

The Diplomacy Discount in Global Syndicated Loans

Gene Ambrocio
Bank of Finland

Xian Gu
Durham University

Iftekhar Hasan
Fordham University, Bank of Finland, The University of Sydney

Panagiotis N. Politsidis
Audencia Business School, European Banking Institute

2021 Conference on Financial Globalization and De-Globalization: Perspectives and Prospects



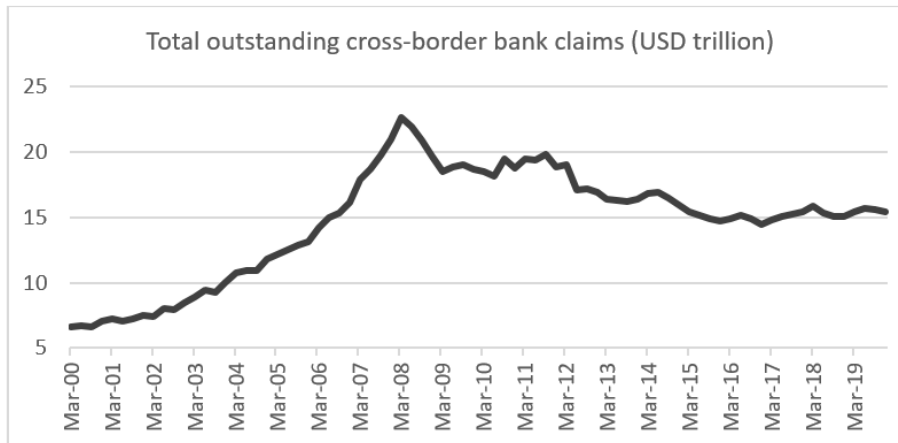
Introduction

What this paper does

- Investigates whether state-to-state political ties with a global superpower affect the pricing of international bank loans
- Does so by considering more than 10,000 global syndicated loans during 1992-2017
- Highlights the factors affecting the relation between political ties and the cost of credit
 - war conflicts, Republican administrations, borrowers with better balance sheets and relationships with the lending banks
- Reveals which firms exploit this mechanism
 - firms with no financing flexibility and access to foreign capital markets; firms operating in countries with weak institutional environment

Cross-border bank claims I

- Cross-border bank-based financing remains an important segment of external financing globally
- Over USD 22 trillion in 2008 (see Figure)
 - halt in the meteoric rise in cross-border bank lending due to the global financial crisis after an approximately three-fold expansion over the period 2000-2008



Cross-border bank claims II

- Many other factors have since contributed to their relative decline following the crisis
- Geopolitical tensions have recently surfaced as a key factor
 - much of these tensions are linked to the U.S. and U.S. foreign policy
- U.S. leadership of a liberal international order is no longer tenable
- Shift toward a neo-mercantile approach under President Donald J. Trump
- Partnerships with states with shared interests and values

Findings

- A one-standard-deviation increase (improvement) in our political ties measure lowers loan spreads by approximately 13.5 basis points
- Economic significance: 9.1% lower all-in spread drawn (AISD) compared to the average loan in our sample
 - interest savings: USD 2.3 million for loans of average size and duration
- Easing effect of political ties is more potent:
 - during war conflicts and geopolitical risk tensions; under Republican administrations; for more profitable, less leveraged and relationship borrowers
- Firms not relying on this mechanism
 - cross-listed firms and firms in countries with strong institutional quality are less reliant – if at all – on their countries' political ties as a means for lowering their borrowing costs

Related studies I

- Importance of socio-political and institutional factors in the pricing of international debt and determinants of cross-border financing
 - Qian and Strahan (2007 JF); Bae and Goyal (2009 JF); Qi, Roth, and Wald (2010 JFE); Giannetti and Yafeh (2012 MS); Delis Hasan and Ongena (2020 JFE)
- 1) Politically-connected banks receive more favorable regulatory treatment and relief legislation
 - lobbying by U.S. banks influences regulatory enforcement actions; Lambert (2019 MS)
 - politically-connected banks enjoy more favorable regulation; Braun and Raddatz (2010 WBER)
 - U.S. domestic bailout policies: U.S. congressmen who received support from financial sector donors were more likely to vote in favor of the U.S. 2008 bailout legislation; Mian, Sufi, and Trebbi (2010 AER)

Related studies II

- Economic implications of forging global political ties
 - 1) Political ties with the U.S. on the IMF lending
 - Thacker (1999 WP); Barro and Lee (2005 JP); Malik and Stone (2018)
 - 2) Similarity indices on voting patterns at the United Nations General Assembly (UNGA) between sovereign states and the United States. As a general conclusion, global political ties:
 - facilitate microfinance funding; Garmaise and Natividad (2013 JF)
 - lower the cost of private bond issuances by foreign firms in the United States; Ambrocio, Gu and Hasan (2019)
 - lower sovereign borrowing costs; Ambrocio and Hasan (2019)
- Firm-to-state political ties affect external financing and firm valuation
 - preferential access to bank financing and lower borrowing costs; Claessens, Feijen, and Laeven (2008 JFE); Houston, Jiang, Lin, and Ma (2014 JAR)

