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研究課題名（和文）Does Banking FDI Promote Firm FDI?

研究課題名（英文）Does Banking FDI Promote Firm FDI?

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研究成果の概要（和文）：中国のビッグ5銀行のグローバル展開と同時期に行われた中国の多国籍活動に関する企業レベルのデータセットを用いて、銀行FDIと製造業FDIの関係を分析した。その結果、Big-5銀行の子会社や支店の設立は、その後の中国企業の海外子会社設立の確率を増加することがわかった。中国の銀行直接投資と企業の直接投資の間に因果関係があることを立証するために操作変数法を含むテストを行っている。また、中国の銀行が海外に存在することで、中国企業の海外子会社の資金調達ニーズが促進されることを示す裏付けとなる証拠も示している。これらの結果は、ある国の銀行の国際化とその国の企業が海外で活動する能力との関連性を示している。

研究成果の学術的意義や社会的意義

Our results suggest that foreign firms trying to do FDI in a host country find it harder to obtain financing than domestic firms in that host country as it is more difficult for host-country banks to verify information that would be relevant about the credit-worthiness of the foreign firms.

研究成果の概要（英文）：We investigate the relationship between bank FDI and manufacturing firm FDI using a detailed firm-level dataset on outbound multinational activity from China that was contemporaneous with the global expansion of China's Big-5 banks. We find that the establishment of a Big-5 bank subsidiary or branch is associated with a significant increase in subsequent years in Chinese firms' likelihood to establish an overseas subsidiary in that host country. We present tests - including an instrumental variables strategy - that build a case that the relationship from China's bank FDI to firm FDI is causal in nature. We discuss supporting evidence to show that China's bank presence abroad serves to facilitate the financing needs of Chinese firms' overseas subsidiaries. The findings speak to a nexus between the internationalization of a country's banks and the ability of that country's firms to engage in multinational activity abroad.

研究分野：International Macroeconomics

キーワード：Multinationals China banking FDI Manufacturing FDI Credit constraints

1. 研究開始当初の背景

I applied for this grant after moving from Korea University to Waseda University in April 2021 to support my joint research with Davin Chor at Dartmouth College in the United States and Jie Li at Capital University of Economics and Business in China. Jie Li was my research assistant when I worked in Singapore and Davin's PhD student at the National University of Singapore. Davin moved to Dartmouth College in July 2018 and Jie started working in Beijing in 2018.

2. 研究の目的

In this paper, we examine the rise in China's outbound FDI over the period 1990-2014. The case of China is important in its own right, given the size of the Chinese economy and its rising share of global FDI outflows; more broadly too, this episode can shed light on the outward expansion strategies of banks and firms from the perspective of a large developing country. To make progress towards disentangling whether it is bank FDI that promotes firm FDI, or whether it is instead firm FDI that draws in bank FDI, we assemble a micro-level dataset that contains rich information on the timing of entry of Chinese firms and the Big-5 China's banks into overseas markets.

3. 研究の方法

We investigate the relationship between bank FDI and manufacturing firm FDI using a detailed firm-level dataset on outbound multinational activity from China that was contemporaneous with the global expansion of China's Big-5 banks. Adopting an event study approach that exploits information on years of entry across potential host countries, we find that the establishment of a Big-5 bank subsidiary or branch is associated with a significant increase in subsequent years in Chinese firms' likelihood to establish an overseas subsidiary in that host country. We present tests - including an instrumental variables strategy - that build a case that the relationship from China's bank FDI to firm FDI is causal in nature. We discuss supporting evidence to show that China's bank presence abroad serves to facilitate the financing needs of Chinese firms' overseas subsidiaries. The findings speak to a nexus between the internationalization of a country's banks and the ability of that country's firms to engage in multinational activity abroad.

4. 研究成果

Our central finding is that the entry of a Big-5 bank into a given host-country market is positively associated with firm entry into that same market in the subsequent year. This result holds controlling for the battery of host-country characteristics listed above. We moreover find evidence of spillover effects, in that Big-5 bank entry into a country is positively associated with affiliate entry not just in that country, but also in neighboring countries in the same geographic region. Our exploration of different leads and lags of the Big-5 bank entry variable points to the conclusion that it is prior Big-5 bank entry that is positively associated with subsequent firm FDI, and not vice versa. This is further supported by evidence from a more flexible event-study empirical specification. While we find some signs of anticipation effects here, namely firms establishing a subsidiary in a market in anticipation that a Big-5 bank will soon follow, we nevertheless confirm that the propensity towards firm entry increases significantly in and after the earliest year in which a Big-5 bank opens a branch or subsidiary in the host country. To further bolster the case for a causal interpretation, we obtain similar results when using an instrumental variable that we construct from information on other East-Asian countries and regions' bank FDI presence across the host countries; this works in particular off the premise that banks in Japan,

Korea, Taiwan and Singapore} have minimal direct lending relationships with China-based firms, but that there are common forces – such as local banking regulations – that might jointly make specific host countries attractive to Japanese, Korean and China’s banks as destinations for bank FDI. Hence, the instrumental variable speaks to both the host countries’ openness to bank FDI and the propensity of banks from these three economies to conduct bank FDI overseas. On the former, it would pick up something about bank FDI regulations in the host-countries. In the latter, it would pick up something specific about the ease with which these three-countries’ banks can undertake bank FDI in a given host country such as distance of the host-countries from the three countries, language barriers, cultural barriers, or institutional dissimilarities as mentioned above.

We provide further evidence that the credit channel is a relevant mechanism for explaining the impact of home-country bank presence on firm FDI. Following the strategy of Rajan and Zingales (1998) and Manova (2012) we find that firms that are SOEs, or that are in industries that feature a high debt-to-asset ratio are more likely to invest in host countries with the presence of China’s banks. Furthermore, for a subsample of our firms, we were able to obtain information from their annual reports of a list of banks with whom they had a credit relationship. Although this may be at best a partial list of prior bank-firm links, we find for this subsample that the impact of bank presence on firm entry is indeed stronger for banks and firms with an existing relationship from their home-country business dealings than those without. Last but not least, we also find that the effects of bank financing are weaker for instances of firm FDI conducted through a merger or acquisition, consistent with the view that greenfield FDI is more intensive in its use of bank financing, while M&As are more intensive in their use of equity financing. These results are consistent with the hypothesis that the credit channel is an important reason behind the positive relationship between bank and firm FDI. In particular, they suggest that foreign firms trying to do FDI in a host country find it harder to obtain financing than domestic firms in that host country as it is more difficult for host-country banks to verify information that would be relevant about the credit-worthiness of the foreign firms.

References

- Manova, K. (2012): “Credit constraints, heterogeneous firms, and international trade,” *Review of Economic Studies*, 80, 711-744.
- Rajan, R. G. and L. Zingales (1998): “Financial dependence and growth,” *The American Economic Review*, 88, 559-586.

5. 主な発表論文等

〔雑誌論文〕 計0件

〔学会発表〕 計0件

〔図書〕 計0件

〔産業財産権〕

〔その他〕

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6. 研究組織

	氏名 (ローマ字氏名) (研究者番号)	所属研究機関・部局・職 (機関番号)	備考
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7. 科研費を使用して開催した国際研究集会

〔国際研究集会〕 計0件

8. 本研究に関連して実施した国際共同研究の実施状況

共同研究相手国	相手方研究機関			
米国	Dartmouth College			
中国	CUEB			