



What Drives Foreign Expansion of the Top 100 Multinational Banks? The Role of Credit Reporting Systems

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Motivation and Research Question

- i Researchers have documented several stylized facts about what drives multinational banks' foreign expansion.
 - | Larger economic size, follow their clients
 - | Regulation on bank entry and activities

- i How do information costs affect banks' decision on where to expand their foreign operations?
 - | Credit reporting system



Literature and Hypothesis Development

- i Foreign expansion of banks
 - | The entry of foreign banks into the U.S. and foreign activities of U.S. banks
 - i Goldberg and Johnson (1990), Parke and Miller (1998)
 - | Foreign activities of Non-U.S. banks
 - i Buch (200), Willams (1998)
 - | Foreign operations of banks around the world
 - i Brealey and Kaplanis (1996), Focarelli and Pozzolo (2005)
 - | The main findings: determinant factors
 - i Economic size of host country, Foreign direct investment



Literature and Hypothesis Development (Cont.)

- ┆ Effects of regulation and information costs
 - ┆ Buch (2003)
 - ┆ Deregulation on bank entries
 - ┆ Cerutti et al. (2007)
 - ┆ Restrictions on banking activities



Literature and Hypothesis Development (Cont.)

- i Effects of credit reporting systems on bank activities
 - | Reduce information costs, increase firm credit availability (or bank lending), reduce credit costs of firms
 - i Pagano and Jappelli (1993), Jappelli and Pagano (2002), Brown et al. (2009)
 - | Private credit bureau works
 - i Love and Mylenko (2003), Barth et al. (2009)



Literature and Hypothesis Development (Cont.)

i Hypothesis

- | Banks are more likely to have foreign operations in countries where a credit bureau exists
- | The effects will be stronger in countries where credit information quality is better in terms of timeliness, accuracy, and completeness.



Data

- i **Sample Banks**
 - | Top 100 multinational banks
 - | Types of bank foreign operations
 - i Foreign branch – *The Banker's Almanac*
 - i Foreign subsidiary – *Bankscope*
 - | Data period: 2002-2008



Data (cont.)

- i Host country characteristics
 - | Credit reporting system
 - i The dataset, Getting Credit, from Doing Business database by the World Bank
 - | Regulation on bank entry and activities
 - i Bank regulation and supervision database from the world bank
 - | Others--FDI, GDP/GDP per capita, inflation
 - i From IFS, World development Indicators
- i Economic integration between home country and host country
 - | Distance, Language
 - i From the WorldFact book



Data (cont.)

- i Host countries
 - | At least one bank has foreign operations
 - | The availability of information of credit reporting system
- i Final sample
 - | Foreign operations of the Top 100 banks from 26 home countries to 106 host countries



Data (cont.)

- i Countries attract the largest numbers of foreign bank operations

Branches	2002	2008
China	78	119
Spain	47	327
Italy	24	320
USA	95	180
U.K.	73	128
Total	1,091	2,613

Subsidiaries	2002	2008
France	19	20
Germany	16	22
Luxembourg	18	26
Poland	21	16
USA	28	59
U.K.	30	51
Total	412	509



Model

$$\begin{aligned} \text{NBSD}_{ijk,t} \text{ or } \text{NBS}_{ijk,t} = & \alpha + \sum \beta_i \text{Credit reporting systems}_{k,t-1} + \sum \gamma_i \text{Bank regulations}_{k,t-1} \\ & + \sum \delta_i \text{Economic Integration}_{jk,t-1} + \sum \phi_i \text{Other host country characteristics}_{k,t-1} \\ & + \sum \eta_i \text{Bank characteristics}_{i,t-1} + \varepsilon \end{aligned}$$

- i **Bank Foreign Operations (NBSD; NBS)**
 - | **NBSD (Logit estimation)**
 - i if a bank owns at least one branch (subsidiary) in a host country, we assign 1 to NBSD; 0 otherwise.
 - | **NBS (OLS estimation)**
 - i Assign number of branches (subsidiaries) each bank holds in each country to NBS.

