

Accepted Manuscript

Hidden Gems and Borrowers with Dirty Little Secrets: Investment in Soft Information, Borrower Self-selection and Competition

Reint Gropp , Andre Guettler

PII: S0378-4266(17)30228-5
DOI: [10.1016/j.jbankfin.2017.09.014](https://doi.org/10.1016/j.jbankfin.2017.09.014)
Reference: JBF 5218



To appear in: *Journal of Banking and Finance*

Received date: 11 August 2016
Revised date: 3 August 2017
Accepted date: 16 September 2017

Please cite this article as: Reint Gropp , Andre Guettler , Hidden Gems and Borrowers with Dirty Little Secrets: Investment in Soft Information, Borrower Self-selection and Competition, *Journal of Banking and Finance* (2017), doi: [10.1016/j.jbankfin.2017.09.014](https://doi.org/10.1016/j.jbankfin.2017.09.014)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Hidden Gems and Borrowers with Dirty Little Secrets: Investment in Soft Information, Borrower Self-selection and Competition

Reint Gropp¹, Andre Guettler²

This paper empirically examines the role of soft information in the competitive interaction between relationship and transaction banks. Soft information can be interpreted as a valuable signal about the quality of a firm that is observable to a relationship bank, but not to a transaction bank. We show that borrowers self-select to relationship banks depending on whether their observed soft information is positive or negative. Competition affects the investment in learning the soft information from firms by relationship banks and transaction banks asymmetrically. Relationship banks invest more; transaction banks invest less in soft information, exacerbating the selection effect.

¹ Prof. Reint Gropp, PhD, Institute for Economic Research Halle (IWH), Kleine Maerkerstr. 8, 06108 Halle (Saale), Germany, reint.gropp@iwh-halle.de.

² Prof. Dr. Andre Guettler, Ulm University, Institute of Strategic Management and Finance, Helmholtzstr. 22, 89081 Ulm, Germany and Institute for Economic Research Halle (IWH), andre.guettler@uni-ulm.de (corresponding author).

We thank Sumit Agarwal, Patrick Behr, Tobias Berg, Hans Degryse, Dominique Demougin, Fred Furlong, Robert Hauswald, Roman Inderst, Simon Kwan, Steven Ongena, Klaus Schaeck, Marcel Tyrell, Vijay Yerramilli, participants at the 10th annual Corporate Finance Conference at Washington University in St. Louis and the annual meeting of the Swiss Society for Financial Market Research, and seminar participants at the Bangor Business School, EBS Business School, Fed San Francisco, Karlsruhe Institute of Technology, KU Leuven, Maastricht University, National Bank of Poland, University of Konstanz, University of Stirling, Tilburg University, and Ulm University for helpful discussions and comments. We further thank the German Savings Banks Association for providing data and Christian Gruendl for excellent research assistance. Part of this paper was written while Reint Gropp was a Duisenberg Fellow at the ECB and the ECB's hospitality is gratefully acknowledged. A previous version of the paper was entitled "Does Discretion in Lending Increase Bank Risk? Borrower Self-selection and Loan Officer Capture Effects".

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات