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Asymmetric Information and Loan Spreads in Russia: Evidence from Syndicated Loans

This paper considers whether local bank participation exerts an impact on the spreads for syndicated loans in Russia. Following Berger, Klapper and Udell (2001), we test whether local banks possess a superior ability to deal with information asymmetries. Using a sample of 528 syndicated loans to Russian borrowers, we perform regressions of the spread on a set of variables including information on local bank participation and the characteristics of loans and borrowers. Unlike earlier studies, we distinguish foreign banks with a local presence from those without such presence. The intuition here is that a local presence may influence a foreign bank's monitoring ability and access to information about borrowers. We observe no significant impact on the spread when there is local bank participation in a syndicated loan, nor do we find any significant influence of the presence of domestic-owned banks or foreign-owned banks on the spread. Additional estimations considering subsamples with exacerbated information asymmetries provide similar results. Therefore our conclusion is that local banks do not benefit from an advantage in monitoring ability and in information in Russia.