Model (Cont.)

$$\begin{aligned} NBSD_{ijk,t} \text{ or } NBS_{ijk,t} = & \alpha + \sum \beta_i \text{Credit reporting systems}_{k,t-1} + \sum \gamma_i \text{Bank regulations}_{k,t-1} \\ & + \sum \delta_i \text{Economic Integration}_{jk,t-1} + \sum \phi_i \text{Other host country characteristics}_{k,t-1} \\ & + \sum \eta_i \text{Bank characteristics}_{i,t-1} + \varepsilon \end{aligned}$$

- i Credit Reporting Systems
 - | Whether any credit reporting agency exists
 - i Private credit bureau (*PriBur*)
 - i Public credit registry (*PubReg*)
 - i Information sharing (*InfoShare*)
 - | The coverage, availability and quality of borrower information provided by the credit reporting system
 - i Credit Information Index (*CreditIdx*)
 - i Interaction term: *CreditIdx*PubReg*, *CreditIdx*PriBur*



Model (Cont.)

- i The Credit information index (*CreditIdx*)
 - | Both positive and negative credit info are available
 - | Both borrowing individuals and firm's data are available
 - | The availability of information on all types of lenders (such as retailer, trade creditors)
 - | More than 2 years of historical data are available
 - | Loans below 1% of income per capita's data are available
 - | The guarantee of borrowers' rights to access their own credit info



Model (Cont.)

$$\begin{aligned} NBSD_{ijk,t} \text{ or } NBS_{ijk,t} = & \alpha + \sum \beta_i \text{Credit reporting systems}_{k,t-1} + \sum \gamma_i \text{Bank regulations}_{k,t-1} \\ & + \sum \delta_i \text{Economic Integration}_{jk,t-1} + \sum \phi_i \text{Other host country characteristics}_{k,t-1} \\ & + \sum \eta_i \text{Bank characteristics}_{i,t-1} + \varepsilon \end{aligned}$$

i Bank Regulations

- | Entry requirements (*EntReg*)
- | Activity restrictions (*ActReg*)

i Other Host Country Characteristics

- | Foreign direct investment (FDI), GDP/GDP per capita (GDPcap), Inflation (INF)

i Economic Integration

- | Distance, Language

i Bank Characteristics

- | Nature log of total assets (TA), Profitability (ROA)

Table 9 Logit Model: The Determinants of a Bank's Decision to Enter a Host Country

	NBSD=1, with branches; =0, no branches (model 1- model 8)								NBSD=1, with subsidiaries; =0, no subsidiaries (models 9- 16)							
	model (1)	model (2)	model (3)	model (4)	model (5)	model (6)	model (7)	model (8)	model (9)	model (10)	model (11)	model (12)	model (13)	model (14)	model (15)	model (16)
Intercept	-4.208 ^a (0.068)	-3.408 ^a (0.049)	-4.301 ^a (0.057)	-3.509 ^a (0.047)	-21.874 ^a (0.475)	-21.011 ^a (0.474)	-21.668 ^a (0.475)	-20.948 ^a (0.474)	-4.027 ^a (0.079)	-3.943 ^a (0.069)	-4.546 ^a (0.077)	-4.0735 ^a (0.066)	-13.492 ^a (0.658)	-13.388 ^a (0.660)	-13.457 ^a (0.660)	-13.245 ^a (0.660)
InfoShare	1.850 ^a (0.060)				0.944 ^a (0.070)				0.775 ^a (0.063)				0.273 ^a (0.080)			
PriBur		1.408 ^a (0.035)				0.652 ^a (0.048)				0.857 ^a (0.048)				0.320 ^a (0.065)		
PubReg		-0.246 ^a (0.030)				-0.161 ^a (0.037)				0.052 (0.044)				0.111 ^b (0.052)		
CreditIdx			0.436 ^a (0.009)				0.282 ^a (0.014)				0.303 ^a (0.013)				0.239 ^a (0.019)	
PriBur*CreditIdx				0.331 ^a (0.007)				0.198 ^a (0.010)				0.2118 ^a (0.010)				0.128 ^a (0.014)
PubReg*CreditIdx				-0.088 ^a (0.006)				-0.051 ^a (0.008)				0.0106 (0.010)				0.022 ^b (0.011)
EntReg					0.003 (0.012)	0.011 (0.012)	0.017 (0.012)	0.006 (0.012)					0.011 (0.018)	0.011 (0.018)	0.014 (0.018)	0.012 (0.018)
ActRe																0.114 ^a (0.012)
Distar																0.729 ^a (0.025)
Langu																0.160 ^a (0.060)
FDI					0.000 ^a (0.000)	0.000 ^a (0.000)	0.000 ^a (0.000)	0.000 ^a (0.000)					0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
GDPcap					0.541 ^a (0.017)	0.485 ^a (0.018)	0.408 ^a (0.019)	0.420 ^a (0.019)					0.207 ^a (0.024)	0.181 ^a (0.025)	0.022 (0.028)	0.098 ^a (0.027)
INF					-0.033 ^a (0.004)	-0.033 ^a (0.004)	-0.034 ^a (0.004)	-0.030 ^a (0.004)					0.002 (0.001)	0.002 (0.001)	0.002 ^c (0.001)	0.002 (0.001)
TA					0.940 ^a (0.020)	0.940 ^a (0.020)	0.945 ^a (0.020)	0.945 ^a (0.020)					0.816 ^a (0.028)	0.817 ^a (0.028)	0.821 ^a (0.029)	0.820 ^a (0.029)
ROA					0.291 ^a (0.034)	0.296 ^a (0.034)	0.299 ^a (0.034)	0.304 ^a (0.034)					0.112 ^b (0.053)	0.112 ^b (0.053)	0.110 ^b (0.053)	0.112 ^b (0.053)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. observations	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488
Adj. R square	0.022	0.030	0.039	0.039	0.115	0.115	0.119	0.119	0.003	0.005	0.009	0.008	0.058	0.058	0.061	0.060

