The European Journal of Finance ›
Volume 16, 2010 - Issue 5

Original Articles

Large debt financing: syndicated loans versus corporate bonds

Yener Altunbaş, Alper Kara & David Marques-Ibanez

Pages 437-458 | Published online: 20 Oct 2009

Cite this article https://doi.org/10.1080/13518470903314394

Abstra

Followin experienced
a histori nce of
syndicat ations. For
the first e corporate
bond (verifiable)
profi ntrast, firms
with mo growth
opportu re the
preferre ut have less
growth c

Keywords

syndicated

JEL Classification :

D40 F30 G21

Acknowledgements

The opinions expressed in this paper are those of the authors only and do not necessarily represent the views of the institutions they work for. We are very grateful to two anonymous referees, as well as to Juan Angel Garcia, Marco lo Duca, Steven Ongena, Dimitrios Rakitzis, Carmelo Salleo, Livio Stracca, Barry Howcroft, Mark Tippett and seminar participants at the Loughborugh University Business School for very useful comments.

Notes

Our sample period does not incorporate the recent credit crisis in which syndicated loan issuance declined to a larger extend than corporate bond issuance.

This run ... esulted in the 'irrel

Theoreti ... tructure of the sync

The issu ... tment banks ... ts, such as those

This is ir ... firms' capital s

Both stu ... ebt as 'any other de

This is in contrast to the bulk of previous empirical evidence on firms' financing decisions, which tend to be overwhelmingly based on US data.

Syndicated loan announcements have also been used to evaluate possible bank certification effects on the market value of a firm (Lummer and McConnel 1989; Billet, Flannery, and Garfinkel 1995; Meggison, Poulsen, and Sinkey 1995; Preece and Mullineaux 1996). There is also evidence on the pricing of syndicated loans in relation to lender characteristics and the borrower's default risk (Angbazo, Mei, and Saunders 1998; Altman and Suggitt 2000; Hubbard, Kuttner, and Palia 2002; Thomas and Wang 2004; Coleman, Esho, and Sharpe 2006). Yet again, almost all of the research on syndicated loan markets is overwhelmingly centred on the US (Bosch 2007 and Steffen and Wahrenburg 2008 are two recent interesting exceptions). In addition, this literature does not offer a comparison with the corporate bond market, which is, however, the most obvious benchmark candidate for the syndicated loan market. Thomas and Wang (2004) is an exception looking at price convergence.

In Section 5.2 we extend the analysis by including those observations where a firm issues both syndicated loans and bonds within a given year. In this alternative specification, we also extend the dependent variable to host the third option of joint issuance. This is further explained in Section 5.2.

Owing to [illegible] a great loss of obser[illegible] ontrol for heterosc[illegible] odels.

See Smi[illegible] dt, and Subrama[illegible] (2003). Ideally d[illegible] ely helpful to 'flesh [illegible] his data at the [illegible]

There ar[illegible] e issuance observat[illegible] within a year. Th[illegible] tions. We exclude [illegible] orporate bond sin[illegible]

For further details, see Table 1. The total number of cases of debt issuance (2460) by all firms equals the sum of loans and bonds listed in the rows titled 'Number of loans issued' and 'Number of bonds issued' in Table 1.

Due to data unavailability price factor is not tested in this paper.

Growth in sales (a backward-looking growth indicator) is also found to increase the likelihood of borrowing from bond markets, but only in Model 3.

There are 164 firms in Category IV (Table 1). In Model 2 only loans (175 observations) and bonds (311 observations) issued by Category IV firms in different years were included in the sample. In Model 3 we include observations from Category IV corresponding to joint issuances (i.e. years in which the firm issues both loan and a bond within the same year).

Other descriptive characteristics comparing the two sets of firms are provided in Table 5.

Ideally, the analysis could have given better results if we had the opportunity to include bilateral loans and other private debt incurred by the firms in our sample. However, owing to data unavailability we rely only on the findings of previous studies.

