IÉSEG SCHOOL OF MANAGEMENT

April 2021

WORKING PAPER SERIES

2021-ACF-01

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Abstract

We investigated whether home country culture determines the lending behavior of foreign subsidiaries in host countries during both tranquil and difficult economic times. We employed a dataset of foreign-owned banks originating from 49 home countries and operating in 47 host countries during the period 1996–2018. We found that, in general, only certain dimensions of the home country culture of multinational banks influence lending activities of the foreign bank subsidiaries. However, the impact of home country culture strengthens significantly during crises. Interestingly, we established that the cultural values of the home country are more important than the cultural distances between home and host countries in explaining foreign bank lending attitudes.

Keywords: foreign bank, lending, national culture, crisis

JEL: G01, G21

Acknowledgements
The authors acknowledge the financial support provided by the National Science Center (Narodowe Centrum Nauki), Poland project no. 2019/35/B/HS4/00199 entitled “Czynniki kulturowe i zaufanie społeczne: Wpływ na sytuację banków i akcję kredytową” (Culture and social trust: Impact on banks and lending).

1. Introduction

The financial crisis of 2008 reignited the debate among academicians and policy-makers regarding the desirable ownership structure of the banking sector. Two opposing views have continued to clash. The proponents of the first view stress that foreign bank ownership fosters competition and improves the efficiency of the banking sector (Claessens and Laeven, 2004; Delis et al., 2016), particularly in developing countries (see, for example, Bonin et al., 2005, for Central and Eastern Europe; Detragiache and Gupta, 2006, for Asia; and Berger et al., 2005, for Latin America). Moreover, they suggest that foreign banks can stabilize host banking sectors by reducing the incidence of domestic crises or continuing to extend credit during such episodes (De Haas and Van Lelyveld, 2010).

The proponents of the opposing view maintain that foreign-owned banks can destabilize the local banking sector by transmitting external shocks. In their seminal studies, Peek and Rosengren (1997, 2000) documented the transmission of cross-border shocks and demonstrated that Japanese banks reduced lending in the US in response to a home country financial crisis. The crisis of 2008 provided further evidence to this end. Several recent studies have found that foreign banks reduced their lending more than domestic banks during this period (De Haas and van Lelyveld, 2014; Claessens and van Horen, 2015), particularly in Eastern Europe (De Haas et al., 2015). However, foreign banks' reactions to the crisis were heterogeneous and dependent on country- and bank-level characteristics (Cull and Martinez Peria, 2013; Bonin and Louie, 2017). We conjecture that one of the reasons behind these heterogeneous reactions may be different cultural values.

Culture, understood as a collective programming of the minds (Hofstede, 2001), influences people's attitudes, inclinations, predispositions, preferences, judgments, expectations, ways of thinking, and consequently, decisions. The empirical evidence supporting the view that culture has a paramount impact on economic outcomes is rapidly growing (Guiso et al., 2006, 2008). Regarding non-financial firms, the literature suggests that the various dimensions and components of culture affect access to finance or financing decisions (Zheng et al. 2012; Aggarwal and Godell, 2014; Boubakri and Saffar, 2016; El Ghoul and Zheng, 2016; Bedendo et al., 2019; Dowling et al. 2019), performance and risk-taking (Kreiser et al., 2010; Li et al., 2013; Frijns et al., 2016; Semrau et al., 2016; Gaganis et al., 2019), dividend and cash policies (Chang and Noorbakhsh, 2009; Shao et al., 2010; Bae et al., 2012; Chang et al., 2019), relations with different stakeholders (Cai et al., 2016; Song et al., 2018), tax evasion (Bame-Aldred et al., 2013), the success of mergers and acquisitions (Breuer et al., 2018; Zhu et al.,

2020), IPO activity and underpricing (Chourou et al., 2018; Gupta et al., 2018), and even conditional conservatism in accounting (Guermazi and Halioui, 2020). Culture equally impacts numerous financial phenomena with respect to financial markets and investors' decisions. It seems to co-determine the degree of investors' protection (Stultz and Williamson, 2003), their risk appetite and trading frequency (Beracha et al., 2014; Lee, Pantzalis, et. al., 2019; Lee, Switzer, et al. 2019), investment styles (Tan et al. 2019), and propensity to exhibit herding behavior (Chang and Lin, 2015) or tendency to display the disposition effect (Breitmayer et al., 2019).

Compared to literature that assesses the role of culture in corporate finance and investment decisions, the banking literature is, to a certain degree, unbalanced. In particular, the literature dealing with the influence of culture is dominated by studies on bank risk, probably due to the policy relevance of this topic (Ashraf et al., 2016; Ashraf and Arshad, 2017; Mourouzidou-Damtsa et al., 2019; Kanagaretnam et al., 2019; Illiashenko and Laidroo, 2020). Recently, Berger et al. (2020) extended their research focus by analyzing the relationship between culture and banks' failures, while Haq et al. (2018) investigated banks' leverage. Studies on other aspects of cultural effects regarding, for example, banks' performance (Halkos and Tzeremes, 2011; Boubakri et al., 2017) or banks' propensity to pay dividends (Zheng and Ashraf, 2014) are much rarer. In our opinion, two gaps in the banking literature are particularly striking.

First, there is limited literature that has concentrated directly on the importance of cultural considerations for bank lending (Giannetti and Yafeh, 2012; Fisman et al., 2017; He and Hu, 2016; Jin et al., 2019; Dheera-aumpon, 2019). Second, our knowledge regarding the transfer and relevance of parent bank cultural values within multinational banking groups is limited (Ashraf and Arshad, 2017; Cheung et al., 2020). Our study aims to supplement the existing evidence in these neglected research areas. Accordingly, we investigated whether home country culture affects the lending behavior of foreign subsidiaries during both tranquil and difficult economic times.

