Determinants of Loan Share Structure:
What Determines the Asymmetry?*

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Abstract

This paper studies the implications of asymmetric loan share structure. We especially intend to establish the determinants of the loan share asymmetry with controlling the number of loan relations. The obtained estimation results indicate that the loan share structures tend to become symmetric when firms have limited access to transaction lending and/or keep a longer relation with their top lender. These results imply that the larger risk of hold-up perceived by firms induces them to disperse loan relations. We also confirm that less profitable, more levered, and/or riskier firms tend to hold more asymmetric loan share structure, which reflect the anxiety of firms and banks about the coordination failure in the stage of distress. Other established features that smaller firms and/or banks with larger liquidity tend to form concentrated loan relations further suggest the existence of fixed transaction cost and firm's motive for liquidity insurance. Overall, these results imply the necessity to treat the loan share asymmetry as an important dimension characterizing the roles of bank loan relations.

Key words: Hold-up; Coordination Failure; Transaction Cost; Liquidity Insurance
JEL Classification: G21, G32, G33

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