



Cross-Border Lending and the Importance of Timely Loss Recognition

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*Scientific Journal for Financial and Commercial Studies and Research
(SJFCSR)*

Faculty of Commerce – Damietta University

Vol.5, No.1, Part 1., January 2024

APA Citation:

Ahmed, M. (2024). Cross-Border Lending and the Importance of Timely Loss Recognition, *Scientific Journal for Financial and Commercial Studies and Research*, Faculty of Commerce, Damietta University, 5(1)1, 69-117.

Website: <https://cfdj.journalsekb.eg>

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Abstract:

Objective: This study investigates the impact of a firm's financial reporting quality on foreign lenders' participation in loan offerings.

Design and Methodology: The study examines syndicated loan data and analyzes whether timely loss recognition, a measure of financial reporting conservatism, influences foreign lenders' decision to participate in a loan syndicate. The study also considers the role of "soft" information and lender proximity to the borrower country.

Findings and Recommendations: The results show that foreign lenders prefer borrowers with reliable accounting information and timely loss recognition. Such recognition reduces information asymmetry and allows foreign lenders to rely more on public financial reports. Timely loss recognition is even more important for foreign lenders facing informational disadvantages due to geographical distance. The findings suggest that firms can attract more foreign lending by improving financial reporting quality and recognizing losses in a timely manner.

Originality and Value: This study contributes to the literature by providing insights into the factors influencing foreign lenders' lending decisions. The results highlight the importance of financial reporting quality and loss recognition timeliness in mitigating information asymmetry in cross-border lending. The findings have implications for policymakers and firms seeking foreign financing.

JEL classification: F34, G21, M41.

Keywords: international finance, financial reporting quality, timely loss recognition, soft information, syndicated lending, foreign banks, information advantage hypothesis.

1. Introduction

In many countries worldwide, local sources of external finance are limited (Giannetti and Koskinen, 2010). As a result, foreign banks have become increasingly crucial in providing external finance for most countries (Demirgüç-Kunt and Levine, 2001; Bae and Goyal, 2009). However, access to foreign sources of finance is not uniform across firms and countries (Leuz et al., 2010). Despite the critical role played by foreign lenders, little is known about what drives their decision-making process when considering extending credit to firms operating on the other side of the world. This paper aims to fill this gap in the literature by investigating the impact of a firm's financial reporting quality on foreign lenders' participation in its loan offerings. Specifically, the study examines how financial reporting conservatism, measured by timely loss recognition, influences foreign lenders' decisions to enter syndicated lending. Empirical evidence suggests that timely loss recognition is an essential determinant of foreign lenders' decision-making process.

In addition to relying on financial reporting information, banks have been known to depend on "soft" information for their lending and monitoring activities, as noted by Stein (2002) and Beneish et al. (2012). This type of information pertains to local, market, or firm-specific details that require direct interaction with the borrower, such as their trustworthiness or entrepreneurial capabilities, as highlighted by Petersen (2004) and Detragiache et al. (2008). However, collecting such information can be expensive for lenders, particularly when the borrower is located far away, which can impede the lender's ability to effectively monitor the borrower, according to Knyazeva and Knyazeva (2012). Research has shown that the geographical distance between a bank and a borrower's country is a crucial factor in lending decisions, as noted by De Haas and Van Horen (2013) and Yang (2022). This is due to the costs associated with acquiring information, as stated by Berger et al. (2001), transaction and enforcement costs, as found by Bellucci et al. (2013), and the challenges associated with negotiating with defaulting borrowers located far away, as noted by Mian (2006). Furthermore, during periods of crisis, Giannetti and Laeven (2012) observed that banks are less capable of evaluating foreign borrowers and tend to shift towards domestic lending. Consequently, banks may be more hesitant to lend to

opaque borrowers in foreign countries, as noted by De Haas and Van Horen (2013).

Esty (2004) and Bae and Goyal (2009) have documented several instances of discrimination against foreign lenders in various countries, including the United States. For instance, during the Asian crisis, Jasmine International, a Thai company controlled by the Thai commerce minister's family, reorganized its debt and fully paid its domestic lenders while foreign creditors received less than 20% of their money. Similarly, in 2003, foreign lenders to Asia Pulp and Power Company, which was controlled by Indonesia's Widjaja family, faced challenges in rescheduling debt payments, and the family reportedly snubbed their foreign lenders by not showing up for scheduled meetings to discuss debt repayments. Although high-quality accounting information may not directly mitigate discrimination against foreign participants or home bias, it may still be beneficial for lenders to have access to such information as they weigh the costs and benefits of lending. For example, the potential benefit of better information quality may compensate for the cost of potentially being discriminated against, thus making it more attractive for lenders to extend credit.

According to Detragiache et al. (2008), accounting information is considered to be hard information and can be used by foreign banks to easily monitor borrowers. Recent studies have shown that the quality of a firm's financial reporting plays a significant role in shaping the terms of syndicated loan contracts (Graham et al., 2008; Kim et al., 2011a; Kim et al., 2011b; Zhang, 2008). Since debtholders are more sensitive to losses than gains, lenders prefer firms that recognize losses in a timely manner. Timely loss recognition (TLR) reduces the information asymmetry between lenders and the manager of the borrowing firm, allowing lenders to rely more on public accounting information. Additionally, TLR facilitates the tripwire function of accounting-based covenants by triggering covenant violations in a timely manner, thus helping to mitigate unnecessary delays in transferring control to creditors when the firm is near default (Nikolaev, 2010). Foreign banks, which are unable to collect soft information, are more likely to rely on firms' accounting information (Detragiache et al., 2008). Enhanced accounting information through TLR is even more crucial in cross-border lending, as it enables foreign lenders to conduct a more precise evaluation of the borrowing firm in a timelier manner, thereby mitigating the informational disadvantages

they would otherwise face (i.e., the information advantage hypothesis). However, there are several factors that could potentially decrease the demand for conservatism among foreign lenders. For instance, technological advancements, telecommunications, the internet, and global information sharing have made it easier for distant lending to take place (Berger and DeYoung 2006). Petersen and Rajan (2002) have shown that advancements in information technology have improved credit access for small businesses located far away. Therefore, the increased use of information technology could have reduced the need for foreign lenders to demand timely loss recognition. Additionally, higher renegotiation costs may also decrease the demand for conservatism among foreign lenders. It remains an open empirical question whether foreign lenders' participation in syndicated loans is correlated with timely loss recognition.

The use of syndicated loans provides an ideal opportunity to investigate how a firm's accounting conservatism affects the participation of foreign lenders in its loan offerings. Cross-border lending is predominantly facilitated through syndicated loans, with foreign banks accounting for the majority of syndicates and holding over 50% of the loan amount on average. It is expected that all members of a loan syndicate conduct their own credit evaluation rather than relying solely on arrangers.

This study utilized data from 20,112 syndicated loan deals for 5,368 firms from multiple countries between 1996 and 2012, obtained from Dealscan and Worldscope/Datastream databases, to draw broader inferences on the relationship between foreign banks' lending and firms' financial reporting conservatism under different macroeconomic conditions. The results suggest that foreign lenders are more likely to participate in loan transactions with firms that have a higher degree of timely loss recognition, indicating support for the information advantage hypothesis. A 4% increase in the proportion of foreign lenders in the syndicate is associated with an increase in timely loss recognition from the 25th percentile to the 75th percentile. Additionally, conservatism at the 75th percentile is associated with a 5% higher share held by foreign lenders compared to conservatism at the 25th percentile. Moreover, during financial crises, the effect of TLR on foreign lenders' participation is even more significant.

The paper also investigates the channels through which TLR attracts more foreign credit, such as the borrower's global presence, the lead arranger's reputation, relationship lending, and creditor protection. The results show that foreign sales and cross-listing in the US weaken the TLR's information/monitoring effect. Additionally, the effect of TLR on foreign lender participation is less pronounced if the loan is syndicated by a relationship arranger and if the borrower is located in a country with a higher level of creditor protection.