To answer our research question, we built a comprehensive dataset based on several sources, including the following: financial statements of foreign-owned banks operating in 47 countries during the 1996–2018 period, data on the origination of their parent banks (partially a novel, hand-collected dataset covering 49 home countries), information on macroeconomic indicators, institutional factors, geographical and linguistic characteristics of the host and home countries, data on systemic banking crises, and country-level Hofstede cultural values. We

employed our dataset in panel regression models to examine the impact of control and cultural variables on the lending activities of foreign-owned banks.

Our research results confirmed the influence of parent bank cultural values on the lending of foreign bank subsidiaries in host countries. Interestingly, the strength of this impact critically depends on the occurrence of crisis phenomena. Specifically, we found that, in general, only certain dimensions of the home country culture of the multinational banks affect the lending activities of foreign bank subsidiaries. However, the impact of home country culture strengthens significantly during host and home country crises. In particular, foreign bank subsidiaries with parent companies from countries that score high on power distance, uncertainty avoidance, and long-term orientation tend to reduce lending during difficult economic periods. The opposite is true for subsidiaries controlled by parent companies originating from countries that score high on individualism and masculinity. Finally, we established that the cultural values of the home country are more important in explaining foreign bank lending attitudes as compared to cultural distances between home and host countries.

The research outcomes underscoring the special role of home country cultural values in lending by foreign bank subsidiaries during difficult times withstood a battery of robustness checks. First, the results remained unchanged when we substituted a hierarchical model for a traditional static panel model with random effects. Second, the results were remarkably stable after we introduced various additional regressors to control for the linguistic proximity of host and home countries, geographical distances, and institutional features of the home country. Consequently, our conclusion is unlikely to be driven by the bias of omitted variables.

The paper contributes to the literature in four ways. First, the current knowledge on the direct impact of cultural values on bank lending is limited and based on a limited number of empirical studies (He and Hu, 2016; Jin et al., 2018; Dheera-aumpon, 2019; Cheung et al., 2020). Therefore, we provided additional evidence concerning numerous home country cultural values in the specific context of lending activities of foreign bank subsidiaries. Second, studies on the role of home country culture regarding foreign bank subsidiaries are equally rare as works on the culture-lending nexus. Ashraf and Arshad (2017) reported that home country culture impacts the risk-taking behavior of foreign bank subsidiaries, while Cheung et al. (2020) documented that home country culture determines the sensitivity of banks to borrowers' corporate social responsibility (CSR) scores. We established that home country cultural values play a statistically significant and economically relevant role in shaping lending attitudes of foreign bank subsidiaries, particularly during crisis periods. Third, the literature on non-

financial firm foreign expansion has frequently underscored the importance of cultural distances (Brock, 2005; Malhotra et al., 2011; Moalla and Mayrhofer, 2020). In the banking literature, Toh and Jia (2021) confirmed the significance of cultural distances for the impact of market power on bank liquidity creation, and Ginannetti and Yafeh (2011) confirmed the same for international syndicated loans. Contrary to those studies, we documented that regarding lending by foreign bank subsidiaries, home country cultural values are more important than cultural distances between home and host countries. Finally, thus far, the existing studies on the impact of culture on banks' outcomes during crisis periods have yielded inconclusive results (Boubakri et al. 2017; Mourouzidou-Damtsa, 2019). Our study supports the view that home country culture is increasingly significant during crises and becomes an important driver of lending by foreign bank subsidiaries.

The remainder of this paper is organized as follows. Section 2 reviews the literature and develops research hypotheses. Section 3 outlines our data set and methodology. Section 4 discusses the main empirical results, and Section 5 describes the results of different robustness checks. Finally, Section 6 presents the conclusions and policy implications of the study.

2. Literature review and hypothesis development

The literature directly addressing whether culture, including home country culture, influences bank lending is surprisingly limited. There exist only a few studies that have examined either the impact of home country culture on foreign banks' functioning or the relationship between cultural values and bank lending activities. We begin our literature review with the discussion of those studies. However, due to the scarcity of directly relevant empirical evidence, we subsequently present the research results concerning the general impact of culture on bank risk-taking to substantiate the first hypothesis further. Bank lending and bank risk-taking are closely interrelated as lending decisions, despite changes in financial markets and bank business models, remain one of the key drivers of any bank's long-term success.

To the best of our knowledge, only two studies have provided direct insight into how home country culture impacts foreign bank subsidiaries. Ashraf and Arshad (2017) concluded that the risk-taking behavior of foreign subsidiaries of a multinational bank is mostly determined by the national culture of the parent bank's home country rather than that of its host

country[1]. They claim that foreign banks take more risk if the parent banks' home country culture is characterized by low uncertainty avoidance, high individualism, and low power distance cultural values. Cheung et al. (2020), in a specific context of corporate social responsibility (CSR), added that banks originating from countries with higher CSR cultural awareness as compared to the borrower's country are more likely to offer lower loan spreads for borrowers with superior CSR scores.

Extant literature suggests that bank lending activities and lending terms are affected by cultural values and constructs such as religiosity, social capital, collectivism, egalitarianism, and harmony. He and Hu (2016) found that corporate borrowers located in countries with a high level of religiosity pay lower interest rates, obtain larger loan amounts, and are constrained by fewer loan covenants. Jin et al. (2019) showed that social capital (closely related to the dominant cultural values in a given country) is negatively associated with bank loan growth, including risky loans. They also documented that *ex pos*t social capital is positively related to loan portfolio quality. Dheera-aumpon (2019) established that institutional collectivism is linked to lending cronyism, while in-group collectivism is not. Finally, Cheung et al. (2020) reported that the favorable impact of superior CSR performance on bank loan costs is more substantial in countries with cultural values that underscore the role of egalitarianism and harmony.