Note: Standard errors are in parentheses. ^a=significant at the 1% level; ^b= significant at the 5% level; ^c= significant at the 10% level. Variable definitions please refer to Appendix A.

Table 10 OLS Model: The Determinants of a Bank's Decision to Expand Operations in a Host Country

	NBS= Number of branches (models 1- 8)								NBS= Number of subsidiaries (models 9- 16)							
	model (1)	model (2)	model (3)	model (4)	model (5)	model (6)	model (7)	model (8)	model (9)	model (10)	model (11)	model (12)	model (13)	model (14)	model (15)	model (16)
Intercept	0.036 (0.050)	0.011 (0.548)	-0.064 (0.048)	-0.013 (0.045)	-4.909 ^a (0.580)	-4.887 ^a (0.581)	-4.761 ^a (0.582)	-4.773 ^a (0.583)	0.024 ^a (0.003)	0.026 ^a (0.003)	0.005 (0.003)	0.020 ^a (0.003)	-0.316 ^a (0.040)	-0.307 ^a (0.040)	-0.292 ^a (0.040)	-0.288 ^a (0.040)
InfoShare	0.252 ^a (0.036)				0.170 ^a (0.058)				0.027 ^a (0.002)				0.016 ^a (0.003)			
PriBur		0.310 ^a (0.031)				0.199 ^a (0.053)				0.035 ^a (0.002)				0.019 ^a (0.003)		
PubReg		0.113 ^a (0.031)				0.170 ^a (0.045)				-0.002 (0.002)				0.002 (0.003)		
CreditIdx			0.090 ^a (0.008)				0.087 ^a (0.015)				0.012 ^a (0.000)				0.012 ^a (0.001)	
PriBur*CreditIdx				0.069 ^a (0.006)				0.059 ^a (0.011)				0.010 ^a (0.000)				0.008 ^a (0.001)
PubReg*CreditIdx				0.039 ^a (0.008)				0.051 ^a (0.010)				0.000 (0.000)				0.000 (0.001)
EntReg					0.035 (0.019)	0.036 ^c (0.019)	0.040 ^b (0.019)	0.039 ^b (0.019)					0.002 ^c (0.001)	0.003 ^b (0.001)	0.003 ^b (0.001)	0.003 ^b (0.001)
ActRe																0.005 ^a (0.001)
Distar																0.054 ^a (0.002)
Langu																0.061 ^a (0.005)
FDI					0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)					0.000 ^b (0.000)	0.000 ^b (0.000)	0.000 ^b (0.000)	0.000 ^c (0.000)
GDPcap					0.119 ^a (0.018)	0.106 ^a (0.019)	0.053 ^b (0.022)	0.068 ^a (0.020)					0.012 ^a (0.001)	0.010 ^a (0.001)	0.002 (0.001)	0.005 ^a (0.001)
INF					0.000 (0.001)	0.000 (0.000)	0.000 (0.000)	0.000 (0.001)					0.000 ^a (0.000)	0.000 ^a (0.000)	0.000 ^a (0.000)	0.000 ^a (0.000)
TA					0.338 ^a (0.024)	0.338 ^a (0.024)	0.339 ^a (0.024)	0.339 ^a (0.024)					0.041 ^a (0.002)	0.041 ^a (0.002)	0.041 ^a (0.002)	0.041 ^a (0.002)
ROA					0.026 (0.038)	0.027 (0.038)	0.029 (0.038)	0.029 (0.038)					0.004 ^a (0.001)	0.005 ^a (0.001)	0.005 ^a (0.001)	0.005 ^a (0.001)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. observations	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488
Adj. R square	0.0006	0.001	0.002	0.002	0.008	0.008	0.009	0.009	0.002	0.005	0.009	0.009	0.058	0.058	0.061	0.060