This paper contributes to the literature on accounting conservatism and the role of accounting in debt contracting in general (Ball et al. 2008a; Wittenberg-Moerman, 2008; Beatty et al. 2008; Zhang, 2008; Nikolaev, 2010; Bharath et al. 2008; Kim et al. 2011a,b; Chan et al. 2015) by providing evidence that timely loss recognition is associated with higher participation and loan share by foreign lenders in the syndicate due to the enhanced ability to assess borrower credit quality in a timely manner (Givoly and Hayn, 2000; Barth et al. 2001; Francis and Schipper, 2002; Ahmed et al. 2006; Dechow et al. 2010; Zhang, 2013). The paper also contributes to the literature about the impact of geography on lending and other capital market decisions (Petersen and Rajan, 2002; Mian, 2006; Hauswald and Marquez, 2006; Knyazeva and Knyazeva 2012). While some attention has been given to the impact of accounting quality on loan terms, little is known about the impact of financial reporting quality through timely loss recognition on the international composition of the loan syndicate (De Haas and Van Horen, 2013; Bae and Goyal, 2009; Lin et al. 2012).

The remainder of this paper is structured as follows. The next section reviews the literature and develops the main hypothesis. Section 3 presents the variables and the empirical model. Section 4 discusses the sample and presents the descriptive statistics. Sections 5, 6 and 7 discuss the results and section 8 concludes.

2. Extant research and hypotheses

Banks often encounter information asymmetry and moral hazard issues when making lending decisions, particularly in remote locations. Foreign banks may find it challenging to screen remote borrowers due to the lack of 'soft' information, and they may struggle with relational functions such as renegotiation and bad loan recovery, which require substantial information and control. This section reviews the literature on these issues.

A significant body of research in finance and economics has explored the effect of physical distance on lending. Petersen and Rajan (2002) argue that physical distance is immaterial in bank lending due to the use of information technology. Nevertheless, recent literature shows that geographic proximity has a significant impact on information gathering and monitoring (Knyazeva and Knyazeva 2012; Bird and Knopf, 2015). In addition, De Haas and Van Horen (2013) state that the location of a bank to the borrower's country plays a significant role in the lending decision. Lee et al. (2020) investigates the use of performance pricing provisions (PPPs) in syndicated loan contracts by foreign lenders. The study finds that foreign lenders prefer PPPs over tight covenants due to higher information asymmetry and greater renegotiation costs than their domestic counterparts. The literature identifies several issues related to distant lending. For example, physical distance affects transportation costs, and the accuracy and availability of information to the lender are directly proportional to the distance between the lender and the borrower's social and economic environment. Domestic banks will have better business information about that area than foreign banks (Almazan, 2002; Gehrig, 1998).

Home bias is also observed in equity markets (French and Poterba, 1991), where domestic investors have an information advantage (Brennan and Cao, 1997; Kang and Stulz, 1997), and are inclined towards familiar investments (Huberman, 2001). Coval and Moskowitz (1999) document mutual fund holdings' strong bias towards local companies. Lenders in debt markets also show home bias, with a 20% increase in loans granted to local borrowers during banking crises (Giannetti and Laeven, 2012). Loan spreads increase with distance between lenders and borrowers (Knyazeva and Knyazeva, 2012), and culturally distant banks lend smaller loans at higher rates of interest (Giannetti and Yafeh, 2012). Foreign banks are less likely to provide capital to unrated borrowers (Bosch and Steffen, 2011), and prefer not to participate in syndicated loans for borrowers with divergence between cash flow rights and voting rights of the dominant shareholders (Lin et al., 2012).

According to Gormley et al. (2012), higher financial reporting quality is associated with foreign lending in India. Kim et al. (2011b) support this idea, claiming that foreign lenders prefer borrowers who report based on International Financial Reporting Standards (IFRS) due to increased transparency and reduced costs associated with assessing borrower credit quality. Li et al. (2022) find that foreign banks are associated with better reporting. However, while IFRS is often seen as enhancing financial statement comparability, there are obstacles to achieving this goal (Kvaal and Nobes, 2010). Lang et al. (2010) and Liao et al. (2012) provide evidence against the claim that IFRS adoption enhances financial statement comparability, and principles-based standards may create incentives for managers to manipulate accounting numbers (George et al., 2015). Recent evidence also casts doubt on the transparency benefits of IFRS, as increased informativeness only occurs for firms with greater incentives to be transparent and in countries with strict enforcement regimes (Daske et al., 2008; Christensen et al., 2013; Daske et al., 2013). In addition, the increased reliance on fair value accounting under IFRS could reduce the effectiveness of financial statement information in debt contracting, as evidenced by a decline in accounting-based covenants in IFRS-adopting countries (Ball et al., 2015).

Despite these challenges, the evidence suggests that foreign lenders rely heavily on firms' financial reporting due to their inability to collect soft information (Stein, 2002; Detragiache et al., 2008; Beneish et al., 2012). Consequently, borrowers with better financial reporting quality may experience reduced agency costs related to distance. Conservatism is expected to further facilitate lenders' monitoring and enhance the efficiency of debt covenants, particularly for foreign lenders. Therefore, the participation rate of foreign lenders in syndicated loans is expected to be positively related to financial reporting quality, as measured by the ability of the accounting system to reveal bad news in a timely fashion.

H1: Accounting conservatism positively affects foreign lenders participation (and share) in international syndicated loans.

3. Variables and measurement

Conservatism at the country level is measured in this study, following the approach of Bushman and Piotroski (2006), Ball et al. (2000), Ball et al. (2008b), and Li (2015), using Basu's (1997) measure. Ball et al. (2000) demonstrate that variations in accounting practices exist across economies due to country-level institutions. Similarly, Ball et al. (2008b) argue that the financial reporting system in a country is determined by its institutional structure, and individual firm reporting practices are not independent across firms or years. Bushman et al. (2011) further suggest that country-level institutions play a critical role in shaping reporting incentives, making it challenging to detect the effects of timely loss recognition at the firm or industry level within a country. Moreover, firm-level estimates require a long time-series of data and both positive and negative returns to estimate Basu's equation parameters. Few countries have enough industry-level data to reliably estimate conservatism. Li (2015) argues that country-level conservatism can be viewed as a commitment to conservative reporting by all firms in that country, and variations in country-level conservatism reflect differences in mandatory conservative standards across regimes. Therefore, this study estimates the Basu (1997) model for each country-year using all observations from the past 3 years, following the approach of prior research (Ball et al. 2000; Bushman and Piotroski, 2006; Li, 2015), to create country-level estimates of timely loss recognition practices.

$$X_{ijt} = \beta_{0jt} + \beta_{1jt}D_{ijt} + \beta_{2jt}R_{ijt} + \beta_{3jt}R_{ijt} \times D_{ijt} + \varepsilon_{jt} \quad (1)$$

Where, i , j and t denote firm, country and year respectively. X_{ijt} is the net income before extraordinary items scaled by lagged market value of equity. R_{ijt} is the annual buy and hold return. D_{ijt} is a dummy variable equal to 1 if R_{ijt} is negative. Timely loss recognition (TLR) is measured by $(\beta_2 + \beta_3)$. Overall timeliness, for both gains and losses combined, is measured by the adjusted R^2 of the regression. Measuring conservatism at the country-year level controls for the changes in mandatory accounting standards during the sample period (e.g. IFRS) which may affect the conservatism level (Li, 2015).

This study uses foreign bank participation as a proxy for the change in syndicate composition in response to financial reporting conservatism. Two main proxies are employed to measure foreign bank participation, including the proportion of foreign banks in the syndicate and the fraction of the loan retained by all foreign banks in the syndicate, following the approach of Kim

et al. (2011b) and Lin et al. (2012). To account for other determinants of foreign banks' participation in the syndicate, the model controls for various firm and loan characteristics used in prior research, such as those identified by Qian and Strahan (2007) and Lin et al. (2012). Firm fixed-effects are also included to control for all time-invariant unobservable determinants of foreign lending at the firm level, as well as industry characteristics and country-specific regulatory or institutional characteristics that are constant over time, following the approach of Bae et al. (2008) and Brown et al. (2012). Additionally, time fixed-effects are included to control for time-varying international factors that may affect foreign lending.