Data and Methodology

Data

- Loan-level data (loan facilities) from Dealscan
 - foreign loans; non-US borrowers
- Signorino and Ritter (1999) index of voting similarity
- Coverage period: 1992-2017
- Baseline specification: 10,472 loan facilities granted by 156 lead lenders headquartered in 12 countries to 1,115 borrowers from 25 countries
- Matching of loans with bank- and firm-specific accounting information from Compustat and macro-level variables from freely available sources
- Fixed effects: loan type and purpose, year, bank, firm, borrower's country
 - standard error clustering: firm *and* year

Methodology

$$\text{Cost of credit}_{lt} = a_0 + a_1 \text{Vote}_{kt-1} + a_2 \text{Controls}_{kt} + u_{lt}$$

- **Cost of credit:** all-in-spread drawn (AISD) which denotes the spread over LIBOR plus and facility fees
- **Vote:** The Signorino and Ritter 2-option index of voting similarity with U.S., averaged by UN session for issues deemed important by the U.S. State Department.
- **Controls:** vector of control variables (loan-, bank-, firm-, country-level characteristics)
- **a_0 :** different type of fixed effects
- **a_1 :** the effect of *Vote* on the cost of credit

Voting similarity measure

$$Vote_{kt} = \frac{1}{R} \sum_{r=1}^R S2_{r,k,t}$$

- **S2**: the Signorino-Ritter score (S2) of voting similarity with the U.S. for each resolution (r) in year t
- An index for voting affinity originally ranging from -1 (completely opposite interests) to +1 (completely similar interests), based on two-category vote data (1 = “yes” or approval of an issue; 2 = “no” or disapproval of an issue) in the U.N. General Assembly
- Signorino and Ritter (1999 ISQ); Garmaise and Natividad (2013 JF)

Empirical Results

Baseline results I

	(1)	(2)	(3)	(4)	(5)
Vote	-81.489**	-86.983**	-83.910**	-85.905**	-82.360**
	[-2.474]	[-2.325]	[-2.462]	[-2.541]	[-2.343]
Loan amount	-9.199***	-6.849**	-8.549***	-8.661***	-8.692***
	[-2.919]	[-2.491]	[-3.546]	[-3.616]	[-3.411]
Maturity	0.274**	0.283**	0.330**	0.326**	0.339**
	[2.274]	[2.587]	[2.396]	[2.348]	[2.522]
Collateral	47.929***	47.390***	33.396***	33.283***	29.846***
	[3.957]	[4.076]	[3.239]	[3.245]	[3.173]
Number of lenders	-0.786***	-0.683***	-0.533**	-0.532**	-0.514**
	[-3.158]	[-2.963]	[-2.463]	[-2.428]	[-2.545]
Performance provisions	-4.912	-5.696	-4.607	-4.527	-6.003
	[-0.918]	[-0.968]	[-1.172]	[-1.156]	[-1.578]
General covenants	3.438	3.770	6.942**	6.856**	6.909**
	[1.128]	[1.235]	[2.218]	[2.193]	[2.147]
Bank size	-9.642	-9.146	-1.414	-2.836	-2.507
	[-1.328]	[-1.251]	[-0.214]	[-0.424]	[-0.404]
Bank ROA	-0.639	-0.585	2.369	2.123	1.909
	[-0.177]	[-0.156]	[0.714]	[0.654]	[0.646]
Bank NPLs	-0.597	-0.561	-0.279	-0.346	-0.182
	[-1.064]	[-1.044]	[-0.495]	[-0.598]	[-0.362]
Firm size	-8.008	-4.850	-9.437	-9.936	-9.856
	[-0.930]	[-0.620]	[-1.247]	[-1.304]	[-1.387]
Firm ROA	-260.261***	-271.990***	-237.271***	-234.923***	-247.095***
	[-3.855]	[-4.232]	[-4.450]	[-4.391]	[-4.593]
Firm equity	-5.559	-6.684	-3.179	-2.881	-1.569
	[-0.889]	[-1.106]	[-0.527]	[-0.477]	[-0.276]
Firm debt	55.009	54.398	13.588	14.515	20.053
	[1.585]	[1.574]	[0.407]	[0.436]	[0.629]
GDP growth	-5.107***	-4.759**	-4.295**	-4.239**	-4.294**
	[-3.534]	[-2.639]	[-2.413]	[-2.394]	[-2.540]
GDP per capita	0.003*	0.000	-0.001	-0.001	-0.001
	[1.999]	[0.141]	[-0.668]	[-0.701]	[-0.744]
Bilateral trade	-0.000**	-0.000**	-0.000*	0.000	0.000
	[-2.604]	[-2.125]	[-1.795]	[-1.321]	[-1.261]
Constant	538.413***	564.778***	581.859***	610.481***	594.074***
	[3.870]	[3.784]	[4.422]	[4.536]	[4.651]
Observations	10,479	10,479	10,472	10,472	10,427
Adj. R-squared	0.699	0.708	0.766	0.767	0.773

Baseline results II

- Coefficients on variables of interest
 - **Vote:** 81.5-87 basis points
 - a one-standard-deviation increase in *Vote* (equal to 0.16) lowers *AISD* by an average of 13.4 basis points (specification 3)
- Economic significance of *Vote*
 - 9.1% decrease for the average loan in our sample
 - Interest savings:
 - USD 2.25 million per year ($=\$1.68 \text{ billion} \times 13.4 \text{ basis points}$)
 - USD 9.92 million over the average loan's duration ($=\$2.25 \text{ million} \times 4.4 \text{ years}$)