Note: Standard errors are in parentheses. ^a=significant at the 1% level; ^b= significant at the 5% level; ^c= significant at the 10% level. Note: Variable definitions please refer to Appendix A

Table 9 Logit Model: The Determinants of a Bank's Decision to Enter a Host Country

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	model (1)	model (2)	model (3)	model (4)	model (5)	model (6)	model (7)	model (8)	model (9)	model (10)	model (11)	model (12)	model (13)	model (14)	model (15)	model (16)
Intercept	-4.208 ^a (0.068)	-3.408 ^a (0.049)	-4.301 ^a (0.057)	-3.509 ^a (0.047)	-21.874 ^a (0.475)	-21.011 ^a (0.474)	-21.668 ^a (0.475)	-20.948 ^a (0.474)	-4.027 ^a (0.079)	-3.943 ^a (0.069)	-4.546 ^a (0.077)	-4.0735 ^a (0.066)	-13.492 ^a (0.658)	-13.388 ^a (0.660)	-13.457 ^a (0.660)	-13.245 ^a (0.660)
InfoShare	1.850 ^a (0.060)				0.944 ^a (0.070)				0.775 ^a (0.063)				0.273 ^a (0.080)			
PriBur		1.408 ^a (0.035)				0.652 ^a (0.048)				0.857 ^a (0.048)				0.320 ^a (0.065)		
PubReg		-0.246 ^a (0.030)				-0.161 ^a (0.037)				0.052 (0.044)				0.111 ^b (0.052)		
CreditIdx			0.436 ^a (0.009)				0.282 ^a (0.014)				0.303 ^a (0.013)				0.239 ^a (0.019)	
PriBur*CreditIdx				0.331 ^a (0.007)				0.198 ^a (0.010)				0.2118 ^a (0.010)				0.128 ^a (0.014)
PubReg*CreditIdx				-0.088 ^a (0.006)				-0.051 ^a (0.008)				0.0106 (0.010)				0.022 ^b (0.011)
EntReg					0.003 (0.012)	0.011 (0.012)	0.017 (0.012)	0.006 (0.012)					0.011 (0.018)	0.011 (0.018)	0.014 (0.018)	0.012 (0.018)
ActReg					0.009 (0.008)	0.006 (0.008)	0.002 (0.008)	0.011 (0.008)					-0.118 ^a (0.012)	-0.120 ^a (0.012)	-0.124 ^a (0.012)	-0.114 ^a (0.012)
Distance					-0.189 ^a (0.017)	-0.223 ^a (0.018)	-0.233 ^a (0.017)	-0.258 ^a (0.018)					-0.687 ^a (0.024)	-0.695 ^a (0.024)	-0.741 ^a (0.024)	-0.729 ^a (0.025)
Language					0.826 ^a (0.042)	0.814 ^a (0.042)	0.786 ^a (0.042)	0.786 ^a (0.043)					0.986 ^a (0.059)	0.995 ^a (0.059)	0.932 ^a (0.059)	0.960 ^a (0.060)
FDI																0.000 (0.000)
GDPpc																0.98 ^a (0.027)
INF																0.02 (0.001)
TA					0.940 ^a (0.020)	0.940 ^a (0.020)	0.945 ^a (0.020)	0.945 ^a (0.020)					0.816 ^a (0.028)	0.817 ^a (0.028)	0.821 ^a (0.029)	0.820 ^a (0.029)
ROA					0.291 ^a (0.034)	0.296 ^a (0.034)	0.299 ^a (0.034)	0.304 ^a (0.034)					0.112 ^b (0.053)	0.112 ^b (0.053)	0.110 ^b (0.053)	0.112 ^b (0.053)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. observations	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488
Adj. R square	0.022	0.030	0.039	0.039	0.115	0.115	0.119	0.119	0.003	0.005	0.009	0.008	0.058	0.058	0.061	0.060

Do Host Country Regulations Restrict Bank Expansion?