Contrary to the literature on the importance of home country culture for foreign banks and the significance of culture for lending in general, the studies regarding whether cultural values affect bank risk-taking and performance are prolific. Concerning bank risk-taking, extant studies mainly underscore the significance of individualism, power distance, uncertainty avoidance, and societal trust for shaping bank risk appetite. Ashraf et al. (2016) found that bank risk-taking is higher in countries associated with high individualism, low uncertainty avoidance, and low power distance cultural values. Mourouzidou-Damtsa et al. (2019) identified a strong positive association between individualism and domestic bank risk-taking. They also documented a strong negative relation between trust and domestic bank risk-taking. Interestingly, in their sample, the relationship between cultural values and bank risk-taking exists only in the case of domestic banks (not large, global banking organizations). Ashraf et al. (2016), Ashraf and Arshad (2017), and Mourouzidou-Damtsa et al. (2019) reported a positive impact of individualism on bank risk-taking. However, Illiashenko and Laidroo (2020)

[1] Abdelsalam et al. (2020) reached a similar conclusion on the role of home country culture. They showed that the high level of societal trust in the countries where the major shareholders are domiciled translates into lower levels of the market risk of foreign subsidiaries.

argued that this particular empirical regularity is driven by omitted variables. Specifically, they hypothesized that non-listed banks in individualistic countries tend to rely on risk-inducing compensation practices more often than the banks in collectivistic countries. As the samples of the previously discussed studies were dominated by non-listed banks, their results might be distorted. Indeed, they used a new global bank sample and found a negative relationship between risk-taking and individualism. This result is consistent with the idea that people take on more risk in collectivist societies because they expect to receive help from the members of their social networks in the case of failure. Contrary to the studies presented thus far, Kanagaretnam et al. (2019) concentrated only on the link between societal trust and bank risk-taking. They confirmed the existence of a significant negative association between societal trust and bank risk-taking.

Furthermore, the literature indirectly relevant to the main topic of our investigation has addressed two topics closely related to the relationship between culture and bank risk-taking. Namely, it verified the influence of culture on bank failure (Berger et al., 2017) and banks' leverage (Haq et al., 2018). Berger et al. (2020) reported that the cultural dimensions of individualism and masculinity are significantly positively associated with bank failure, even after accounting for a broad set of other economic, financial, regulatory, political, and legal determinants of bank failure. Haq et al. (2018) added that various dimensions of national culture affect bank leverage. In particular, they established that banks in countries highly associated with individualism are more leveraged, while banks in countries highly associated with power distance, long-term orientation, and indulgence are less leveraged.

Consider the three pieces of the existing empirical evidence: (1) home country cultural values affect foreign bank subsidiaries; (2) culture impacts bank lending; and (3) cultural values and dimensions are significantly related to bank risk-taking. If we combine these, we have grounds to expect that the culture of parent bank countries influences the lending behaviors of their foreign bank subsidiaries. Accordingly, we formulate the first testable hypothesis as follows:

H1: *Home country culture influences foreign banks' propensity to lend in host countries.*

Thus far, we have discussed the issue of whether home country culture affects foreign banks' lending in a general and unconditional manner. However, we are interested in the impact of the home country culture during both prosperous and crisis times. To formulate predictions concerning the role of cultural factors during a crisis, we amalgamated several different pieces

of the existing empirical evidence. First, we looked at the results of studies examining the influence of culture on bank performance during crises. Second, we analyzed the relevance of the risk culture. Third, we utilized available information on complex relationships between foreign owners and banks during difficult economic periods.

The relationship between culture and bank outcomes during crises is ambiguous. On the one hand, Boubakri et al. (2017), who directly assessed the impact of different cultural dimensions on banks' performance during crisis, established that banks located in countries characterized by high uncertainty avoidance, collectivism, and power distance cultures perform relatively better during a crisis. Moreover, Ahunov and Hove (2020), using data from countries at all levels of economic development, showed that in cultures with high uncertainty avoidance, people are less likely to trust banks. Therefore, banks in such cultures find themselves in a particularly difficult position when the general trust in banks erodes as a consequence of adverse economic or financial events. On the other hand, Mourouzidou-Damtsa et al. (2019) reported that the relationship between cultural values and bank risk-taking weakens, not strengthens, during difficult economic times.

The prevailing cultural values at the national level also forge cultural models at the microeconomic levels. From our perspective, the company risk cultures are of special interest because the literature documents that they predispose firms (both banks and non-financial companies) to repeat successes or failures during consequent crises. For example, Fahlenbrach et al. (2012) showed that a bank's stock return performance during the 1998 crisis predicted its stock return performance and probability of failure during the 2007–2008 financial crisis. Bui et al. (2018), based on data from non-financial firms in the United States during two crises—the 2000–2002 dot-com bubble and the 2007–2009 financial crisis—established that a positive relationship exists between the dot-com and financial crisis returns. In addition, lower dot-com returns raised the default probability of firms during the next crisis.