Non-U.S. loans vs U.S. loans

	(1) Non-U.S. loans	(2) U.S. loans	(3) All loans
Vote	-85.549**	-90.073**	-73.038**
	[-2.107]	[-2.569]	[-2.191]
Vote × U.S. lender			-20.170**
			[-2.526]
U.S. lender			4.171
			[0.550]
Observations	5,414	4,890	10,472
Adj. R-squared	0.793	0.754	0.766
Full set of controls	Y	Y	Y
Fixed effects	Y	Y	Y

Identification from war conflicts & geopolitical risk

- Implicit assumption → firms borrow at a lower interest rate if their sovereign of domicile is favorably disposed towards the U.S.
- However: This could be a temporary phenomenon during global tensions and conflicts, where sovereigns can capitalize on their support to the U.S.
 - notable discount in loans U.S. allies' corporates during the wars duration
- If borrowers also receive a lower interest rate after the end of the conflicts as an enticement to support U.S. proposals in the future
 - discount in spreads over and above that observed during the wars duration
- Interaction of *Vote* with indicators for the main stage of the Afghanistan, the Iraq, and the Syria war, and the geopolitical risk index (Caldara and Iacoviello, 2018)

Identification from war episodes

	(1)	(2)	(3)	(4)
Vote	-85.234**	-89.151**	-109.301***	-93.246**
	[-2.457]	[-2.629]	[-3.443]	[-2.637]
Vote × Afghanistan war	-17.794*			
	[-2.025]			
Vote × Iraq war		-38.911**		
		[-2.232]		
Vote × Syria war			-917.353**	
			[-2.039]	
Vote × All wars				-44.358*
				[1.901]
Observations	10,472	10,472	10,472	10,472
Adj. R-squared	0.766	0.766	0.767	0.766
Full set of controls	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y

Geopolitical risk

	(1)	(2)	(3)
Vote	-89.187**	-90.226**	-84.480**
	[-2.596]	[-2.630]	[-2.414]
Vote × Geopolitical risk	-0.205*		
	[-1.718]		
Vote × Geopolitical risk (threats)		-0.188*	
		[-1.772]	
Vote × Geopolitical risk (acts)			-0.285**
			[-2.203]
Observations	10,472	10,472	10,472
Adj. R-squared	0.766	0.767	0.766
Full set of controls	Y	Y	Y
Fixed effects	Y	Y	Y

U.S. political conditions

	(1)	(2)
Vote	-64.123*	-96.019**
	[-2.054]	[-2.595]
Vote × Republican party	-46.965**	
	[-2.295]	
Vote × U.S. elections		1.024
		[0.171]
Observations	10,472	10,472
Adj. R-squared	0.766	0.767
Full set of controls	Y	Y
Fixed effects	Y	Y

Borrower fundamentals

	(1)	(2)	(3)	(4)	(5)	(6)
Vote	72.506	-63.894*	3.333	-120.061***	-86.184**	-70.192**
	[1.157]	[-1.827]	[0.073]	[-3.607]	[-2.364]	[-2.095]
Vote × Firm size	-15.594**					
	[-2.068]					
Vote × Firm ROA		-286.756***				
		[-3.918]				
Vote × Firm equity			-9.844**			
			[-2.091]			
Vote × Firm debt				110.253*		
				[1.691]		
Vote × Firm asset growth					-20.104*	
					[-1.751]	
Vote × Firm retained earnings						-95.811***
						[-3.229]
Observations	10,472	10,472	10,472	10,472	10,149	10,451
Adj. R-squared	0.767	0.766	0.767	0.766	0.767	0.768
Full set of controls	Y	Y	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y	Y	Y

Government banks

	(1)	(2)	(3)	(4)
Vote	-62.976*	-55.669*	-64.347**	-57.169*
	[-2.024]	[-1.844]	[-2.177]	[-1.890]
Vote × Government participant	-31.972			
	[-0.883]			
Government participant × U.S. lender		20.210		
		[0.760]		
Vote × Government participant × U.S. lender		-21.132		
		[-0.611]		
Vote × Government lead			-99.002*	
			[-1.747]	
Government lead × U.S. lender				71.098*
				[1.756]
Vote × Government lead × U.S. lender				-90.565*
				[-1.808]
Observations	10,194	10,194	10,194	10,194
Adj. R-squared	0.774	0.774	0.774	0.774
Full set of controls	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y

Lending relationships

	(1)	(2)	(3)
Vote	-80.724**	-82.131**	-84.993**
	[-2.387]	[-2.391]	[-2.508]
Vote × Lending relationship	-50.150*		
	[-1.866]		
Vote × Lending relationship number		-83.305*	
		[-2.055]	
Vote × Lending relationship amount			-83.554**
			[-2.101]
Observations	10,472	10,472	10,439
Adj. R-squared	0.766	0.766	0.767
Full set of controls	Y	Y	Y
Fixed effects	Y	Y	Y

Country relationships

	(1)	(2)	(3)	(4)
Vote	-124.869**	-78.144**	-109.998***	-86.078**
	[-2.634]	[-2.310]	[-2.993]	[-2.283]
Vote × Alliance	49.887			
	[1.024]			
Vote × Direct contiguity		1.352		
		[0.030]		
Vote × Dependency contiguity			5.323	
			[1.255]	
Vote × Religion				5.181
				[0.206]
Observations	10,472	10,472	7,969	10,472
Adj. R-squared	0.766	0.764	0.775	0.766
Full set of controls	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y

