

4,053 61
Views | CrossRef citations to date

45
Altmetric

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>

Sample our
Economics, Finance,
Business & Industry Journals

>> [Sign in here](#) to start your access to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

We Care About Your Privacy

We and our 876 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

I Accept

Reject All

Show Purposes



Abstra

Followin

a histori

syndicat

the first

bond ma

profi

with mo

opportu

preferre

growth c

Keyword

JEL Cla

experienced

nce of

For

the corporate

(verifiable)

contrast, firms

growth

re the

but have less

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 Loughborough 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 extent than corporate bond issuance.

This runs contrary to the Modigliani and Miller ([1958](#)) assumptions, which resulted in the 'irrelevance hypothesis' regarding corporate financing decisions.

Theoretically, these models would have the additional complication of the structure of the syndicated loan agreement (see [Lambert and Larcker 1987](#)).

The issuance of syndicated loans is often subject to a 'club' arrangement where the lead bank has a significant role in the decision-making process, such as those related to the selection of borrowers and the terms of the loan.

This is in line with the 'pecking order' theory of capital structure, which suggests that firms' financing decisions are primarily driven by their investment opportunities.

Both syndicated loans and corporate bonds are often issued as 'any amount' securities, which allows the issuer to draw down the facility as needed.

This is in line with the 'pecking order' theory of capital structure, which suggests that firms' financing decisions are primarily driven by their investment opportunities.

Syndicated loans are often issued as 'any amount' securities, which allows the issuer to draw down the facility as needed. See [Lambert and Larcker 1987](#); [Billet, Flannery, and Garbner 1995](#); [Megginson, 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 a lack of variation in the discrete dependent variable that leads to a great loss of observations, we use random effect estimates throughout the study. To control for heteroscedasticity we use robust standard errors for multinomial logistic models.

See Smith and Watts ([1992](#)), Barclay and Smith ([1995](#)), Krishnaswami, Spindt, and Subramaniam ([1999](#)), Esho, Lam, and Sharpe ([2001](#)), and Denis and Mihov ([2003](#)).

Ideally data on board level representation of lender banks would be extremely helpful to 'flesh out' the euro area data at

There are 2460 observations within a year. The dependent variable is defined as 'issuance' if the firm issues either syndicated loans or corporate bonds within a year. We exclude observations where the firm issues both syndicated loans and corporate bonds.

For further information on the data, see the Appendix. The sample consists of 2460 observations of firms equating to 2460 'issuance' observations. The dependent variable is defined as 'issuance' if the firm issues either syndicated loans or corporate bonds within a year. We exclude observations where the firm issues both syndicated loans and corporate bonds.

Due to data constraints, we use random effect estimates throughout the study. To control for heteroscedasticity we use robust standard errors for multinomial logistic models. Growth in 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 for robustness we ran similar regressions with our original sample of 1377 firms by including the years in which they do not issue any debt. We find that firms' characteristics affecting the choices of alternative debt options (bond, loan or both within the same year) are similar. This is due to the fact that the differences between the alternative choices are only present at marginal levels after the firms tap the market. However, these unreported findings only capture the characteristics affecting the firms' decision of whether to borrow (via any of the three options) or not to borrow (no issuance) at all.

We also... a
depende... ns we
defined... ncial market
(i.e. eith... ble upon
request,... ysis of
large de...

The re... le upon
requ...

We only... display any
variation...

The Choice Between Corporate and Structured Financing: Evidence From New Corporate Borrowings


Source: Elsevier BV

Corporate debt maturity in developing countries: Sources of long and short-termism

Source: Wiley

Why do companies issue sukuk

Source: Wiley

Linking provided by  ScholarSplorer

Related research

People also read

Recommended articles

Cited by
61



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