Note: Standard errors are in parentheses. ^a=significant at the 1% level; ^b= significant at the 5% level; ^c= significant at the 10% level. Variable definitions please refer to Appendix A.

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	NBS= Number of branches (models 1- 8)								NBS= Number of subsidiaries (models 9- 16)							
	model (1)	model (2)	model (3)	model (4)	model (5)	model (6)	model (7)	model (8)	model (9)	model (10)	model (11)	model (12)	model (13)	model (14)	model (15)	model (16)
Intercept	0.036 (0.050)	0.011 (0.548)	-0.064 (0.048)	-0.013 (0.045)	-4.909 ^a (0.580)	-4.887 ^a (0.581)	-4.761 ^a (0.582)	-4.773 ^a (0.583)	0.024 ^a (0.003)	0.026 ^a (0.003)	0.005 (0.003)	0.020 ^a (0.003)	-0.316 ^a (0.040)	-0.307 ^a (0.040)	-0.292 ^a (0.040)	-0.288 ^a (0.040)
InfoShare	0.252 ^a (0.036)				0.170 ^a (0.058)				0.027 ^a (0.002)				0.016 ^a (0.003)			
PriBur		0.310 ^a (0.031)				0.199 ^a (0.053)				0.035 ^a (0.002)				0.019 ^a (0.003)		
PubReg		0.113 ^a (0.031)				0.170 ^a (0.045)				-0.002 (0.002)				0.002 (0.003)		
CreditIdx			0.090 ^a (0.008)				0.087 ^a (0.015)				0.012 ^a (0.000)				0.012 ^a (0.001)	
PriBur*CreditIdx				0.069 ^a (0.006)				0.059 ^a (0.011)				0.010 ^a (0.000)				0.008 ^a (0.001)
PubReg*CreditIdx				0.039 ^a (0.008)				0.051 ^a (0.010)				0.000 (0.000)				0.000 (0.001)
EntReg					0.035 (0.019)	0.036 ^c (0.019)	0.040 ^b (0.019)	0.039 ^b (0.019)					0.002 ^c (0.001)	0.003 ^b (0.001)	0.003 ^b (0.001)	0.003 ^b (0.001)
ActReg					-0.004 (0.010)	-0.007 (0.010)	-0.010 (0.010)	-0.006 (0.010)					-0.005 ^a (0.001)	-0.005 ^a (0.001)	-0.006 ^a (0.001)	-0.005 ^a (0.001)
Distance					-0.232 ^a (0.026)	-0.237 ^a (0.026)	-0.255 ^a (0.026)	-0.255 ^a (0.027)					-0.050 ^a (0.001)	-0.051 ^a (0.002)	-0.054 ^a (0.002)	-0.054 ^a (0.002)
Language					0.123 ^b (0.062)	0.126 ^b (0.062)	0.112 ^c (0.062)	0.114 ^c (0.062)					0.063 ^a (0.005)	0.063 ^a (0.005)	0.062 ^a (0.005)	0.061 ^a (0.005)
FDI					0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)					0.000 ^b (0.000)	0.000 ^b (0.000)	0.000 ^b (0.000)	0.000 ^c (0.000)
GDPc																0.005 ^a (0.001)
INF																0.000 ^a (0.000)
TA					0.338 ^a (0.024)	0.338 ^a (0.024)	0.339 ^a (0.024)	0.339 ^a (0.024)					0.041 ^a (0.002)	0.041 ^a (0.002)	0.041 ^a (0.002)	0.041 ^a (0.002)
ROA					0.026 (0.038)	0.027 (0.038)	0.029 (0.038)	0.029 (0.038)					0.004 ^a (0.001)	0.005 ^a (0.001)	0.005 ^a (0.001)	0.005 ^a (0.001)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. observations	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488
Adj. R square	0.0006	0.001	0.002	0.002	0.008	0.008	0.009	0.009	0.002	0.005	0.009	0.009	0.058	0.058	0.061	0.060

Do Host Country Regulations Restrict Bank Expansion?

Note: Standard errors are in parentheses. ^a=significant at the 1% level; ^b= significant at the 5% level; ^c= significant at the 10% level. Note: Variable definitions please refer to Appendix A.