Cross-listing and institutional investors

- Listing on a foreign stock exchange
 - commitment to provision of higher quality financial information; exposure to further scrutiny of reputable intermediaries
 - Lang, Raedy, and Wilson (2006 JAE); Shi, Magnan, and Kim (2012 WP)
 - minimization of information asymmetry; alternative financing sources
 - Saudagaran (1988 JIBS); Hillman and Wan (2005 JIBS)
- Institutional quality
 - ability to attract institutional investors drives firm performance - borrowing costs
 - Qian and Strahan (2007 JF); Qi, Roth, and Wald (2010 JFE)
 - presence of institutional investors alleviates the need for banks to engage in monitoring (transfer of savings to firms); positive signal to lending banks
 - Bhojraj and Sengupta (2003 JB); Dyck, Lins, Roth, and Wagner (2019)
- Interaction of *Vote* with indicators for cross-listing and institutional quality and protection

Cross-listing and insititutional quality

	(1)	(2)	(3)	(4)	(5)
Vote	-93.101***	-89.116**	-96.469*	-73.240*	-85.848*
	[-2.869]	[-2.795]	[-2.063]	[-1.944]	[-1.902]
Vote × Cross-listed	46.253**				
	[2.166]				
Vote × Cross-listed in U.S.		48.531*			
		[1.684]			
Vote × Disclosure			71.856**		
			[3.019]		
Vote × Investor protection				80.567**	
				[2.651]	
Vote × Legal rights					37.385*
					[1.942]
Observations	10,362	10,362	6,963	5,941	6,773
Adj. R-squared	0.767	0.767	0.806	0.818	0.801
Full set of controls	Y	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y	Y

Conclusions

- By using data from the global syndicated loan market we investigate whether state-to-state political ties with a global superpower affects the pricing of international bank loans
- A one-standard-deviation increase (improvement) in our political ties measure lowers loan spreads by approximately 13.5 basis points
 - 9.1% lower all-in spread drawn (AISD) for the average loan in our sample
 - interest savings: USD 2.3 million for loans of average size and duration
- Easing effect of political ties is magnified:
 - during war conflicts and geopolitical risk tensions; under Republican administrations; with better borrower balance sheets and relationship lending
- Not all firms make use of this mechanism
 - cross-listed firms and firms in countries with strong institutional quality rely less on their countries' political ties as a means for lowering their borrowing costs

***Thank you very much
for your attention!***

References I

- Ambrocio, G., Gu, X., and Hasan, I., (2019). Political ties and raising capital in global markets: Evidence from Yankee Bonds. Working Paper.
- Ambrocio, G., and Hasan, I., (2019). Friends for the benefits: The effects of political ties on sovereign borrowing conditions. Bank of Finland Discussion Paper 13/2019.
- Bae, K. H. and Goyal, V. K., (2009). Creditor rights, enforcement, and bank loans. *Journal of Finance*, 64, 823-860.
- Barro, R. and Lee, J.-W., (2005). IMF programs: Who is chosen and what are the effects?. *Journal of Monetary Economics*, 52(7), 1245-1269.
- Bhojraj, S. and Sengupta, P., (2003). Effect of corporate governance on bond ratings and yields: The role of institutional investors and outside directors. *The Journal of Business*, 76(3), 455-475.
- Braun, M. and Raddatz, C., (2010). Banking on Politics: When Former High-ranking Politicians Become Bank Directors. *World Bank Economic Review*, 24 (2), 234-279.
- Caldara, D. and Iacoviello, M., (2018). Measuring geopolitical risk. FRB International Finance Discussion Paper, (1222).
- Carter, D. B. and Stone, R. W., (2015). Democracy and multilateralism: the case of vote buying in the UN General Assembly. *International Organization*, 69(1), 1-33.
- Claessens, S., Feijen, E. and Laeven, L., (2008). Political connections and preferential access to finance: The role of campaign contributions. *Journal of Financial Economics*, 88(3), 554-580.
- Delis, M. D., Hasan, I., and Ongena, S., (2020). Democracy and credit. *Journal of Financial Economics*, 36, 571-596.
- Dreher, A., Nunnenkamp, P., and Thiele, R., (2008). Does U.S. aid buy UN general assembly votes? A disaggregated analysis. *Public Choice*, 136(1-2), 139-164.
- Dyck, A., Lins, K. V., Roth, L., and Wagner, H. F., (2019). Do institutional investors drive corporate social responsibility? International evidence. *Journal of Financial Economics*, 131(3), 693-714.
- Garmaise, M. and Natividad, G., (2013). Cheap Credit, Lending Operations, and International Politics: The Case of Global Microfinance. *Journal of Finance*, 68(4), 1551-1576.
- Giannetti, M. and Yafeh, Y., (2012). Do cultural differences between contracting parties matter? Evidence from syndicated bank loans. *Management Science*, 58(2), 365-383.