To check of 1377

firms by at firms'

characte or both

within th between

the alter p the

market. s affecting

the firms t to borrow

(no issu

We a a

depende ms we

defined ncial market

(i.e. eith ble upon

request, lysis of

large de

The results for year dummy variables are not reported in tables but available upon request.

We only report coefficients of the new variables as our main findings do not display any variation in the new specifications.

Related Research Data

The integration of bank syndicated loan and junk bond markets
Source: Journal of Banking & Finance
Monitoring and Reputation: The Choice between Bank Loans and Directly Placed Debt
Source: Journal of Political Economy
The Choice Between Public and Private Debt: An Analysis of Post-Deregulation Corporate Financing in Japan
Source: Unknown Repository
What's different about banks?
Source: Journal of Monetary Economics
Default rates in the syndicated bank loan market: A mortality analysis
Source: Journal of Banking & Finance
How Do Firms Choose Their Lenders? An Empirical Investigation
Sourc
Key f n
syndi
Sourc
Const
Sourc
Inves
Sourc
T
So
Finan
Sourc
The M
Sourc
Monit
Sourc
Bond

Source: The Journal of Finance
Choice of Financing Source in International Debt Markets
Source: Journal of Financial Intermediation
Information Asymmetry and Financing Arrangements: Evidence from Syndicated Loans
Source: SSRN Electronic Journal
Syndicated Loan Announcements and the Market Value of the Banking Firm
Source: Journal of money credit and banking
Determinants of corporate borrowing
Source: Journal of Financial Economics
The investment opportunity set and corporate financing, dividend, and compensation policies
Source: Journal of Financial Economics
INFORMATIONAL ASYMMETRIES, FINANCIAL STRUCTURE, AND FINANCIAL INTERMEDIATION
Source: The Journal of Finance
Are There Bank Effects in Borrowers' Costs of Funds? Evidence from a Matched Sample of Borrowers and Banks
Source: The Journal of Business
An Empirical Analysis of the Determinants of Corporate Debt Ownership Structure
Source: Journal of Financial and Quantitative Analysis
Does Bank Monitoring Influence Loan Contract Terms?
Source: Journal of Financial Services Research
Syndi
Sourc
Credi
Sourc
On fi
Sourc
Theo ... e
Sourc
Fi
So
An in ... ts of
debt
Sourc
Finan
Sourc
Can F
Sourc
Bank Information Monopolies and the Mix of Private and Public Debt Claims

Source: The Journal of Finance
Creditor Rights, Enforcement, and Debt Ownership Structure: Evidence from the Global Syndicated Loan Market
Source: SSRN Electronic Journal
Informational Asymmetries, Financial Structure, and Financial Intermediation
Source: The Journal of Finance
Financial System Architecture and the Co-Evolution of Banks and Capital Markets
Source: SSRN Electronic Journal
Determinants of corporate debt securities in the Euro area
Source: European Journal of Finance
The Determinants of Corporate Debt Maturity Structure
Source: The Journal of Business
Further evidence on the bank lending process and the capital-market response to bank loan agreements
Source: Journal of Financial Economics
High-Yield Bond Diffusion in the United States, the United Kingdom, and the Euro Area
Source: Journal of Financial Services Research
Financial Intermediary-Coalitions
Source: Unknown Repository
Issuing costs to existing shareholders in competitive and negotiated underwritten public utility equity offerings
Source: Journal of Financial Economics
Inforr
debt1 nang
Desa lav
Maks ,
Richa er, and
semir VFA
meet ly
grate gestions
tl
So
Credi
Sourc
Repu aded
Debt
Sourc
The c from
new c
Source: Journal of Financial Economics

The Effect of Lender Identity on a Borrowing Firm's Equity Return
Source: The Journal of Finance
Information Asymmetry and the Pricing of Private Debt - Evidence from European Syndicated Loans
Source: SSRN Electronic Journal
Syndicated Loans
Source: Unknown Repository
The balance sheet channel of monetary policy: first empirical evidence for the euro area corporate bond market
Source: International Journal of Finance & Economics
Equity, Bonds, and Bank Debt: Capital Structure and Financial Market Equilibrium under Asymmetric Information
Source: Journal of Political Economy

Related research