Table 9 Logit Model: The Determinants of a Bank's Decision to Enter a Host Country

	NBSD=1, with branches; =0, no branches (model 1- model 8)								NBSD=1, with subsidiaries; =0, no subsidiaries (models 9- 16)										
	model (1)	model (2)	model (3)	model (4)	model (5)	model (6)	model (7)	model (8)	model (9)	model (10)	model (11)	model (12)	model (13)	model (14)	model (15)	model (16)			
Intercept	-4.208 ^a (0.068)	-3.408 ^a (0.049)	-4.301 ^a (0.057)	-3.509 ^a (0.047)	-21.874 ^a (0.475)	-21.011 ^a (0.474)	-21.668 ^a (0.475)	-20.948 ^a (0.474)	-4.027 ^a (0.079)	-3.943 ^a (0.069)	-4.546 ^a (0.077)	-4.0735 ^a (0.066)	-13.492 ^a (0.658)	-13.388 ^a (0.660)	-13.457 ^a (0.660)	-13.245 ^a (0.660)			
InfoShare	1.850 ^a (0.060)				0.944 ^a (0.070)				0.775 ^a (0.063)				0.273 ^a (0.080)						
PriBur		1.408 ^a (0.035)				0.652 ^a (0.048)				0.857 ^a (0.048)				0.320 ^a (0.065)					
PubReg		-0.246 ^a (0.030)				-0.161 ^a (0.037)				0.052 (0.044)				0.111 ^b (0.052)					
CreditIdx			0.436 ^a (0.009)				0.282 ^a (0.014)				0.303 ^a (0.013)				0.239 ^a (0.019)				
PriBur*CreditIdx				0.331 ^a				0.198 ^a				0.2118 ^a				0.128 ^a			
PubReg																0.128 ^a			
EntReg																0.2 ^b			
ActReg																0.14 ^a			
Distance					(0.008)	-0.189 ^a (0.017)	(0.008)	-0.223 ^a (0.018)	(0.008)	-0.233 ^a (0.017)	(0.008)	-0.258 ^a (0.018)	(0.012)	-0.687 ^a (0.024)	(0.012)	-0.741 ^a (0.024)	(0.012)	-0.729 ^a (0.025)	
Language						0.826 ^a (0.042)		0.814 ^a (0.042)		0.786 ^a (0.042)		0.786 ^a (0.043)		0.986 ^a (0.059)		0.995 ^a (0.059)		0.932 ^a (0.059)	0.960 ^a (0.060)
FDI						0.000 ^a (0.000)		0.000 ^a (0.000)		0.000 ^a (0.000)		0.000 ^a (0.000)		0.000 (0.000)		0.000 (0.000)		0.000 (0.000)	0.000 (0.000)
GDPcap						0.541 ^a (0.017)		0.485 ^a (0.018)		0.408 ^a (0.019)		0.420 ^a (0.019)		0.207 ^a (0.024)		0.181 ^a (0.025)		0.022 (0.028)	0.098 ^a (0.027)
INF						-0.033 ^a (0.004)		-0.033 ^a (0.004)		-0.034 ^a (0.004)		-0.030 ^a (0.004)		0.002 (0.001)		0.002 (0.001)		0.002 ^c (0.001)	0.002 (0.001)
TA						0.940 ^a (0.020)		0.940 ^a (0.020)		0.945 ^a (0.020)		0.945 ^a (0.020)		0.816 ^a (0.028)		0.817 ^a (0.028)		0.821 ^a (0.029)	0.820 ^a (0.029)
ROA						0.291 ^a (0.034)		0.296 ^a (0.034)		0.299 ^a (0.034)		0.304 ^a (0.034)		0.112 ^b (0.053)		0.112 ^b (0.053)		0.110 ^b (0.053)	0.112 ^b (0.053)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
No. observations	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488			
Adj. R square	0.022	0.030	0.039	0.039	0.115	0.115	0.119	0.119	0.003	0.005	0.009	0.008	0.058	0.058	0.061	0.060			

Economic Integration, Other Host Country Characteristics and Bank Characteristics

Note: Standard errors are in parentheses. ^a=significant at the 1% level; ^b= significant at the 5% level; ^c= significant at the 10% level. Variable definitions please refer to Appendix A.