References II

- Hillman, A. J. and Wan, W. P., (2005). The determinants of MNE subsidiaries' political strategies: Evidence of institutional duality. *Journal of International Business Studies*, 36(3), 322-340.
- Houston, J., Jiang, L., Lin, C., and Ma, Y., (2014). Political Connections and the Cost of Bank Loans. *Journal of Accounting Research*, 52(1), 193-243.
- Lambert, T., (2019). Lobbying on Regulatory Enforcement Actions: Evidence from U.S. Commercial and Savings Banks. *Management Science*, 65 (6), 2445-2945.
- Lang, M., Raedy, J. S., and Wilson, W., (2006). Earnings management and cross listing: Are reconciled earnings comparable to US earnings?. *Journal of Accounting and Economics*, 42(1-2), 255-283.
- Malik, R. and Stone, R., (2018). Corporate influence in World Bank Lending. *Journal of Politics*, 80(1), 103-118.
- Mian, A., Sufi, A., and Trebbi, F., (2010). The Political Economy of the U.S. Mortgage Default Crisis. *American Economic Review*, 100 (5), 1967-1998.
- Qi, Y., Roth, L., and Wald, J., (2010). Political rights and the cost of debt. *Journal of Financial Economics*, 95(2), 202-226.
- Qian, J. and Strahan, P., (2007). How Laws and Institutions Shape Financial Contracts: The Case of Bank Loans. *Journal of Finance*, 62 (6), 2803-2834.
- Saudagaran, S. M. (1988). An empirical study of selected factors influencing the decision to list on foreign stock exchanges. *Journal of International Business Studies*, 19(1), 101-127.
- Signorino, C. and Ritter, J., (1999). Tau-b or Not Tau-b: Measuring the Similarity of Foreign Policy Positions. *International Studies Quarterly*, 43, 115-144.
- Shi, Y., Magnan, M., and Kim, J. B., (2012). Do countries matter for voluntary disclosure? Evidence from cross-listed firms in the US. *Journal of International Business Studies*, 43(2), 143-165.
- Thacker, S. C., (1999). The high politics of IMF lending. *World politics*, 52(1), 38-75.

Background Slides

Different loan controls

	(1)	(2)	(3)	(4)
Vote	-96.834**	-85.196**	-91.821**	-87.355**
	[-2.395]	[-2.064]	[-2.328]	[-2.138]
Loan amount			-8.561***	-6.754**
			[-2.851]	[-2.767]
Maturity			0.278**	0.252*
			[2.105]	[1.887]
Collateral		41.322***		38.360***
		[3.626]		[3.459]
Number of lenders		-0.476*		-0.442*
		[-1.923]		[-1.994]
Performance provisions		-4.476	-3.633	
		[-0.807]	[-0.597]	
General covenants		4.800	7.954*	
		[1.197]	[1.807]	
Bank size	2.984	0.752	0.684	-0.886
	[0.455]	[0.116]	[0.110]	[-0.137]
Bank ROA	-0.107	0.797	8.733	10.577
	[-0.003]	[0.022]	[0.219]	[0.294]
Bank NPLs	-0.269	-0.241	-0.266	-0.286
	[-0.338]	[-0.310]	[-0.348]	[-0.383]
Firm size	-13.015	-15.738	-7.258	-11.643
	[-1.231]	[-1.639]	[-0.721]	[-1.190]
Firm ROA	-333.023***	-318.400***	-317.617***	-323.338***
	[-5.514]	[-5.323]	[-5.268]	[-5.590]
Firm equity	3.882	4.968	3.555	4.932
	[0.459]	[0.643]	[0.442]	[0.624]
Firm debt	30.187	23.188	29.451	25.720
	[0.745]	[0.647]	[0.741]	[0.696]
GDP growth	-5.833**	-5.492**	-5.637**	-5.604**
	[-2.566]	[-2.436]	[-2.467]	[-2.470]
GDP per capita	-0.004	-0.003	-0.004	-0.003
	[-1.568]	[-1.410]	[-1.596]	[-1.381]
Bilateral trade	0.000	0.000	0.000	0.000
	[1.192]	[1.024]	[1.196]	[1.062]
Constant	454.215***	475.424***	592.411***	587.067***
	[3.965]	[4.060]	[4.658]	[4.370]
Observations	5,474	5,474	5,414	5,414
Adj. R-squared	0.782	0.788	0.788	0.793

Different voting measures

	(1)	(2)	(3)	(4)
Vote (non-normalized)	-51.278**			
	[-2.462]			
Vote (non-normalized current)		-44.745**		
		[-2.645]		
Vote (3-option)			-117.971*	
			[-2.034]	
Vote with us				-118.894*
				[-2.002]
Observations	10,472	10,493	8,745	8,086
Adj. R-squared	0.766	0.765	0.784	0.788
Full set of controls	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y

IV regressions: 1st-stage regressions

	(1) Vote	(2) Vote	(3) Vote	(4) Vote
US economic aid	-0.327 [-0.947]	-0.260 [-0.954]	-0.308 [-0.871]	-0.306 [-1.040]
US military aid	-0.046* [-1.989]	-0.016* [-1.855]	-0.038 [-1.624]	-0.022* [-1.893]
Population	0.000 [1.384]	0.000** [2.106]	0.000 [1.446]	0.001** [2.219]
Legal origin	-0.004 [-0.424]	-0.004 [-0.378]	-0.005 [-0.531]	-0.003 [-0.260]
Polity	-0.007 [-0.479]	-0.019 [-1.044]	-0.006 [-0.420]	-0.017 [-1.077]
Political rights	-0.012 [-0.573]		0.005 [0.177]	
Civil liberties	0.015 [0.749]		0.022 [1.041]	
Alliance		-0.005 [-0.341]		-0.009 [-0.606]
Religion		0.058** [2.147]		0.064** [2.132]
GDP growth (borrower)			0.005* [1.721]	0.003 [1.712]
GDP per capita (borrower)			0.000 [0.800]	-0.000 [-1.176]
Constant	0.749*** [6.449]	0.852*** [5.802]	0.687*** [6.107]	0.850*** [6.359]
Observations	315	315	315	315
Adj. R-squared	0.720	0.740	0.724	0.743
Year effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Results for AISU

