Borrowing costs and the role of multilateral development banks: Evidence from cross-border syndicated bank lending

JOURNAL OF INTERNATIONAL MONEY AND FINANCE
DOI:
https://doi.org/10.1016/j.jimonfin.2019.102090
Publicado:
Viernes, 9 Abril 2021
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Clasificación JEL:
D82, F34, G21, G32
Palabras clave:
cross-border lending, syndicated loans, multilateral development banks
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Cross-border bank lending is a growing source of external finance in emerging and developing countries and could play a key role in infrastructure and development financing. This paper looks at the role of multilateral development banks (MDBs) on the terms of syndicated loans, focusing on loan pricing. The results show that MDBs' participation is associated with higher borrowing costs and longer maturities—signaling a greater willingness by MDBs to finance risky projects which may not be financed by the private sector. We also show that MDBs are more likely to lend to borrowers located in countries with high credit and financial risk. Overall, our findings suggest that MDBs could play a role in easing access to credit for high risk borrowers.