Table 10 OLS Model: The Determinants of a Bank's Decision to Expand Operations in a Host Country

	NBS= Number of branches (models 1- 8)								NBS= Number of subsidiaries (models 9- 16)							
	model (1)	model (2)	model (3)	model (4)	model (5)	model (6)	model (7)	model (8)	model (9)	model (10)	model (11)	model (12)	model (13)	model (14)	model (15)	model (16)
Intercept	0.036 (0.050)	0.011 (0.548)	-0.064 (0.048)	-0.013 (0.045)	-4.909 ^a (0.580)	-4.887 ^a (0.581)	-4.761 ^a (0.582)	-4.773 ^a (0.583)	0.024 ^a (0.003)	0.026 ^a (0.003)	0.005 (0.003)	0.020 ^a (0.003)	-0.316 ^a (0.040)	-0.307 ^a (0.040)	-0.292 ^a (0.040)	-0.288 ^a (0.040)
InfoShare	0.252 ^a (0.036)				0.170 ^a (0.058)				0.027 ^a (0.002)				0.016 ^a (0.003)			
PriBur		0.310 ^a (0.031)				0.199 ^a (0.053)				0.035 ^a (0.002)				0.019 ^a (0.003)		
PubReg		0.113 ^a (0.031)				0.170 ^a (0.045)				-0.002 (0.002)				0.002 (0.003)		
CreditIdx			0.090 ^a (0.008)				0.087 ^a (0.015)				0.012 ^a (0.000)				0.012 ^a (0.001)	
PriBur*C																
PubReg*																
EntReg																
ActReg					-0.004 (0.010)	-0.007 (0.010)	-0.010 (0.010)	-0.006 (0.010)					-0.005 ^a (0.001)	-0.005 ^a (0.001)	-0.006 ^a (0.001)	-0.005 ^a (0.001)
Distance					-0.232 ^a (0.026)	-0.237 ^a (0.026)	-0.255 ^a (0.026)	-0.255 ^a (0.027)					-0.050 ^a (0.001)	-0.051 ^a (0.002)	-0.054 ^a (0.002)	-0.054 ^a (0.002)
Language					0.123 ^b (0.062)	0.126 ^b (0.062)	0.112 ^c (0.062)	0.114 ^c (0.062)					0.063 ^a (0.005)	0.063 ^a (0.005)	0.062 ^a (0.005)	0.061 ^a (0.005)
FDI					0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)					0.000 ^b (0.000)	0.000 ^b (0.000)	0.000 ^b (0.000)	0.000 ^c (0.000)
GDPcap					0.119 ^a (0.018)	0.106 ^a (0.019)	0.053 ^b (0.022)	0.068 ^a (0.020)					0.012 ^a (0.001)	0.010 ^a (0.001)	0.002 (0.001)	0.005 ^a (0.001)
INF					0.000 (0.001)	0.000 (0.000)	0.000 (0.000)	0.000 (0.001)					0.000 ^a (0.000)	0.000 ^a (0.000)	0.000 ^a (0.000)	0.000 ^a (0.000)
TA					0.338 ^a (0.024)	0.338 ^a (0.024)	0.339 ^a (0.024)	0.339 ^a (0.024)					0.041 ^a (0.002)	0.041 ^a (0.002)	0.041 ^a (0.002)	0.041 ^a (0.002)
ROA					0.026 (0.038)	0.027 (0.038)	0.029 (0.038)	0.029 (0.038)					0.004 ^a (0.001)	0.005 ^a (0.001)	0.005 ^a (0.001)	0.005 ^a (0.001)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. observations	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488	73,100	73,100	73,100	73,100	51,488	51,488	51,488	51,488
Adj. R square	0.0006	0.001	0.002	0.002	0.008	0.008	0.009	0.009	0.002	0.005	0.009	0.009	0.058	0.058	0.061	0.060

Economic Integration, Other Host Country Characteristics and Bank Characteristics

Note: Standard errors are in parentheses. ^a=significant at the 1% level; ^b= significant at the 5% level; ^c= significant at the 10% level. Note: Variable definitions please refer to Appendix A.



Conclusions

- i Banks are attracted to countries where credit reporting agencies exist.
- i The types of credit reporting agencies matter for attracting banks to enter a market
 - | Bank prefers a system with private credit bureau
- i Information contained in the credit reports matters for attracting banks to enter a market
 - | Banks prefer a system with better quality of information in terms of timeliness, accuracy, and completeness.