	(1)	(2)	(3)	(4)	(5)
Vote	-0.544	-1.031	1.188	1.631	1.792
	[-0.050]	[-0.092]	[0.124]	[0.173]	[0.190]
AISD	0.233***	0.232***	0.237***	0.238***	0.235***
	[9.343]	[9.079]	[10.335]	[10.360]	[9.826]
Loan amount	0.211	0.138	0.119	0.153	0.127
	[0.417]	[0.283]	[0.222]	[0.292]	[0.258]
Maturity	0.071***	0.067**	-0.005	-0.003	-0.002
	[2.897]	[2.733]	[-0.104]	[-0.066]	[-0.051]
Collateral	1.452	1.336	2.038	2.033	1.618
	[0.384]	[0.357]	[0.619]	[0.621]	[0.521]
Number of lenders	0.014	0.016	0.004	0.003	0.014
	[0.251]	[0.294]	[0.082]	[0.075]	[0.298]
Performance provisions	0.210	0.314	-0.039	-0.074	0.015
	[0.174]	[0.254]	[-0.034]	[-0.064]	[0.012]
General covenants	-0.720	-0.659	-0.802	-0.839	-0.663
	[-0.558]	[-0.512]	[-0.829]	[-0.886]	[-0.726]
Bank size	1.815	1.923	0.508	0.939	1.870
	[1.060]	[1.136]	[0.367]	[0.675]	[1.221]
Bank ROA	1.355	1.345	1.439*	1.518*	1.122
	[1.584]	[1.558]	[1.759]	[1.851]	[1.272]
Bank NPLs	0.063	0.044	-0.009	0.038	0.074
	[0.523]	[0.382]	[-0.080]	[0.358]	[0.678]
Firm size	1.851	1.943	3.627*	3.596	3.646*
	[1.013]	[1.027]	[1.727]	[1.704]	[1.805]
Firm ROA	-21.78	-20.729	-18.217	-17.621	-18.305
	[-1.432]	[-1.329]	[-1.154]	[-1.102]	[-1.167]
Firm equity	-3.057**	-2.942**	-3.330**	-3.318**	-3.761**
	[-2.508]	[-2.361]	[-2.317]	[-2.330]	[-2.641]
Firm debt	-7.697	-6.384	-3.751	-3.609	-4.48
	[-1.034]	[-0.843]	[-0.538]	[-0.511]	[-0.626]
GDP growth	-0.120	0.100	0.223	0.236	0.208
	[-0.242]	[0.199]	[0.474]	[0.502]	[0.435]
GDP per capita	-0.000**	-0.001**	-0.001***	-0.001***	-0.001***
	[-2.635]	[-2.117]	[-3.079]	[-3.113]	[-3.260]
Bilateral trade	0.000	0.000	0.000	0.000	0.000
	[0.863]	[0.645]	[0.307]	[0.435]	[-1.235]
Constant	-1.918	15.789	28.41	21.942	13.2
	[-0.064]	[0.490]	[1.070]	[0.817]	[0.518]
Observations	3,322	3,322	3,312	3,312	3,298
Adj. R-squared	0.890	0.891	0.903	0.904	0.905

Different clustering

	(1)	(2)	(3)	(4)	(5)
Vote	-83.910**	-83.910***	-83.910**	-83.910***	-83.910***
	[-2.603]	[-2.836]	[-2.779]	[-3.033]	[-4.569]
Loan amount	-8.549***	-8.549***	-8.549***	-8.549***	-8.549***
	[-4.190]	[-4.562]	[-5.108]	[-3.855]	[-4.536]
Maturity	0.330*	0.330**	0.330**	0.330**	0.330*
	[2.014]	[2.175]	[2.747]	[2.617]	[2.175]
Collateral	33.396**	33.396**	33.396***	33.396***	33.396**
	[2.543]	[2.635]	[3.600]	[2.874]	[2.450]
Number of lenders	-0.533*	-0.533**	-0.533***	-0.533**	-0.533**
	[-1.955]	[-2.199]	[-2.860]	[-2.508]	[-2.589]
Performance provisions	-4.607	-4.607	-4.607	-4.607	-4.607
	[-0.956]	[-1.083]	[-1.455]	[-1.032]	[-1.216]
General covenants	6.942**	6.942**	6.942**	6.942*	6.942**
	[2.155]	[2.595]	[2.160]	[1.910]	[2.505]
Bank size	-1.414	-1.414	-1.414	-1.414	-1.414
	[-0.267]	[-0.318]	[-0.197]	[-0.217]	[-0.339]
Bank ROA	2.369	2.369	2.369	2.369	2.369
	[0.449]	[0.454]	[0.798]	[1.101]	[0.588]
Bank NPLs	-0.279	-0.279	-0.279	-0.279	-0.279
	[-0.411]	[-0.519]	[-0.544]	[-0.849]	[-0.743]
Firm size	-9.437	-9.437	-9.437	-9.437	-9.437
	[-0.887]	[-0.855]	[-1.476]	[-1.029]	[-1.019]
Firm ROA	-237.271**	-237.271**	-237.271***	-237.271***	-237.271**
	[-2.653]	[-2.753]	[-4.600]	[-3.973]	[-2.628]
Firm equity	-3.179	-3.179	-3.179	-3.179	-3.179
	[-0.509]	[-0.531]	[-0.673]	[-0.548]	[-0.540]
Firm debt	13.588	13.588	13.588	13.588	13.588
	[0.389]	[0.493]	[0.476]	[0.529]	[0.473]
GDP growth	-4.295	-4.295	-4.295**	-4.295**	-4.295*
	[-1.600]	[-1.624]	[-2.702]	[-2.667]	[-1.887]
GDP per capita	-0.001	-0.001	-0.001	-0.001	-0.001
	[-0.497]	[-0.538]	[-0.760]	[-0.758]	[-0.622]
Bilateral trade	-0.000**	-0.000***	-0.000**	-0.000**	-0.000*
	[-2.110]	[-2.923]	[-2.280]	[-2.232]	[-2.005]
Constant	581.859***	581.859***	581.859***	581.859***	581.859***
	[3.625]	[3.605]	[3.915]	[3.730]	[4.982]
Observations	10,472	10,472	10,472	10,472	10,472
Adj. R-squared	0.766	0.766	0.766	0.766	0.766
Clustering	BC&Y	BC&F	B&Y	B&F	LC&BC