Financial and economic crises forcibly reveal the complex nature of relationships between foreign owners and bank subsidiaries. They also evoke contradictory forces, which cause parent companies who once supported their subsidiaries to curtail their support of subsidiaries' lending or even reverse the direction of internal funds' flow and extract funds from subsidiaries abroad (Jeon et al., 2013). Consequently, the literature has simultaneously identified cases of foreign banks stabilizing host country lending (Peek and Rosengren, 2000; Dages et al., 2000) and amplifying the transmission of external shocks (Peek and Rosengren, 1997; Aiyar, 2012; Giannetti and Laeven, 2012; Fungáčová et al., 2013; Choi et al., 2016; De

Haas and van Lelyveld, 2014; Claessens and van Horen, 2015). The factors behind such diverse empirical patterns include the origin of crisis (Jeon et al., 2013), the financial condition of parent companies and subsidiaries (Popov and Udell, 2012; Cetorelli and Goldberg, 2012; De Haas and Van Lelyveld, 2014; De Haas et al., 2015), flight home effects (Giannetti and Laeven, 2012), and factors that are likely to be connected to national culture or may be treated as proxies for cultural values. Regarding the last group of factors, Jeon et al. (2013) provided evidence that transmission of shocks is stronger when parent banks enter host markets through greenfield investments—resulting in close cultural alignment of a new bank with its foreign owner—as compared to entries via mergers or acquisitions. De Haas and van Lelyveld (2010) showed that the impact of parent bank characteristics on foreign subsidiaries' lending depends, among other variables, on their geographical distance. Finally, Cull and Martinez Peria (2013) argued that the link between loan growth and bank ownership is not homogenous across developing countries. Instead, the transmission of shocks seems to be conditional upon the proximity of parent banks and their subsidiaries and the independence of foreign banks' managers.

In sum, the literature provides some evidence that culture affects banks' outcomes during crises and underscores the significant role of the firm risk culture in coping with economic difficulties. Moreover, the existing studies show that crises may complicate the cooperation between parent companies and their subsidiaries and exacerbate the transmission of shocks in certain circumstances. Consequently, we posit that home country culture should play a more important role in determining the lending of subsidiaries during crises than during tranquil times and formulate our second hypothesis as follows:

H2: The role of home country culture in shaping foreign banks' lending activity increases during crises.

Foreign bank lending attitudes may not only be shaped by home country cultural values but also influenced by the cultural distance between home and host countries. The literature documents that the cultural distance co-determines the degree to which two parties can successfully cooperate, integrate activities, exchange information, communicate, implement common policies, and share resources. The main body of empirical evidence on the economic role of the cultural distance is related to the studies concerning non-financial firm foreign expansion. Malhotra et al. (2011) showed that, in their acquisition strategies, companies from both the United States and emerging economies target countries that are culturally close to their home countries. Moalla and Mayrhofer (2020) reported that when Schwartz's cultural dimensions are applied, the cultural distance negatively influences the likelihood of choosing a

merger or an acquisition as an entry mode as compared to cooperative alliances. Consequently, the solutions involving shared control seem to be the preferred entry mode when companies are faced with a significant degree of cultural distance. Finally, in this vein of research, Brock (2005) established that the impact of the cultural distance on successful integration after an acquisition is indirect. He argued that the cultural match or mismatch between two parties defines their ability to realize synergies.

Regarding banking, Toh and Jia (2021) and Giannetti and Yafeh (2012) provided several interesting insights into the economic relevance of the cultural distance. Toh and Jia (2021) examined how the impact of market power on bank liquidity creation is moderated by the various home-host country distances. They found that foreign banks originating from countries with greater cultural, economic, and institutional distances from the host country need more market power to boost their liquidity creation. Interestingly, they also showed that the influence of home-host country distance is particularly strong for small foreign banks. Giannetti and Yafeh (2012), using a large sample of international syndicated bank loans, showed that the bigger the cultural differences between the syndicate's lead bank's country and the borrower's country, the less favorable the loan terms for the borrower. Moreover, they documented that the effects of cultural differences do not disappear if culturally distant banks repeatedly lend to a particular borrower or if the lender has a subsidiary in the country of the borrower.

Considering the evidence from the foreign expansion literature and the results reported by Toh and Jia (2021) and Giannetti and Yafeh (2012), it seems reasonable to predict that the cultural distance between banks and their foreign owners may be increasingly significant during crisis periods. Successfully enduring a period of economic hardship requires quick exchange of information, good communication, smooth implementation of policies, and prudent sharing of scarce resources. All these traits of cooperation between two parties are more difficult to achieve when the cultural distance is significant. Accordingly, we formulated our third hypothesis as follows:

H3: *Cultural distances between home and host countries are more important than the cultural values of home countries in explaining the reactions of foreign banks to crises.*

3. Data and methodology

3.1. Dataset

We employed several data sources to verify our research hypotheses. First, we utilized Orbis's BankFocus database with financial statements of banks during 1996–2018. We chose 1996 as the start of the sample period to avoid including the early transition period of Central and Eastern European countries that account for a significant part of the bank-year observations in the sample. However, as our empirical strategy incorporated lagged regressors and an incremental dependent variable, the sample practically covers the 1997–2018 period.

Second, we identified foreign-owned banks in the sample. This process was based on the information provided by Claessens and van Horen (2015) and BankFocus ownership data. However, information on ownership structures was substantially augmented with hand-collected data, especially for the 2014–2018 period, which was not covered in the Classens and van Horen's bank ownership database. Information from the abovementioned data sources allowed us to identify not only foreign-owned banks in the sample but also home countries of their ultimate owners. We decided to exclude two sets of banks from our study. First, we eliminated foreign-owned banks from countries already belonging to the European Union before its 2004 expansion and G10 countries. The purpose was to avoid situations in which close economic ties of subsidiaries and their parent banks (mostly located in the same group of countries as their subsidiaries) and memberships of subsidiaries' and parent banks' executives in the same society of international technocrats blur the cross-border transmission of cultural values. Second, we removed foreign-owned banks whose ultimate owners were located in off-shore financial centers (Zoromé, 2007), as usually, the cultural values of these home countries do not reflect the true origination of the parent banks' capital.