4. Sample and descriptive statistics

a. Sample selection

The primary sample encompasses publicly traded firms from 20 nations, namely Australia, Canada, France, Germany, Greece, Hong Kong, India, Italy, Japan, South Korea, Malaysia, Netherlands, Norway, Singapore, Russia, Taiwan, Sweden, Thailand, USA, and UK, which are featured in the *Worldscope* and *Loan Pricing Corporation's Dealscan* databases from 1996 to 2012. These countries account for approximately 90% of *Dealscan's* coverage. Prior studies (e.g., Qian and Strahan 2007) indicate that both *Worldscope* and *Dealscan* databases exhibit a bias towards larger firms, rendering the sample non-representative of the unobservable population of firms (Gassen and Fuelbier, 2014). Financial values reported in different currencies are converted to U.S. dollars. The selected countries offer geographical diversity across Asia, Europe, and North America. Bank reputation data is acquired from Thomson One Banker, and GDP/financial development data is collected from the World Bank database.

Dealscan's database, which commenced in 1986, contains information on bank loans and other financial arrangements. The year 1996 is chosen as the starting point for the sample period due to the incompleteness of *Dealscan* prior to 1996 (Chava and Roberts, 2008). Firm-level accounting information and borrower firm returns are obtained from *Worldscope* and *Datastream*, respectively. The initial sample comprises 47,497 nonfinancial firms from the 20 countries covered by *Worldscope/Datastream*, resulting in 854,946 yearly observations between 1996 and 2012.

Datastream's returns data has been documented to have several issues due to errors (Ince and Porter, 2006). To address these, constant values assigned by Datastream to returns after a stock ceases trading are replaced with missing values. Additionally, following Ince and Porter's (2006) recommendations, any return exceeding 300% that is reversed within one month is set to missing.

Worldscope data is cleansed of duplicate firms (by name, country, and sector); instances where the price is less than 1; and cases where the book value of equity is negative. Following these restrictions, the Worldscope sample is reduced to 46,688 firms, yielding 696,256 yearly observations between 1996 and 2012. To mitigate the impact of outliers, all Worldscope continuous variables are winsorized at the 1% level for each tail.

The Worldscope dataset serves as the master, permitting multiple Dealscan loans to be linked to a single Worldscope ID. In line with previous research (Ferreira and Matos, 2012; Houston et al. 2007), the loan item Parent in Dealscan is merged with Datastream data. Due to discrepancies in spelling, the majority of the matching between Dealscan and Worldscope is performed manually based on company names, countries, and postcodes.¹ Dealscan includes 41,476 unique firms associated with 106,613 loan packages divided into 154,488 facilities. Following prior research (Ivashina, 2009; Sufi, 2007), only one facility per package is retained, selecting the largest facility in the deal at loan origination. After eliminating missing observations, 5,368 unique firms (20,112 firm-years) are successfully matched between Dealscan and Worldscope.

Dealscan provides information about the borrower and all lenders, including their names, parents, and locations. In this study, a bank is designated as foreign if it possesses a foreign parent. Previous papers using Dealscan have employed this practice of assigning the lender branch to its parent (e.g., Nini, 2004; Qian and Strahan 2007; Giannetti and Yafeh, 2012; Carvalho et al. 2015; Houston et al. 2007). De Haas and Naaborg (2006) demonstrate that local bank affiliates' decisions are heavily influenced by their parent banks. Houston et al. (2007, p.11) argue that "foreign bank branches are not legally separate from the parent bank and thus maintain full

¹ I am very grateful to Veljko Fotak for providing an initial matching table between Dealscan and Worldscope.

support of the parent bank's capital base and enjoy an equivalent credit rating." Furthermore, Bloom et al. (2009) suggest that the parent's country's culture impacts organizational culture and the degree of centralization within branches. Mian (2006) indicates that the distance between the parent bank and the borrower plays a more significant role in lending decisions. Consequently, for branches, the location is determined by the parent bank's place of incorporation.

b. Descriptive statistics

In this study, Table 1 provides critical insights into the sample characteristics and descriptive statistics for the dependent variables, loan terms, and borrower characteristics. Panel A presents the geographic distribution of the final sample of 20,112 loan facilities, providing the mean number of foreign lenders in the syndicate by country and the number of loans and firms by country. Japan and the United States represent a large fraction of the sample, reflecting their respective coverage in Dealscan and Worldscope.

Panel B presents descriptive statistics, which are generally consistent with prior research by Lin et al. (2012) and Bae and Goyal (2009). The mean sample borrower has an asset value of about \$7.1 billion, with foreign banks constituting a majority of the syndicates. The mean syndicate size is about 8 lenders, with a mean (median) number of foreign lenders of 5 (3). The mean percentage of foreign lenders to total lenders is 63%, and the mean (median) percentage of loans held by foreign lenders is 65% (69%). Most loans are revolvers and are for corporate/working capital purposes, with about 10% of loans for the purposes of acquisitions. About 33% of loans have at least one covenant, and about 28% have performance pricing provisions. However, Ball et al. (2015) note that the low coverage of Dealscan of these two variables outside the US may affect the accuracy of these figures.

The correlation matrix in Panel C shows that bad news timeliness is positively correlated with foreign bank participation/share in the syndicate, consistent with prior research. Foreign lenders are also positively correlated with borrower size, profitability, tangibility, covenants, performance pricing provisions, and quality of lead arranger, as noted by Esty et al. (2004). Overall, Table 1 provides valuable information for interpreting the empirical results in this study.

Table 1 (A) Sample composition

	Number of loans	Number of firms	FOREIGN_LENDERS
AUSTRALIA	403	142	3.141
CANADA	862	231	3.992
FRANCE	458	138	7.234
GERMANY	274	89	6.405
GREECE	36	24	4.028
HONG KONG	93	34	7.806
INDIA	236	90	4.763
ITALY	116	49	6.991
JAPAN	5,539	1173	2.993
MALAYSIA	47	25	2.915
NETHERLANDS	135	51	5.311
NORWAY	102	35	4.520
RUSSIAN FEDERATION	62	15	5.290
SINGAPORE	59	34	5.627
SOUTH KOREA	369	83	2.417
SWEDEN	104	45	5.308
TAIWAN	245	145	5.420
THAILAND	51	18	3.020
UNITED KINGDOM	828	321	5.449
UNITED STATES	10,093	2626	6.038
TOTAL	20,112	5,368	4.948

This table shows the sample distribution by country. In addition, the table shows the average number of foreign lenders, in the syndicate, by country.

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Table 1 (B) Summary statistics						
	N	MEAN	MEDIAN	SD	P25	P75
<u>Dependent variables</u>						
FL_SHARE	7146	0.655	0.698	0.268	0.500	0.858
PROP	20112	0.632	0.667	0.259	0.500	0.813
FOREIGN LENDERS	20112	4.948	3.000	4.805	2.000	6.000
<u>Borrower's characteristics</u>						
TLR	20112	0.243	0.253	0.097	0.169	0.303
BORROWER SIZE (\$M)	20112	7146.203	1367	16234.57	434.456	5197.1
MTB	20112	3.055	1.781	21.336	1.092	2.812
LEVERAGE	20112	0.290	0.283	0.171	0.163	0.401
PROFITABILITY	20112	0.032	0.033	0.070	0.010	0.063
TANGIBILITY	20112	0.360	0.312	0.240	0.167	0.519
<u>Deal characteristics</u>						
SYNDICATE_SIZE	20112	8.002	6.000	7.249	3.000	10.000
DEAL SIZE (\$M)	20112	455.938	150	903.733	4	450.158
FL_SHARE (\$M)	7149	284.820	74	820.61	0.75	254.475
MATURITY	20112	44.855	45.000	31.730	15.000	60.000
SECURED	20112	0.236	0.000	0.425	0.000	0.000
PPP	20112	0.280	0.000	0.449	0.000	1.000
COV	20112	0.329	0.000	0.470	0.000	1.000
TOPARRANGER_B25	20112	0.616	1.000	0.486	0.000	1.000
<u>Loan Purposes</u>						
CORPORATE PURPOSES%		38.78				
WORKING CAPITAL%		22.47				
REFINANCING%		16.14				
ACQUISITIONS%		9.93				
<u>Loan Type</u>						
REVOLVER%		54.08				
TERM LOAN%		19.90				
364-DAY FACILITY%		10.72				

This table presents summary statistics for a sample of 20,112 loan deals to firms matched to the Worldscope database in 20 countries. The sample period is 1996 to 2012. Summary statistics are presented for the mean loan and borrower characteristics at the country level. All variables are defined in the appendix.

