

Press Reporting Of Debt Choices: Bank, Non-Bank Private, and Public Debt

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Because of data constraints, previous work on incremental financing compares a subset of reported bank loans to full samples of other transactions such as public debt and non-bank private debt. However, if reported loans are a non-representative subset of the loan universe, the analysis of incremental financing decisions should also consider non-reported loans. In order to address this issue, I empirically examine the frequency and determinants of bank, public and non-bank private debt reporting. I find that the market reacts to reported loans only when the news precedes loan activation and that the source of loan news is usually the borrower. On the other hand, the source of news for non-bank private debt issues is usually “market participants”. In addition, I find that although reported loans and borrowers differ significantly from non-reported loans and borrowers, the factors that determine the choice between bank, public debt and non-bank private debt do not change whether reported loans or all loans are considered. In consequence, one could argue that non-reported loans are, though more transactional, still different from public debt.

Field of Research: Banking

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