In the third step of our data collection process, we combined several datasets describing the specificity of host and home countries of foreign-owned banks from the sample. These sources provided us with information on basic macroeconomic indicators (World Development Indicators), indexes of economic freedom, property rights and judicial effectiveness (the Heritage Foundation), corruption perceptions (Transparency International), origin of a country's company law/commercial code (Djankov et al., 2007), geographical position of a host country and geographical distances between the host and home countries (Centre d'Etudes Prospectives et d'Informations), and the linguistic proximity of the host and home countries (Melitz and Toubal, 2014). Additionally, we employed the Laeven and Valencia database (2013, 2020) to identify systemic banking crises.

While reflecting cultural values in host and home countries of foreign-owned banks, we used the framework developed by Hofstede, who identified four major cultural dimensions to

investigate cultural values—power distance, uncertainty avoidance, individualism, and masculinity (Hofstede, 1980, 1983a, 1983b, 1984a, 1984b, 2001, 2010). However, we supplemented this list with an additional dimension for the long-/short-term orientation (Minkov and Hofstede, 2011). Despite some criticisms (Osland and Bird, 2000), the Hofstede framework has been generally accepted by scholars due to its robustness, simplicity, and conciseness; thus, it is usually preferred over alternative approaches (Schwartz, 1994; House et al., 2004) and has been extensively employed in financial studies (e.g., Kreiser et al., 2010; Bae et al., 2012; Zheng et al., 2012; Li et al., 2013; Boubakri and Saffar, 2016; El Ghoul and Zheng, 2016; Song et al., 2018; Gaganis et al. 2019; Chang et al., 2020). Hofstede's data on the first four cultural dimensions cover 48 countries, while data for the long-term, based on the World Value Surveys, encompasses 53 countries. In our research, we employed these data in two ways: to describe cultural values pertaining to foreign-owned banks' home countries and to measure cultural distances between host and home countries.

Having combined information from all data sources, we finally constructed our panel sample of 4,523 bank-year observations for 675 foreign-owned banks. They are located in 47 host countries, and their ultimate owners originate from 48 distinct home countries[2]. Table 1 presents the structure of our sample by year. Additionally, Appendix 1 includes detailed information on the sample composition analyzed based on home, host, and home/host country criteria.

[Table 1 here]

3.2. Empirical strategy

We employed our dataset in a static panel regression model. The sample encompassed time-invariant country-level characteristics (cultural dimensions, among others), which led us to base our inferences on the random-effects model with standard errors clustered at a bank level[3]. Similar approaches based on non-dynamic models were used by Zheng et al. (2012), Boubakri and Saffar (2016), El Ghoul and Zheng (2016), and Jin et al. (2019). Each of our research hypotheses was investigated with a different model; however, they included the same dependent variable and set of control regressors and differed only in the specificity of variables relevant to the different hypotheses. Equations (1) and (2) present the general construction of

[2] The sample composition concerns observations included in estimations of our baseline specification (1) from Table 5.
[3] In Section 5, we investigated the sensitivity of our results to the changes in the econometric techniques.

the models designed to test our research hypotheses. The former concerns the unconditional impact of cultural values or cultural distance on lending, while the latter addresses this phenomenon in crisis years:

$$\text{LOAN.GR}_{i,t} = f\begin{pmatrix}\text{BANK.FUNDAMENTALS}_{i,t-1};\\ \text{ENVIRONMENT}_{i,t};\\ \text{CULTURE}_{i,t};\\ \text{year dummies}\end{pmatrix} \quad (1)$$

$$\text{LOAN.GR}_{i,t} = f\begin{pmatrix}\text{BANK.FUNDAMENTALS}_{i,t-1};\\ \text{ENVIRONMENT}_{i,t};\\ \text{CULTURE}_{i,t};\\ \text{CRISIS.DUMMY}_{i,t-1};\\ \text{CULTURE}_{i,t} \text{ x CRISIS.DUMMY}_{i,t-1};\\ \text{year dummies}\end{pmatrix} \quad (2)$$

where LOAN.GR represents our dependent variable—the *i*-th foreign-owned bank's growth rate of loans in year *t* as compared to the median of all domestic banks in the country; BANK.FUNDAMENTALS is a set of bank-level control variables; ENVIRONMENT is a set of regressors describing the specificity of the host country; CRISIS.DUMMY identifies crisis years, and CULTURE is the set of variables describing the cultural values of the home country (H1 and H2) or both the cultural values of the host country and the distance between cultural values of the host and home countries of the *i*-th bank (H3).

The set of our bank-level fundamentals (BANK.FUNDAMENTALS) included a bank's size (in terms of its assets) in relation to the biggest bank for a given country and year (variable BANK.SIZE), its equity to assets ratio (EQUITY), deposits from banks to total liabilities ratio (BANK.DEPOSITS), share of loans in total assets (LOANS), cost to income ratio (COST.TO.INC), and the ratio of non-interest income to total operating income (NON.INT.INC). Smaller banks and banks with better access to deposits tend to provide more credit; therefore, we expected positive coefficients for the BANK.SIZE and BANK.DEPOSITS variables. A similar direction of relationship should be observed for the COST.TO.INC as accelerated growth of a loan portfolio is usually preceded by increased marketing outlays, new staff employment, and expansion of the branch network. The NON.INT.INC variable reflected the predominant component of a bank's activity and was expected to be negatively correlated with loan growth as retail banks tend to increase their scale of operations mainly through balance sheet activities. The expected signs of coefficients for the EQUITY and LOANS (reflections of a bank's capitalization and liquidity) were theoretically ambiguous. Peek and Rosengren (1997) and Jeon et al. (2013) documented that well-capitalized and more liquid

banks increase their loan portfolio faster. These observations contrasted with evidence provided by De Haas and van Lelyveld (2010) and Black and Strahan (2002), who found that less liquid and undercapitalized subsidiaries expand credit at a quicker rate, arguably due to their proneness to moral hazard.