Weighted regressions

	(1)	(2)	(3)	(4)	(5)
Vote	-83.828** [-2.461]	-83.853** [-2.459]	-83.406** [-2.457]	-83.305** [-2.447]	-83.828** [-2.461]
Loan amount	-8.550*** [-3.541]	-8.545*** [-3.539]	-8.528*** [-3.608]	-8.452*** [-3.593]	-8.550*** [-3.541]
Maturity	0.329** [2.388]	0.330** [2.393]	0.333** [2.432]	0.331** [2.414]	0.329** [2.388]
Collateral	33.442*** [3.248]	33.406*** [3.248]	33.128*** [3.231]	33.002*** [3.232]	33.442*** [3.248]
Number of lenders	-0.532** [-2.456]	-0.533** [-2.463]	-0.537** [-2.488]	-0.532** [-2.466]	-0.532** [-2.456]
Performance provisions	-4.549 [-1.160]	-4.612 [-1.172]	-4.419 [-1.130]	-4.653 [-1.185]	-4.549 [-1.160]
General covenants	6.955** [2.229]	6.962** [2.239]	6.924** [2.175]	6.965** [2.222]	6.955** [2.229]
Bank size	-1.324 [-0.201]	-1.476 [-0.220]	-1.687 [-0.258]	-1.633 [-0.248]	-1.324 [-0.201]
Bank ROA	2.298 [0.694]	2.364 [0.712]	2.292 [0.692]	2.394 [0.725]	2.298 [0.694]
Bank NPLs	-0.266 [-0.479]	-0.273 [-0.473]	-0.296 [-0.523]	-0.292 [-0.514]	-0.266 [-0.479]
Firm size	-9.528 [-1.258]	-9.433 [-1.247]	-9.086 [-1.208]	-9.415 [-1.248]	-9.528 [-1.258]
Firm ROA	-236.424*** [-4.435]	-237.154*** [-4.432]	-236.171*** [-4.429]	-236.418*** [-4.432]	-236.424*** [-4.435]
Firm equity	-3.114 [-0.514]	-3.172 [-0.525]	-3.359 [-0.559]	-3.240 [-0.538]	-3.114 [-0.514]
Firm debt	14.098 [0.421]	13.563 [0.406]	12.828 [0.386]	13.992 [0.422]	14.098 [0.421]
GDP growth	-4.293** [-2.410]	-4.297** [-2.419]	-4.342** [-2.474]	-4.319** [-2.446]	-4.293** [-2.410]
GDP per capita	-0.001 [-0.662]	-0.001 [-0.668]	-0.001 [-0.650]	-0.001 [-0.630]	-0.001 [-0.662]
Bilateral trade	-0.000** [-2.140]	-0.000* [-1.953]	-0.000** [-2.173]	-0.000* [-2.050]	-0.000** [-2.140]
Constant	575.048*** [4.383]	582.163*** [4.407]	577.375*** [4.484]	576.682*** [4.454]	575.048*** [4.383]
Observations	10,472	10,472	10,472	10,472	10,472
Adj. R-squared	0.766	0.766	0.766	0.766	0.766