Table 1 (C) Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<i>1- FOREIGN LENDERS</i>	1.000													
<i>2- FL_SHARE</i>	0.544***	1.000												
<i>3- TLR</i>	0.134***	0.069***	1.000											
<i>4- BORROWER_SIZE</i>	0.186***	0.504***	-0.059***	1.000										
<i>5- DEAL_SIZE</i>	0.455***	0.855***	0.053***	0.483***	1.000									
<i>6- LEVERAGE</i>	-0.007	-0.085***	0.019***	-0.116***	-0.064***	1.000								
<i>7- PROFITABILITY</i>	0.097***	0.065***	0.058***	0.010	0.100***	-0.243***	1.000							
<i>8- TANGIBILITY</i>	0.020***	0.002	0.019***	0.012*	-0.001	0.274***	-0.027***	1.000						
<i>9- MTB</i>	0.036***	0.007	0.026***	-0.011	0.033***	0.055***	-0.012*	-0.010	1.000					
<i>10- MATURITY</i>						0.088***								
	-0.012	-0.011	0.109***	-0.047***	0.027***		0.057***	0.076***	0.024***	1.000				
<i>11- SECURED</i>	0.007	-0.070***	0.140***	-0.161***	-0.026***	0.064***	-0.090***	0.007	0.033***	0.124***	1.000			
<i>12- PPP</i>	0.342***	0.148***	0.199***	-0.083***	0.107***	-0.044***	0.073***	-0.007	0.038***	0.052***	0.360***	1.000		
<i>13- COV</i>	0.180***	-0.012	0.196***	-0.168***	-0.009	0.018***	0.012*	-0.040***	0.051***	0.088***	0.567***	0.645***	1.000	
<i>14- TOP_ARRANGER</i>	0.081***	0.095***	-0.062***	0.144***	0.188***	-0.067***	0.030***	-0.045***	0.008	-0.022***	-0.043***	0.032***	-0.030***	1.000

This displays the correlations between the main variables used in the study. *, **, *** indicates the significance at 10%, 5% and 1% respectively. All variables are defined in the appendix.

5. Regression model and results

To test H1, I use a fixed-effects panel regression as follows:

Proportion of foreign lenders/ Number of foreign lenders/ Foreign lenders share = f(Bad news timeliness; borrower characteristics; loan characterises; firm, loan type and year fixed effects)

Table 2 The effect of timely loss recognition on foreign lenders

	(1) PROP	(2) FL SHARE	(3) lnFL	(4) FOREIGN LENDERS
TLR	0.148*** (3.432)	0.414*** (5.333)	0.163* (1.858)	0.258** (2.215)
lnBORROWER_SIZE	-0.002 (-0.448)	0.008 (0.742)	0.097*** (7.268)	0.102*** (4.689)
lnDEAL_SIZE	0.016*** (6.589)	0.017*** (2.948)	0.160*** (25.887)	0.233*** (21.915)
LEVERAGE	- 0.075*** (-3.286)	-0.072 (-1.511)	-0.093* (-1.753)	-0.011 (-0.140)
PROFITABILITY	0.051 (1.373)	0.008 (0.105)	0.189** (2.229)	0.311*** (2.658)
TANGIBILITY	0.002 (0.072)	0.095 (1.580)	0.145** (1.990)	0.348*** (3.361)
MTB	-0.000 (-0.001)	-0.000 (-1.209)	0.000 (0.144)	0.000 (0.554)
MATURITY	- 0.000*** (-3.488)	-0.001*** (-3.621)	-0.000 (-0.022)	0.000 (0.662)
SECURED	- 0.034*** (-4.851)	-0.042*** (-2.792)	-0.054*** (-3.132)	-0.040* (-1.737)
PPP	0.031*** (4.979)	0.040*** (2.754)	0.299*** (18.906)	0.314*** (15.894)
COV	0.011*** (3.834)	0.009 (1.438)	0.050*** (7.462)	0.063*** (7.070)
TOP_ARRANGER	0.006 (1.036)	-0.003 (-0.260)	0.016 (1.329)	-0.004 (-0.254)
FE: Firm	X	X	X	X
FE: Year	X	X	X	X
FE: Loan type	X	X	X	X
Observations	20112	7146	20112	17266
Adjusted R ² /Pseudo R ²	0.420	0.552	0.578	0.145

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. The dependent variable in column 3 is *lnFL* which is the natural logarithm of the number of foreign lenders in the syndicate. The dependent variable in column 4 is *FL_NUMBER* which is the number of foreign lenders in the

syndicate. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *lnBORROWER SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t(z)* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

Table 2 presents the main regression results for this study. The first column shows the proportion of foreign lenders to total lenders in the syndicate as the dependent variable, while the second column displays the fraction of loan kept by foreign lenders. The third column presents the natural logarithm of the total number of foreign banks in the syndicate, and the fourth column presents the total number of foreign lenders in the syndicate. Standard errors are robust to heteroskedasticity clustered at the deal level. The results indicate that, after controlling for potential determinants of foreign lenders' participation in the syndicate, timely loss recognition is a crucial determinant of foreign lender participation in syndicated loans. The magnitude of the impact of timely loss recognition is also significant. For instance, an increase in timely loss recognition from the 25th percentile of the distribution to the 75th leads to a 4% increase in the proportion of foreign lenders in the syndicate, all else being equal. Additionally, an increase in timely loss recognition from the 25th percentile of the distribution to the 75th results in a 5% increase in the share held by foreign lenders.

Concerning borrower and loan characteristics, the coefficient for *LEVERAGE* is negative, indicating that foreign lenders are less inclined to join syndicates for leveraged borrowers. The coefficient for *DEAL_SIZE* is significantly positive, suggesting that foreign lenders are attracted to bigger deals. Finally, the coefficient for *SECURED* and *MATURITY* suggests that foreign lenders are less likely to join risky loans. These findings are generally aligned with Qian and Strahan (2007), Kim et al. (2011b), and Lin et al. (2012).

Taken together, the results from Table 2 support H1 and are consistent with the idea that timely loss recognition is a critical determinant of foreign lenders' participation and the supply of debt financing. In the following section, I will explore this further by examining the factors that potentially affect the link between conservatism and syndicate composition of foreign lenders..

6. Additional analysis:

a. Financial crisis

In this section, the relationship between timely loss recognition (TLR) and syndicate structure during the financial crisis is examined. The financial crisis represents an exogenous shock to the supply of external finance (Balakrishnan et al. 2015). De Haas and Van Horen (2012) find that the crisis contributed to the reduction of cross-border credit, but they also find that shocked banks restricted credit more to small borrowers. Similarly, Giannetti and Laeven (2012) find that during crisis times, international banks' home bias rises. Figure 1 shows the number of foreign lenders by year in the main sample, indicating how the crisis affects the number of foreign lenders in syndicated loans. Thus, if TLR is an important determinant of foreign lenders' participation in syndicated loans due to the lower information asymmetry, the relation is expected to be more pronounced during the crisis. Hence, H2 is proposed:

H2 The impact of TLR on foreign lenders' participation in syndicated loans is more pronounced during the financial crisis.

Following Lin et al. (2012), a binary variable (CRISIS) is used, which equals one if the borrowing firm's country is experiencing a financial crisis. Financial crisis periods are defined as in the IMF Banking Crisis Database. The CRISIS variable and its interaction with TLR are added to the model in Table 3. The results show that syndicated loans during financial crises have fewer foreign participants and smaller amounts, consistent with the literature (see Giannetti and Laeven, 2012; De Haas and Van Horen, 2012). Interestingly, the coefficients on the interaction term between TLR and CRISIS are significantly positive in model 1 and 2, indicating TLR becomes more important during crises.