Consistent with prior studies, a bank's environment (the ENVIROMENT variable set) was described by a comprehensive set of regressors. First, inspired by Zheng et al. (2012), Aggarwal and Godell (2014), Boubakri and Saffar (2016), El Ghoul and Zheng (2016), Mourouzidou-Damtsa et al. (2019), Dowling et al. (2019), and Jin et al. (2019), we controlled for the host country's macroeconomic indicators—GDP growth rate (GDP.GROWTH), inflation (INFLATION), and unemployment rate (UNEMPL)—and the size of the local credit and stock markets (CREDIT.MARKET and STOCK.MARKET), which indirectly reflect the firms' demand for loan and equity financing. Second, the literature provides arguments for the incorporation of additional regressors that capture cross-country differences in terms of their institutional environment, including legal effectiveness (Boubakri and Saffar, 2016), law origin (Zheng et al. 2012; Mourouzidou-Damtsa et al., 2019; Dowling et al., 2019), political rights or constraints (Zheng et al. 2012), or the scope of creditor rights (Djankov, 2007). Thus, our models included indexes of economic freedom (ECON.FREEDOM), property rights (PROPERTY.RIGHTS), judicial effectiveness (JUDICIAL.EFFECT), corruption perceptions (CORRUPTION), and a set of three binary variables to identify English (LEGAL.ORIGIN.ENG), French (LEGAL.ORIGIN.FREN), and German origins (LEGALORIGIN.GER), respectively, of the company law/commercial code in the host country. Finally, influenced by Gorodnichenko and Roland (2011) and Boubakri and Saffar (2016), we controlled for two geographical variables—landlocked countries (LANDLOCKED) and the absolute latitude of a country's capital city (LATITUDE).

The CRISIS.DUMMY variable set consisted of two regressors—CRISIS and SIM.CRISIS. They identified systemic banking crises in a bank's host country and simultaneous systemic banking crises in the host and home countries, respectively.

As mentioned previously, our analysis focused on five Hofstede cultural dimensions (Hofstede, 2010; Minkov and Hofstede, 2011): power distance, uncertainty avoidance, individualism, masculinity, and long-term orientation. The power distance index reflects the extent to which people accept that hierarchy is clearly established in the society and that power is distributed unequally. The uncertainty avoidance index measures the anxiety and distrust of the members of a society in the face of the unknown and their need to have fixed habits and

rituals. The individualism index takes higher values for societies in which members prefer targeting their own goals over those of their groups. The masculinity dimension opposes societies that are assertive, task- and performance-oriented to societies that are relationship-oriented and prefer modesty, trust, and tolerance. Finally, the long-term orientation index describes the extent to which people believe that preparation for the future is always needed as opposed to societies that concentrate on the world as it is and believe that the past and traditions provide a better compass to navigate the future. Based on the Hofstede cultural dimensions, our set of cultural variables (the CULTURE set) comprised five regressors describing the cultural values of the subsidiary's home country (HOME.POWER.DISTANCE, HOME.INDIVIDUALISM, HOME.MASCULINITY, HOME.UNCERT.AVOID, and HOME.LONG.TERM.ORIENT) and five analogous variables measuring the absolute difference in the respective cultural values between home and host countries of each foreign-owned bank (DIST.POWER.DISTANCE, DIST.INDIVIDUALISM, DIST.MASCULINITY, DIST.UNCERT.AVOID, and DIST.LONG.TERM.ORIENT). Hofstede (1983a) considered cultural values to be extremely stable over time. Moreover, a relative position of a country with respect to another is not expected to change in case of slight shifts in cultural values. Consequently, country cultural values in our study were treated as static. Thus, values for the variables from the CULTURE set for one bank change over time only in cases such as a change of their ultimate owners, which results in a new home country for the subsidiary.

Table 2 summarizes definitions of all the variables employed in our study, while Table 3 presents descriptive statistics for the sample. As data availability for our variables from the CULTURE set differs slightly depending on the regressor, the number of observations that could finally be employed in our panel models varies from 4,025 to 4,641, and the number of foreign-owned banks varies from 563 to 701.

[Table 2 here]

[Table 3 here]

4. Empirical results

Table 4 presents our analysis of the phenomenon of the unconditional impact of home culture on foreign bank lending in host countries. Notably, several bank- and country-level control variables were statistically significant. First, unsurprisingly, smaller subsidiaries and subsidiaries with elevated overheads recorded higher growth rates of their loan portfolios as

compared to domestic banks. Second, in line with Peek and Rosengren (1997), but contrary to De Haas and van Lelyveld (2010) and Black and Strahan (2002), better-capitalized banks can accelerate lending. Furthermore, increased credit expansion seems to be a trait of less liquid banks—they already have a substantial share of loans in their asset portfolio, which corroborates the observations of De Haas and van Lelyveld (2010) and Black and Strahan (2002) but opposes evidence provided by Peek and Rosengren (1997). Third, the estimation results suggest that the credit expansion is significantly stimulated by economic freedom in the host country. However, it is substantially constrained in countries with developed stock markets that reduce companies' demand for financing through bank loans. Fourth, while a significant and negative coefficient for the GDP growth variable may seem counterintuitive, it should be remembered that our dependent variable represents the loan growth of a foreign subsidiary as compared to all domestic banks in a country and year. Thus, this outcome shows that, in periods of economic downturn, foreign-owned banks reported increased lending as compared to their domestic peers, which is in line with evidence provided by Dages at al. (2000), De Haas and van Lelyveld (2004, 2006), Martinez Peria et al. (2005), and Allen at al. (2017). Finally, both our geographical variables were statistically significant and showed that foreign-owned banks reported higher loan growth rates in countries located further from the equator with increased trade opportunities due to access to the sea. As the research outcomes for our control variables remained stable across all regressions, we did not present them in subsequent tables or comment on the appropriate results.