Heckman regressions: 2nd-stage regressions

	(1)	(2)	(3)
Vote	-82.559**	-82.466**	-103.897**
	[-2.424]	[-2.407]	[-2.666]
Loan amount	-4.330	-3.797	-3.551
	[-1.191]	[-1.039]	[-0.739]
Maturity	0.318**	0.320**	0.097
	[2.286]	[2.306]	[0.770]
Collateral	44.687***	45.530***	43.099***
	[3.482]	[4.106]	[3.084]
Number of lenders	0.026	0.088	0.028
	[0.059]	[0.226]	[0.050]
Performance provisions	9.104	10.439	6.499
	[0.910]	[1.163]	[0.584]
General covenants	9.208**	9.523**	12.224***
	[2.722]	[2.779]	[3.799]
Bank size	11.264	12.758	11.786
	[1.186]	[1.473]	[1.004]
Bank ROA	1.584	1.472	2.802
	[0.468]	[0.434]	[0.783]
Bank NPLs	-1.512	-1.611	-0.982
	[-1.373]	[-1.607]	[-0.953]
Firm size	-10.080	-9.456	-5.855
	[-1.342]	[-1.266]	[-0.632]
Firm ROA	-226.549***	-225.661***	-164.492***
	[-4.251]	[-4.200]	[-2.813]
Firm equity	-4.313	-5.163	-8.544
	[-0.718]	[-0.863]	[-1.111]
Firm debt	22.211	21.598	6.792
	[0.664]	[0.639]	[0.180]
GDP growth	-4.373**	-4.365**	-5.023***
	[-2.438]	[-2.442]	[-2.908]
GDP per capita	-0.001	-0.001	-0.001
	[-0.694]	[-0.733]	[-0.516]
Bilateral trade	-0.000*	-0.000*	-0.000***
	[-2.025]	[-1.960]	[-2.870]
Lambda	42.566	46.593*	43.801
	[1.581]	[1.972]	[1.571]
Constant	282.218	249.776	260.749
	[1.217]	[1.183]	[1.027]
Observations	10,472	10,472	7,878
Adj. R-squared	0.766	0.767	0.780

Different firm and macro controls

	(1)	(2)	(3)	(4)	(5)	(6)
Vote	-83.677**	-88.381**	-154.344***	-108.720**	-83.534**	-84.987**
	[-2.452]	[-2.444]	[-4.337]	[-2.532]	[-2.407]	[-2.519]
Firm leverage	-0.110					
	[-1.459]					
Firm asset growth		-16.145**				
		[-2.211]				
Firm retained earnings		-0.000*				
		[-2.045]				
Firm tangibility			-8.194			
			[-0.600]			
Firm credit rating			10.024***			
			[3.621]			
Debt-to-GDP				0.637		
				[1.503]		
Inflation				-2.577		
				[-1.132]		
Trade balance					-0.000	
					[-0.154]	
Polity					50.772***	
					[9.264]	
Interbank rate						-1.443
						[-0.501]
VIX						0.436
						[0.875]
Constant	581.897***	613.449***	259.710	212.353	82.624	595.043***
	[4.415]	[4.405]	[1.165]	[0.959]	[0.483]	[4.238]
Observations	10,472	10,128	4,043	7,349	10,120	10,439
Adj. R-squared	0.766	0.767	0.813	0.762	0.767	0.766
Set of baseline controls	Y	Y	Y	Y	Y	Y
Fixed effects	Y	Y	Y	Y	Y	Y

Other loan characteristics

	(1)	(2)	(3)	(4)
	Loan amount	Maturity	Collateral	General covenants
Vote	0.230	12.252*	-0.026	-0.247
	[0.713]	[1.914]	[-0.263]	[-1.079]
AISD	-0.001***	0.023**	0.000***	0.000*
	[-3.374]	[2.574]	[3.320]	[2.013]
Loan amount		1.251**	-0.027***	0.007
		[2.125]	[-3.361]	[0.439]
Maturity	0.002**		0.001	-0.000
	[2.069]		[1.555]	[-0.268]
Collateral	-0.296***	4.395		0.320**
	[-3.429]	[1.597]		[2.371]
Number of lenders	0.012**	0.127*	-0.003***	-0.000
	[2.666]	[1.920]	[-3.332]	[-0.240]
Performance provisions	0.068	-0.040	0.016	0.367***
	[0.945]	[-0.024]	[0.555]	[5.233]
General covenants	0.017	-0.230	0.072***	
	[0.447]	[-0.271]	[3.086]	
Bank size	-0.026	2.189	0.033	0.054
	[-0.884]	[1.599]	[1.361]	[1.066]
Bank ROA	-0.030	0.068	0.005	0.011
	[-0.794]	[0.100]	[0.414]	[0.337]
Bank NPLs	0.006	-0.077	0.000	0.002
	[1.478]	[-0.682]	[0.099]	[0.526]
Firm size	0.415***	-3.840**	0.064**	0.018
	[6.128]	[-2.338]	[2.306]	[0.231]
Firm ROA	1.082**	20.047	0.079	-0.305
	[2.498]	[1.631]	[0.449]	[-0.617]
Firm equity	-0.041	0.602	-0.023	-0.003
	[-0.953]	[0.552]	[-1.175]	[-0.052]
Firm debt	0.265	4.878	0.173	0.186
	[0.743]	[0.667]	[1.555]	[0.892]
GDP growth	0.014	0.791**	0.002	0.002
	[1.002]	[2.337]	[0.396]	[0.108]
GDP per capita	0.000	0.000	0.000	0.000
	[-1.412]	[-0.785]	[0.523]	[0.084]
Bilateral trade	0.000	0.000	0.000	-0.000
	[0.768]	[-0.632]	[0.476]	[-1.426]
Constant	17.511***	20.565	-0.322	-0.906
	[19.368]	[0.739]	[-0.648]	[-0.967]
Observations	10,472	10,472	10,472	10,472
Adj. R-squared	0.748	0.677	0.751	0.630

“

End