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Table 3 Financial crisis

	(1) PROP	(2) FL SHARE
TLR	0.004 (0.154)	0.270*** (3.126)
CRISIS	-0.199*** (-13.532)	-0.087** (-2.473)
TLR × CRISIS	0.505*** (7.893)	0.263* (1.822)
lnBORROWER_SIZE	0.007 (1.313)	0.008 (0.741)
lnDEAL_SIZE	0.018*** (7.322)	0.030*** (5.495)
LEVERAGE	-0.073*** (-3.223)	-0.067 (-1.387)
PROFITABILITY	0.039 (1.047)	0.002 (0.020)
TANGIBILITY	-0.011 (-0.382)	0.041 (0.655)
MTB	0.000 (0.158)	-0.000 (-1.130)
MATURITY	-0.001*** (-6.009)	-0.002*** (-6.461)
SECURED	-0.024*** (-3.485)	-0.029* (-1.936)
PPP	0.040*** (6.497)	0.051*** (3.411)
COV	0.009*** (3.039)	0.009 (1.360)
TOP_ARRANGER	0.010* (1.861)	0.007 (0.604)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	20112	7146
Adjusted R ²	0.422	0.533

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *CRISIS* is a dummy variable that equals one if the country of the borrower is undergoing a financial crisis in the observation year and zero otherwise, as identified in the International Monetary Fund Banking Crisis Database. *TLR* × *CRISIS* is the interaction between *TLR* and *CRISIS*. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one

if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

b. The moderating role of international presence

Dahlquist and Robertsson (2001, p.428) argue that foreign investors may be more willing to invest in well-known exporting firms and firms that are listed on foreign exchanges. As such, it is expected that the international presence of the borrower is likely to moderate foreign lenders' demand for conservative financial reporting. Previous research suggests that the distance between borrowers and lenders may be relative. Houston et al. (2007) argue that firms with a higher percentage of foreign assets and foreign sales may have an easier time borrowing in the foreign market due to their foreign presence, which reduces distance and lowers information costs. Empirically, they find that firms with a higher percentage of foreign sales are more likely to borrow from foreign banks, particularly those in the region where their foreign sales are located. Kang and Stulz (1997) find similar results, showing that foreigners investing in Japan prefer firms with large export sales. Dahlquist and Robertsson (2001) provide consistent evidence using a sample of Swedish firms.

Furthermore, research shows that firms that are cross-listed in the US have better international presence and are better known to foreign investors (Dahlquist and Robertsson, 2001; Leuz et al. 2010). According to Leuz et al. (2010), listing in the US lowers the direct and indirect barriers to international investment. In addition, Lang et al. (2003) argue that cross-listed firms are subject to increased enforcement by the SEC and a stricter litigation environment (Coffee, 2002), leading to a better information environment for foreign investors. Doidge et al. (2004) further note that US capital markets usually require more disclosure than the listing firms' home capital markets. Recently, Ball et al. (2013) document that the benefits of cross-listing in the US extends to the debt market as well. Errunza and Miller (2000) find that firms' cost of capital experiences a significant decline after an American Depository Receipt (ADR). Kang and Stulz (1997) also show that foreigners prefer firms that have ADRs. Accordingly, the hypothesis is tested that:

H3 borrowers' international presence reduces the demand for conservatism.

To test this hypothesis, two measures of international presence are used (Dahlquist and Robertsson, 2001; Leuz et al. 2010): the percentage of foreign sales (as a percentage of total sales) and cross-listing in the US, measured by an indicator variable that takes the value one if the borrower has a listed ADR. Tables 4 and 5 show the results of using these measures.

Table 4 The moderating effect of foreign sales

	(1) PROP	(2) FL SHARE
TLR	0.348*** (3.528)	0.297** (2.556)
F_SALES	0.001* (1.774)	0.001* (1.935)
TLR × F_SALES	-0.003** (-2.434)	-0.003 (-1.286)
lnBORROWER_SIZE	0.002 (0.256)	0.004 (0.361)
lnDEAL_SIZE	0.013*** (4.616)	0.015** (2.305)
LEVERAGE	-0.091*** (-3.398)	-0.052 (-0.965)
PROFITABILITY	0.029 (0.661)	0.023 (0.235)
TANGIBILITY	0.015 (0.404)	0.143* (1.922)
MTB	-0.000 (-0.410)	-0.000 (-1.093)
MATURITY	-0.000** (-2.318)	-0.001*** (-3.219)
SECURED	-0.021*** (-2.637)	-0.039** (-2.311)
PPP	0.029*** (4.121)	0.041** (2.535)
COV	0.010*** (3.015)	0.007 (0.962)
TOP_ARRANGER	0.004 (0.561)	0.002 (0.157)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	14695	5362
Adjusted R ²	0.409	0.543

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *F_SALES* is the percentage of foreign sales to total sales. *TLRxF_SALES* is the interaction between *TLR* and *F_SALES*. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP_ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

Table 4 shows the results of testing the moderating role of foreign sales. In columns 1 and 2, I have controlled for foreign sales and an interaction term between foreign sales and timely loss recognition. The first thing to note from Table 4 is that the first measure of international presence has a significant positive effect on foreign lenders in the syndicate. According to Table 4, high foreign sales are associated with a significant increase in foreign lender participation in syndicated loans. However, the coefficient on the interactive terms between foreign sales and timely loss recognition in column 1 is negative, meaning that foreign sales moderate the relation between conservatism and the syndicate composition of foreign lenders.

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Table 5 The moderating effect of ADRs

	(1) PROP	(2) FL_SHARE
TLR	0.157*** (3.480)	0.287*** (2.897)
TLR × ADR	-0.136** (-2.402)	-0.006 (-0.034)
lnBORROWER_SIZE	-0.007 (-1.298)	0.025* (1.913)
lnDEAL_SIZE	0.020*** (6.346)	0.025*** (3.300)
LEVERAGE	-0.048 (-1.238)	0.026 (0.295)
PROFITABILITY	-0.054 (-0.894)	-0.124 (-0.959)
TANGIBILITY	0.014 (0.313)	-0.008 (-0.076)
MTB	0.001 (0.872)	-0.001 (-0.477)
MATURITY	-0.000*** (-2.659)	-0.001** (-2.441)
SECURED	-0.045*** (-2.999)	-0.097** (-2.276)
PPP	0.005 (0.332)	0.037 (1.059)
COV	0.014 (1.616)	0.019 (1.269)
TOP_ARRANGER	0.017** (2.073)	-0.009 (-0.447)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	10019	3355
Adjusted R ²	0.430	0.552

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *ADR* is a dummy variable that equals one of the company trades ADRs. *TLRxADR* is the interaction between *TLR* and *ADR*. *lnBORROWER SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP_ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

Similarly, Table 5 shows the results of testing the moderating role of ADR. In columns 1 and 2, an interaction term between ADR and timely loss recognition is added to the model.² Interestingly, the coefficient on the interactive terms between ADRs and timely loss recognition is statistically significant in model 1 and bears the opposite signs of the corresponding coefficient on conservatism. This indicates that foreign lenders' demand for timely loss recognition is lower for borrowers with ADRs. This result is consistent with H3, supporting the idea that international presence through ADR weakens the relation between conservatism and the syndicate composition of foreign lenders.

c. Relationship lending and lead bank reputation

In this section, the moderating impact of prior lending relationship and lead arranger reputation on the relation between timely loss recognition and foreign lending is examined. Bharath et al. (2007) assert that relationship lending, characterized by repeated interactions between a lender and a borrower over time, enables lenders to gather detailed information about the borrower. This creates higher incentives for banks to collect customer-specific information if it can be used for multiple repeated transactions than for a single transaction only (Lin et al., 2012). Moreover, Bharath et al. (2011) suggest that a lender with repeated transactions with the borrower will have lower information asymmetry and, thus, a lower cost of monitoring the borrower relative to other lenders. Through repeated transactions with the borrower, the arranger can signal to the participant banks its ability, experience, cost advantage, and credibility in monitoring the borrower (Lin et al., 2012). Therefore, it is expected that the lending relationship between the arranger and borrower will attenuate foreign lenders' demand for conservatism.