[Table 4 here]

Regarding our first hypothesis (H1), only two out of five cultural variables were statistically significant, in both cases at the 5% level. Thus, the outcomes supported predictions from the first hypothesis only to a certain degree. First, we observed that subsidiaries with parent companies originating from countries characterized by high collectivism (i.e., low individualism) were more eager to expand lending unconditionally. Assuming that increased lending means more risk, this evidence supports the view of Illiashenko and Laidroo (2020), who suggested that economic agents in cultures highly associated with collectivism are ready to take more risk as they expect to receive help in the case of adverse events. As Dheera-aumpon (2019) predicted, it cannot be overlooked that this relationship is linked with lending cronyism in more collectivist cultures. Nevertheless, the outcome contradicts findings by Ashraf and Arshad (2017) and Mourouzidou-Damtsa et al. (2019), who observed a negative relationship between the level of collectivism and risk-taking. Second, we found evidence that subsidiaries

with home countries that are highly associated with long-term orientation are more likely to boost lending. It is in line with the rational perception of this cultural dimension. In particular, societies with high scores for this index view problem-solving as a necessity, do not connect their future actions with the past, and are more oriented to continuous development (Hofstede et al., 2010). Thus, they should be more likely to promote growth through the expansion of their businesses, including foreign bank subsidiaries.

Contrary to the research outcomes presented in Table 4, the results presented in Table 5 show that the cultural values of a subsidiary's home country are increasingly important during crisis years. Coefficients for the home country individualism and long-term orientation indexes maintained their signs and did not lose significance. This means that the impact of these cultural dimensions on foreign bank's lending holds in prosperous times. However, the influence of home country culture on bank subsidiaries takes a different form in times of crisis as all the interaction terms between the home cultural dimensions and the host country crisis dummies were statistically significant. They were significant at the 5% and 10% levels in three and two cases, respectively. First, we observed that foreign-owned banks with home cultures characterized by high power distance are less likely to take risks in host countries during times of crisis. This could mean that times of crisis stiffen the hierarchy and make the decision-making processes of subsidiaries more dependent on the parent companies. Increased bureaucracy and delegation of powers to parent banks should reduce lending to more problematic firms. This estimation outcome supports similar findings provided by Ashraf and Arshad (2017) on the relationship between foreign bank's risk-taking and home country power distance index. Second, we identified a positive relationship between home culture individualism and bank lending in host countries during times of crisis. This suggests that individualistic home cultures, which prefer loose social ties, are more likely to assume that a host country crisis can be more efficiently dealt with by the subsidiaries' managers. Consequently, the parent bank does not automatically curb the lending operations of their subsidiaries in times of crisis. This supposition is supported by Mourouzidou-Damtsa et al. (2019), and especially by Ashraf and Arshad (2017), who reported a strong positive association between a parent bank's home country individualism and the corresponding subsidiary's risk-taking. Third, unsurprisingly and in line with evidence provided by Berger et al. (2020), we found that home countries characterized by higher masculinity, which is associated with assertiveness and goal-oriented behavior, take more risks through increased lending of subsidiaries during host country crises. Fourth, the estimation outcomes confirmed the view of

Ashraf and Arshad (2017) that parent banks' home country culture characterized by low uncertainty avoidance can result in higher risk-taking in host countries. This finding supports the notion that increased lending in times of crisis requires more tolerance for ambiguity and an ability to embrace an unexpected event, which are typical characteristics of societies ranking low on the uncertainty avoidance index. Finally, the estimation outcomes showed that host country crises curb the unconditional positive impact of the home country's long-term orientation on the lending activity of subsidiaries. As societies ranked high in the long-term orientation index view adaptation and pragmatic problem-solving as necessities (Hofstede et al., 2010), it seems that during host country crises, this adaptation takes the form of risk-avoidance through the reduced lending of subsidiaries. The results regarding the role of home country cultural values during crisis periods are not only statistically significant but also economically relevant. For example, the difference in the loan growth rate of two foreign-owned banks during a host country crisis equals 5.2 percentage points on average if the difference in the masculinity score of their parents' home cultures equals 23—the interquartile range of the home country masculinity in the sample. Accordingly, foreign-owned banks with parents from the UK, China, or Germany, which scored 66 on masculinity, could be compared against subsidiaries with parents from France, which scored 43 on masculinity. Similarly, the foreign-owned banks with home country cultures that are highly associated with uncertainty avoidance (i.e., the third quartile of the uncertainty avoidance distribution for home countries) are expected to generate loan growth rates that are lower by 10.0 percentage points as compared to subsidiaries with home country cultures that are relatively less associated with uncertainty avoidance (i.e., the first quartile of the uncertainty avoidance distribution for home countries). For instance, foreign-owned banks with parents from Spain or France (86 on the uncertainty avoidance) could be compared against subsidiaries with parents from the USA (46 on the uncertainty avoidance).

