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Robust: Clustering Europe

	(1)	(2)	(3)	(4)
Positive x Post	0.521***	0.521***	0.521***	0.521***
	(0.099)	(0.123)	(0.187)	(0.110)
Negative x Post	0.055	0.055	0.055	0.055
	(0.205)	(0.206)	(0.119)	(0.296)
Observations	92179	92179	92179	92179
ILST FE	Yes	Yes	Yes	Yes
Bank-Firm FE	Yes	Yes	Yes	Yes
Bank-Time FE	Yes	Yes	Yes	Yes
Adjusted R^2	0.907	0.907	0.907	0.907
Number of banks	148	148	148	148
Number of firms	290	290	290	290
Clustering	Bank-Firm	Firm	Bank-Time	Location

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Pre-trends

	Negative		*Zero*		*Positive*		*ND*		
	Mean	SD	Mean	SD	Mean	SD	Neg-No	Neg-Pos	Pos-No
Panel A: Loan Level									
Loan volume (Mio)	288.5	522.8	243.4	500.4	350.9	591.6	0.06	-0.08	0.14
Δ Loan volume	34.3	587.8	25.8	246.5	59.8	1,884.9	0.01	-0.01	0.02
Panel B: Firm Level									
Δ Total assets	19.3	91.2	21.8	98.3	27.2	120.9	-0.02	-0.05	0.04
Δ ROA	-18.9	331.1	-6.2	310.9	-31.5	276.7	-0.03	0.03	-0.06
Δ Equity ratio	-5.3	65.7	-6.1	93.6	-9.7	91.2	0.01	0.04	-0.03
Δ R&D inv. ratio	-10.4	66.2	-3.9	49.7	-4.2	29.4	-0.08	-0.09	-0.00
Δ Capital exp. ratio	18.5	157.1	37.0	218.2	29.0	233.1	-0.07	-0.04	-0.03
Δ Sales Ratio	2.1	14.1	5.0	42.9	0.9	8.1	-0.06	0.07	-0.09
Panel C: Bank Level									
Δ Total assets	2.0	8.8	2.4	9.3	2.2	9.2	-0.03	-0.01	-0.02
Δ Deposit ratio	3.2	2.4	3.4	2.3	3.3	2.4	-0.08	-0.06	-0.02
Δ ROA	112.7	941.3	74.9	859.5	79.0	827.4	0.03	0.03	0.00
Δ Equity ratio	5.3	10.5	5.9	11.2	6.2	10.0	-0.04	-0.06	0.02
Δ Retained earnings	4.1	63.4	4.1	60.9	7.4	11.0	-0.00	-0.05	0.05
Δ Short-term funding	9.6	154.3	12.3	150.4	1.8	23.7	-0.01	0.05	-0.07
Δ Non-performing assets	91.3	787.1	109.2	854.0	90.9	787.1	-0.02	0.00	-0.02

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What else matters for banks: Is it a home bias?

	(1) USA	(2) Europe
Positive × Post	-0.088	0.389**
	(0.157)	(0.149)
Positive × Post × USBank	-0.030	
	(0.081)	
Positive × Post × EuropeanBank		0.161
		(0.109)
Negative × Post	0.190***	0.003
	(0.065)	(0.118)
Negative × Post × USBank	-0.019	
	(0.032)	
Negative × Post × EuropeanBank		0.036
		(0.062)
Positive × Post × NegBank	107.349	11.280
	(116.008)	(17.688)
Negative × Post × NegBank	-4.387	25.232***
	(8.911)	(9.568)
Observations	162,394	93,805
Bank-Firm FE	Yes	Yes
Bank-Time FE	Yes	Yes
ILST FE	Yes	Yes
Adjusted R^2	0.890	0.907
Number of banks	96	148
Number of firms	1,637	295
Clustering	Bank	Bank

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