Chemmanur and Fulghieri (1994) model the role of reputation in enabling a bank to act as a producer of credible information. They argue that banks evaluate borrowers at different standards, with higher evaluation quality more likely to reveal a borrower with poor prospects. However, others cannot observe the evaluation standards of the arranger and, therefore, use the arranger's past performance (i.e., reputation) as a proxy for quality. Moreover,

² The main effect, ADR, is already captured by the fixed effects as it is a time invariant variable.

Lin et al. (2012) suggest that reputable banks have more to lose than non-reputable banks. Therefore, highly reputable banks are less likely to shirk their monitoring and screening duties. The reputation of the arranger also indicates its proficiency in screening, monitoring, and handling loans (Demiroglu and James, 2010). Therefore, it is expected that reputable arrangers will attenuate foreign lenders' demand for conservatism.

H4 Foreign lenders demand for conservatism will be attenuated in loans syndicated by a relationship arranger/reputable arranger.

Table 6 The moderating effect of relationship lending and arranger reputation

	(1) PROP	(2) FL_SHARE	(3) PROP	(4) FL_SHARE
TLR	0.203*** (4.381)	0.412*** (5.119)	0.176*** (3.274)	0.376*** (3.664)
PRIOR_RELATION	0.068*** (6.057)	0.025 (1.152)		
TLR × PRIOR_RELATION	-0.169*** (-3.855)	-0.016 (-0.198)		
TOP_ARRANGER	0.006 (1.037)	-0.001 (-0.111)	0.016 (1.127)	-0.021 (-0.730)
TLR × TOP_ARRANGER			-0.042 (-0.797)	0.069 (0.706)
lnBORROWER_SIZE	-0.002 (-0.464)	0.007 (0.707)	-0.002 (-0.400)	0.007 (0.730)
lnDEAL_SIZE	0.016*** (6.674)	0.017*** (2.979)	0.016*** (6.607)	0.017*** (2.922)
LEVERAGE	-0.077*** (-3.422)	-0.074 (-1.571)	-0.075*** (-3.289)	-0.072 (-1.516)
PROFITABILITY	0.054 (1.462)	0.012 (0.149)	0.050 (1.361)	0.009 (0.106)
TANGIBILITY	-0.001 (-0.041)	0.091 (1.525)	0.002 (0.068)	0.095 (1.579)
MTB	-0.000 (-0.013)	-0.000 (-1.149)	0.000 (0.001)	-0.000 (-1.234)
MATURITY	-0.000*** (-3.341)	-0.001*** (-3.576)	-0.000*** (-3.483)	-0.001*** (-3.646)
SECURED	-0.033*** (-4.676)	-0.042*** (-2.796)	-0.034*** (-4.829)	-0.042*** (-2.795)
PPP	0.032*** (5.177)	0.040*** (2.792)	0.031*** (4.982)	0.040*** (2.755)
COV	0.010*** (3.639)	0.009 (1.387)	0.011*** (3.823)	0.009 (1.437)
FE: Firm	X	X	X	X
FE: Year	X	X	X	X
FE: Loan type	X	X	X	X
Observations	20112	7146	20112	7146
Adjusted R ²	0.427	0.553	0.420	0.552

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *PRIOR_RELATION* is a dummy variable equal to 1 if the current lead arranger was a lead arranger for the same borrower in the previous five years. *TLRxPRIOR_RELATION* is the interaction between *TLR* and *PRIOR_RELATION*. *TLRxTOP* is the interaction between *TLR* and *TOP_ARRANGER*. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP_ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

To test H4, I control for prior relation between the arranger and the borrower (*PRIOR_RELATION*) and an interaction term between prior relation and timely loss recognition. In addition, an interaction term between lead arranger reputation and timely loss recognition is included. The results in Table 6 suggest that prior relation has a significant positive effect on foreign lenders' participation in the syndicate. However, the coefficient on the interactive terms between prior relation and timely loss recognition is negative meaning that prior relation between the arranger and borrower weakens foreign lenders demand for conservatism. However, the coefficient on the interactive term between conservatism and arranger reputation in column 2 is statistically insignificant, indicating that foreign lenders' demand for timely loss recognition is not affected if loans are syndicated by reputable lead arrangers.

d. *Creditors' rights*

In this section, I examine how creditors' protection rights affect the link between conservatism and syndicate composition of foreign lenders. The finance and law literature documents that the legal system is an important determinant of both shareholders' and creditors' protection (La Porta et al. 1997, 1998). Esty (2004) argues that legal risks affect foreign lenders' participation in the syndicate. He further argues, based on conversations with bankers and lawyers, that creditor rights issues are more important to foreign banks than they are to local banks. Prior evidence suggests that the legal system of the borrower's country affects ownership and terms of loan contracts around the world. For example, Qian and Strahan (2007) document that creditors' protection rights are positively related to participation by foreign banks and loan maturity, and negatively related to interest rates. Therefore, the relation between conservatism and participation by foreign banks is likely to be attenuated in countries with higher creditor protection.

H5 Foreign lenders' demand for conservatism is attenuated in loans arranged to borrowers located in countries with higher creditor protection.

Following prior research, I use La Porta et al.'s (1998) aggregate index to measure a borrower country's overall level of creditor rights. The index begins at zero and adds one for each of the following conditions that holds: (a) There are restrictions imposed by law, such as creditors' agreement to file for reorganisation; (b) Secured creditors are able to seize their collateral after the approval of reorganization petition; (c) Secured lenders are ranked first in the distribution of proceeds (d) Management does not control the firm during reorganization. Djankov et al. (2007) show that creditor rights are stable over time as they are based on the borrower country's law.

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Table 7 The moderating effect of creditors' rights protection

	(1) PROP	(2) FL SHARE
TLR	0.303*** (4.322)	0.697*** (4.100)
TLR × CRED_RIGHT	-0.076*** (-2.680)	-0.125* (-1.848)
lnBORROWER_SIZE	0.005 (1.364)	0.007 (1.031)
lnDEAL_SIZE	0.016*** (6.432)	0.017*** (2.960)
LEVERAGE	-0.072*** (-3.199)	-0.059 (-1.252)
PROFITABILITY	0.047 (1.274)	0.000 (0.004)
TANGIBILITY	0.007 (0.251)	0.088 (1.490)
MTB	0.000 (0.021)	-0.000 (-1.257)
MATURITY	-0.000*** (-3.489)	-0.001*** (-3.601)
SECURED	-0.033*** (-4.685)	-0.041*** (-2.758)
PPP	0.030*** (4.851)	0.040*** (2.749)
COV	0.011*** (3.852)	0.009 (1.404)
TOP_ARRANGER	0.006 (1.107)	-0.002 (-0.189)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	20112	7146
Adjusted R ²	0.420	0.553

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *CRED_RIGHT* is an index aggregating creditor rights, following La Porta et al. (1998). *TLR_xCRED_RIGHT* is the interaction between *TLR* and *CRED_RIGHT*. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured

and zero otherwise. *COV* is the number of covenants in the contract. *TOP ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

Table 7 shows the results of testing the moderating role of creditors' rights. Columns 1 and 2 include an interaction term between creditor protection and timely loss recognition.³ Interestingly, and as hypothesised based on prior research, the coefficients on the interaction terms between conservatism and creditors' rights are statistically and negative, indicating that higher levels of creditor protection in the borrower's country weaken foreign lenders' demand for timely loss recognition.

7. Robustness

a. Alternative measure

Another measure of conditional conservatism used in accounting literature is based on the relation between accruals and cash flow, developed by Ball and Shivakumar (2005). The intuition behind this measure is that while accruals and cash flow from operations are contemporaneously negatively correlated, timely gains and losses recognition is a cause of positive but asymmetric correlation between accruals and contemporaneous cash flows (Ball and Shivakumar, 2005). Following Ball and Shivakumar (2005), I estimate the following accrual-based conditional conservatism model for each country-year using all observations from the past 3 years:

$$ACC_{ijt} = \beta_{0jt} + \beta_{1jt}DCFO_{ijt} + \beta_{2jt}CFO_{ijt} + \beta_{3jt}DCFO_{ijt} \times CFO_{ijt} + \varepsilon_{ijt} \quad (2)$$

Where *i*, *j* and *t* denote firm, country and year respectively. Accruals (*ACC*) are defined as follows:

$$ACC = \Delta(\text{Current Assets}) - \Delta(\text{Current Liabilities}) - \Delta(\text{Cash}) - \Delta(\text{Short term debt}) - (\text{Depreciation})$$

Cash flow from operations (*CFO*) is measured as income before extraordinary items less accruals. *ACC* and *CFO* are both deflated by lagged total assets. *DCFO* is a binary variable taking the value 1 if *CFO* is negative,

³ The main effect, *CRED_RIGHT*, is absorbed by the fixed effects as it is time invariant.

and 0 otherwise. According to Ball and Shivakumar (2005), β_3 is expected to be significantly positive in the presence of conditional conservatism, suggesting a positive contemporaneous association between cash flows and accruals in periods of bad news (i.e. accrued losses are more likely in negative cash flows periods). Table 8 shows that the inferences are unaffected by using Ball and Shivakumar's (2005) measure of accounting conservatism.

Table 8 Alternative measure of conservatism

	(1) PROP	(2) FL_SHARE
CONSERV	0.124*** (3.998)	0.268*** (5.859)
lnBORROWER_SIZE	-0.004 (-0.872)	0.002 (0.213)
lnDEAL_SIZE	0.016*** (6.476)	0.018*** (3.012)
LEVERAGE	-0.077*** (-3.381)	-0.075 (-1.584)
PROFITABILITY	0.053 (1.427)	0.012 (0.154)
TANGIBILITY	0.002 (0.051)	0.099* (1.667)
MTB	0.000 (0.005)	-0.000 (-1.091)
MATURITY	-0.000*** (-3.378)	-0.001*** (-3.608)
SECURED	-0.034*** (-4.872)	-0.041*** (-2.766)
PPP	0.030*** (4.897)	0.038*** (2.621)
COV	0.011*** (3.890)	0.009 (1.441)
TOP_ARRANGER	0.007 (1.252)	0.002 (0.134)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	20112	7146
Adjusted R ²	0.420	0.554

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *CONSERV* represents the accounting conservatism measured by β_3 from the Ball and Shivakumar (2005) equation (2) at the country-year level. *lnBORROWER SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise. Numbers in parentheses are $t(z)$ statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

b. Overall earnings timeliness

To measure overall accounting earnings timeliness, both for gains and losses, the adjusted-R-squared of Basu's (1997) model is used. This measure has been utilized by Bushman and Piotroski (2006) and Ball et al. (2008b). Table 8 presents the results for overall recognition timeliness (for gains and losses) measured by the R-squared of the individual-country-year Basu regression. According to Ball et al. (2008b), this is generally used as a signal of financial reporting informativeness and is viewed as a measure of earnings' value relevance.

According to Table 9, the coefficient on *TIMELINESS* is marginally significant in column 1, suggesting that the proportion of foreign lenders is positively related to the overall earning timeliness. This result, when combined with the main regression (Table 2), suggests that foreign lenders are more interested in bad news timeliness compared to overall timeliness.

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Table 9 The effect of overall timeliness on foreign lenders participation/share

	(1) PROP	(2) FL_SHARE
TIMELINESS	0.217* (1.754)	0.083 (0.284)
lnBORROWER_SIZE	0.004 (1.095)	0.006 (0.857)
lnDEAL_SIZE	0.016*** (6.422)	0.017*** (2.970)
LEVERAGE	-0.073*** (-3.247)	-0.065 (-1.383)
PROFITABILITY	0.049 (1.326)	0.003 (0.038)
TANGIBILITY	0.005 (0.184)	0.108* (1.799)
MTB	0.000 (0.055)	-0.000 (-0.961)
MATURITY	-0.000*** (-3.424)	-0.001*** (-3.794)
SECURED	-0.033*** (-4.760)	-0.044*** (-2.962)
PPP	0.031*** (4.977)	0.038*** (2.651)
COV	0.011*** (3.926)	0.010 (1.570)
TOP_ARRANGER	0.006 (1.039)	-0.001 (-0.111)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	20112	7146
Adjusted R ²	0.418	0.547

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TIMELINESS* represents the total earnings timeliness measured by R^2 from the Basu (1997) equation at the country-year level. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP_ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are t statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

c. Excluding US

To alleviate concerns that the results are driven by the US, I delete all US firms and re-estimate the main model in Table 10. I find virtually no changes in the results. Also, I find consistent results when I follow Ball et al. (2008b) and create 20 different samples, each of 19 countries, by deleting a country at a time.

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Table 10 Excluding US

	(1) PROP	(2) FL_SHARE
TLR	0.074** (2.109)	0.286*** (3.126)
lnBORROWER_SIZE	-0.007 (-1.327)	0.025* (1.920)
lnDEAL_SIZE	0.020*** (6.379)	0.025*** (3.318)
LEVERAGE	-0.050 (-1.287)	0.026 (0.295)
PROFITABILITY	-0.051 (-0.838)	-0.124 (-0.959)
TANGIBILITY	0.014 (0.300)	-0.008 (-0.076)
MTB	0.001 (0.937)	-0.001 (-0.476)
MATURITY	-0.000*** (-2.710)	-0.001** (-2.442)
SECURED	-0.048*** (-3.175)	-0.097*** (-2.276)
PPP	0.005 (0.348)	0.036 (1.065)
COV	0.015* (1.688)	0.019 (1.268)
TOP_ARRANGER	0.017** (2.099)	-0.009 (-0.446)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	10019	3355
Adjusted R ²	0.429	0.552

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP_ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

d. *Controlling for macroeconomic variables*

As this paper aims to examine whether variation in accounting quality changes the contracting environment and, thus, the supply of credit, it is essential to control for demand variation in the regressions (Qian and Strahan, 2007). Additionally, Gordon et al. (2013) suggest that differences in economic development should be controlled in cross-country studies. Hence, this study follows Qian and Strahan (2007) and Bae and Goyal (2009) by estimating models that control for economic and financial development to absorb unmeasured variation in credit demand. GDP per capita from 1996 to 2012 is used to measure economic development, while the ratio of private domestic bank credit to GDP (PC) for the 1996-2012 period is used to proxy the financial development. The values of GDP per capita and domestic credit to GDP for countries in the sample are obtained from the World Development Indicators database (from the World Bank website).

Consistent with Qian and Strahan (2007), the results in Table 11 show that foreign lenders' participation in the syndicate is positively associated with GDP but negatively associated with PC. Controlling for GDP and private credit does not affect the main inferences, as per Table 11.

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Table 11 Controlling for macroeconomic variables

	(1)	(2)
	PROP	FL_SHARE
TLR	0.140*** (3.438)	0.431*** (5.040)
lnBORROWER_SIZE	-0.004 (-0.865)	-0.003 (-0.323)
lnDEAL_SIZE	0.016*** (6.319)	0.016*** (2.725)
LEVERAGE	-0.074*** (-3.226)	-0.077 (-1.628)
PROFITABILITY	0.065* (1.723)	0.036 (0.436)
TANGIBILITY	-0.011 (-0.372)	0.079 (1.300)
MTB	-0.000 (-0.017)	-0.000 (-1.362)
MATURITY	-0.000*** (-3.386)	-0.001*** (-3.573)
SECURED	-0.034*** (-4.712)	-0.045*** (-2.957)
PPP	0.032*** (5.149)	0.041*** (2.823)
COV	0.010*** (3.373)	0.008 (1.325)
TOP_ARRANGER	0.010* (1.813)	0.003 (0.264)
lnGDP	0.138*** (5.094)	0.216*** (3.075)
PC	-0.002*** (-8.904)	-0.000 (-0.202)
FE: Firm	X	X
FE: Year	X	X
FE: Loan type	X	X
Observations	19566	6931
Adjusted R ²	0.426	0.563

The dependent variable in column 1 is *PROP* which is the proportion of foreign lenders to total lenders. The dependent variable in column 2 is *FL_SHARE* which is the percentage of the loan kept by the foreign banks. *TLR* represents the total bad news timeliness measured by adding β_2 and β_3 from the Basu (1997) equation at the country-year level. *lnBORROWER_SIZE* is the log of size of the borrower measured by total assets. *LEVERAGE* is the sum of current and long-term debt divided by total assets. *PROFITABILITY* is the income before extraordinary items divided by assets. *TANGIBILITY* is the ratio of net PP&E to total assets. *MTB* is the ratio of market value of equity to book value of equity. *lnDEAL_SIZE* is the log of size of the deal in dollars. *MATURITY* is the loan maturity measured in months. *PPP* is a dummy variable that equals one if the loan uses performance pricing and zero otherwise. *SECURED* is a dummy equal to one if the loan is secured and zero otherwise. *COV* is the number of covenants in the contract. *TOP_ARRANGER* is a dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in terms of the amount lent during sample period and zero otherwise (obtained from Thomson one Banker). *GDP* gross domestic product per capita. *PC* the ratio of private domestic bank credit to GDP. Numbers in parentheses are *t* statistics. Standard errors are heteroskedasticity robust, clustered at the deal level. *, **, *** indicates the significance at 10%, 5% and 1% respectively. The statistical significance is based on two-tailed tests.

8. Conclusion

In this paper, I aimed to investigate the impact of financial reporting conservatism on the composition of syndicated loans provided by foreign lenders. Previous research suggests that geography plays a crucial role in lending decisions (De Haas and Van Horen, 2013), with distant lending leading to higher transaction, enforcement, and renegotiation costs (Mian, 2006; Bellucci et al., 2013) due to the difficulty in communicating and verifying soft information over longer distances (Knyazeva and Knyazeva, 2012). As a result, foreign lenders tend to rely more on firms' financial reporting when collecting soft information is not feasible (Stein, 2002; Detragiache et al., 2008; Beneish et al., 2012). Building on this, I hypothesized that timely loss recognition, as a measure of financial reporting quality, would reduce foreign lenders' concerns and facilitate foreign lending.

To test this hypothesis, I analyzed data on 20,112 syndicated loan deals for 5,368 firms made between 1996 and 2012 to borrowers in 20 different countries, obtained from the intersection of the Dealscan and Worldscope/Datastream databases. The results of the analysis support the hypothesis, showing a positive relation between foreign lenders' participation in syndicated loans and timely loss recognition. Moreover, I examined the factors that affect this relation and found that the international presence of the

borrower weakens the relation between foreign lenders and timely loss recognition. The effect of timely loss recognition on foreign lenders' participation in syndicated loans is also more pronounced during the financial crisis and less pronounced if the loan is syndicated by a relationship arranger and if the borrower's country provides a high level of creditor protection.

This study is the first to provide evidence for an international sample of syndicated loans that foreign lenders prefer conservative borrowers. The results suggest that financial reporting quality through timely loss recognition plays a crucial role in attracting foreign credit. However, there are two potential caveats in this study. First, it is unclear whether the hypothesized relation is a demand or a supply issue. Second, the results reflect the impact of cross-country differences in financial reporting quality on the composition of syndicated loans between relatively large borrowers and large lenders. Nonetheless, future research may explore if the effect of accounting quality on foreign lending varies with lender's experience in the country of the borrower.

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Appendix A: Variables definitions

<i>VARIABLE NAME</i>	<i>VARIABLE DESCRIPTION</i>	<i>DATA SOURCE</i>
PROP	Proportion of foreign lenders to total lenders.	Dealscan
FOREIGN_LENDERS	The number of foreign lenders in the syndicate.	Dealscan
FL_SHARE	The percentage of the loan kept by the foreign banks.	Dealscan
TLR	The total timeliness of bad news recognitions measured by the sum of β_2 and β_3 in Basu (1997) equation at the country–year level.	Worldscope/Datastream
(Ln)BORROWER_SIZE	(The natural log of) firm size measured by total assets.	Worldscope
LEVERAGE	The ratio of total debt to total assets.	Worldscope
PROFITABILITY	The ratio of net income to assets.	Worldscope
TANGIBILITY	Net property, plant, and equipment, divided by total assets.	Worldscope
MTB	The market value of equity divided by book value of equity.	Worldscope
(Ln)DEAL SIZE	(The natural log of) the size of the deal in million dollars.	Dealscan
(Ln)MATURITY	Loan maturity measured in months.	Dealscan
PPP	A dummy variable that equals one if the loan uses performance pricing and zero otherwise.	Dealscan
SECURED	A dummy equal to one if the loan is secured and zero otherwise.	Dealscan
COV	The number of contract covenants.	Dealscan
TOP ARRANGER	A dummy variable that equals one if the lead arranger is ranked as one of the top 25 lenders in syndicated loan market in	Thomson one Banker

	terms of the amount lent during sample period and zero otherwise.	
PRIOR_RELATION	A dummy variable equal to 1 if the current lead arranger was a lead arranger for the same borrower in the previous five years.	Dealscan
CRISIS	A dummy variable that equals one if the country of the borrower is undergoing a financial crisis in the observation year and zero otherwise, as identified in the International Monetary Fund Banking Crisis Database.	International Monetary Fund Banking Crisis Database
ADR	A dummy variable that equals one of the company trades ADRs (American Depository Receipts).	Worldscope
FOREIGN SALES	The percentage of foreign sales to total sales.	Worldscope
GDP	GDP per capita in US dollars.	World bank
PC	The private credit by banks and other financial institutions, divided by GDP.	World bank
CREDITOR RIGHTS	An index aggregating creditor rights, following La Porta et al. (1998). The index begins at zero and adds one for each of the following conditions that holds: (a) There are restrictions imposed by law, such as creditors' consent to file for reorganisation; (b) Secured creditors are able to seize their collateral after the approval of reorganization petition; (c) Secured creditors are ranked first in the distribution of proceeds (d) Management does not control the firm during reorganization. The index ranges from 0 (weak creditor rights) to 4 (strong creditor rights).	Djankov, McLiesh and Shleifer (2006).

الإقراض العابر للحدود وأهمية الاعتراف الوتقي بالخسائر

د. محمود أحمد

الملخص

الهدف: يهدف هذا البحث إلى دراسة تأثير جودة تقرير الشركة المالية على مشاركة المقرضين الأجانب في عروض القروض.

التصميم والمنهجية: يدرس البحث بيانات القروض المشاركة ويحلل ما إذا كان الاعتراف بالخسائر في الوقت المناسب وهو مقياس للاحتياط في تقارير المالية، يؤثر على قرار المقرضين الأجانب بالمشاركة في ائتمان مشترك. كما ينظر البحث إلى دور المعلومات "الكامنة" وقرب المقرضين من بلد المقترض.

النتائج والتوصيات: تشير النتائج إلى أن المقرضين الأجانب يفضلون المقرضين الذين يتمتعون بمعلومات محاسبية موثوقة ويتم الاعتراف بالخسائر في الوقت المناسب. مثل هذا الاعتراف يقلل من عدم التماثل في المعلومات ويسمح للمقرضين الأجانب بالاعتماد أكثر على التقارير المالية العامة. ويعد الاعتراف بالخسائر في الوقت المناسب أكثر أهمية حتى بالنسبة للمقرضين الأجانب الذين يواجهون عدم المساواة في المعلومات بسبب المسافة الجغرافية. تشير النتائج إلى أن الشركات يمكنها جذب المزيد من الإقراض الأجنبي عن طريق تحسين جودة التقارير المالية والاعتراف بالخسائر في الوقت المناسب.

الأصالة والإضافة: يساهم هذا البحث في الأدبيات من خلال توفير رؤى حول العوامل التي تؤثر على قرارات المقرضين الأجانب بالإقراض. تسلط النتائج الضوء على أهمية جودة التقارير المالية والاعتراف بالخسائر في الوقت المناسب في تخفيف عدم التماثل في المعلومات في الإقراض لعابر للحدود. وتشير النتائج إلى وجود آثار على صانعي السياسات والشركات التي تسعى للحصول على تمويل أجنبي.

الكلمات المفتاحية: التمويل الدولي، جودة التقارير المالية، الاعتراف بالخسائر في الوقت المناسب، المعلومات الناعمة الإقراض المشترك، البنوك الأجنبية، فرضية ميزة المعلومات.