[Table 5 here]

Table 6 provides an additional insight into the significance of home country culture for foreign bank subsidiaries during difficult times by analyzing simultaneous host and home country crises. The research outcomes generally corroborated the findings presented in previous tables. Specifically, in tranquil times, a parent bank's home culture exerts an impact on the subsidiary's lending through the dimensions of individualism and long-term orientation, while crisis periods significantly alter the identified relationships. In particular, as in the case of host country crises in Table 5, simultaneous crises create a positive impact of individualism (the

respective coefficient is statistically significant at levels below 1%) and a negative influence of uncertainty avoidance (significant at the 5% level) on a foreign bank's lending. However, contrary to the outcomes in Table 5, we observed that the impact of the masculinity index becomes negative. We presume that in the case of simultaneous crises, the assertiveness and goal-oriented behavior of parent banks' executives may increase the concentration of their efforts on home country issues. This is a situation that could ultimately deprive subsidiaries of funds from their parent banks and result in the observed negative association between home country masculinity and a subsidiary's lending during simultaneous crises. Coefficients for the remaining interaction terms—home country power distance and home country long-term orientation—have the same signs as in the case of host country crises, but this time, they lose their statistical significance. Nevertheless, simultaneously accounting for the estimation outcomes from Tables 5 and 6, we can conclude that the home country culture's role in shaping foreign banks' lending activity increases during crises. Thus, we found evidence that supports H2.

[Table 6 here]

In Tables 4–6, we controlled for the home country cultural factors while explaining a foreign bank subsidiary's lending. However, as hypothesized in H3, it cannot be overlooked that it is not the home culture but the cultural distance between the host and home countries that drives this relationship. Therefore, in Tables 7–8, we augmented our regression models with variables measuring the absolute difference between the respective cultural values of host and home countries. Table 7 describes the unconditional impact of our regressors, while Table 8 addresses their influence during crisis periods. Interestingly, the estimation outcomes for our home culture variables and their interaction terms with the host crisis dummy led to the same conclusions as in Tables 4–6. We found a limited impact of home culture in prosperous times, which substantially increased in crisis periods (only the interaction terms of our host crisis dummy and home country power distance index lost their statistical significance). Conversely, distances between the cultural values of host and home countries seem to be irrelevant from the perspective of foreign-owned banks' lending, both unconditionally and in crisis and prosperous times. Statistical significance (at the 10% level) was observed only once—for the distance between the long-term orientation indexes of host and home countries (specification 5 in Table 8). These empirical patterns contradict previous findings concerning the relevance of cultural distances in banking (Giannetti and Yafeh, 2012; Toh and Jia, 2021). In sum, estimation results from Tables 7 and 8 led us to reject H3 and finally conclude that cultural distances between

home and host countries are much less important than the cultural values of the home country in explaining lending of foreign bank subsidiaries, especially in crisis periods.

[Table 7 here]

[Table 8 here]

5. Robustness checks

To check the stability of the results and, consequently, validate our conclusions, we performed two types of robustness checks. First, we verified whether the research outcomes were sensitive to the choice of econometric techniques. Second, we assessed the potential biases linked to the omitted variables problem.

We followed Mourouzidou-Damtsa et al. (2019), and as an alternative econometric method, we applied a hierarchical linear modeling approach because there were two levels in our sample data—countries and banks. The hierarchically nested form of the general linear model allowed us to explore the multilevel data and account for the clustered structure of the data. Moreover, the approach separates the variance attributable to bank- and country-level variables. Hence, hierarchical models can correctly group bank-level effects across countries while also examining country-level relations. Tables 9 and 10 present the results for the re-estimation of the baseline regression models with the hierarchical approach. We found that changing the estimation method did not alter our results, and the coefficients changed neither in terms of signs nor significance. As in Table 5, we established that foreign bank subsidiaries originating from countries that are highly associated with collectivism and long-term orientation are more likely to increase lending in normal times. Similarly, we found that foreign bank subsidiaries whose parent banks are from home countries that are highly associated with long-term orientation are more likely to increase lending during tranquil economic times. More importantly, the research outcomes reported in Table 9 fully confirmed that the importance of home country culture increases during the crisis periods. The coefficients for the five interaction terms between the host banking crisis and the home culture of the bank subsidiary were statistically significant and preserved their direction of influence on the lending dynamics. Banks with parent companies originating from countries scoring high on power distance, uncertainty avoidance, and long-term orientation are less likely to expand lending during host country crises, while the opposite was true for home country cultures scoring high on individualism and masculinity.

[Table 9 here]

In Table 10, we applied the hierarchical approach to regressions in which we controlled for the difference between the respective cultural values of host and home countries. The results we found were entirely in line with the findings presented in Table 8. The cultural distances remained irrelevant as drivers of lending by foreign bank subsidiaries during both tranquil and tempestuous economic periods. In sum, our research results exhibited remarkable resilience to the modifications in econometric procedures.

[Table 10 here]

The second type of robustness check we performed involved the introduction of several additional control variables into our regressions. Accordingly, we assessed whether the research outcomes were likely to be distorted by the omitted variables problem. First, we accounted for the linguistic similarity of the host and home countries. Language is an important source of a country's identity. Countries speaking the same or similar languages often have other things common such as cultural, legal, and historical ties. Hence, linguistic dissimilarities between countries may co-determine the operation of the foreign bank subsidiaries in a host country. In Panel A of Table 11, we employed an index of linguistic similarities. The index measured the closeness of two different native languages based on the similarity of words with identical meanings, wherein a rise in the index meant greater closeness (Melitz and Toubal, 2014). In Panel B, we used a variable that reflects the probability that a pair of random people from the two countries can understand one another in some language. The results showed that the introduction of different measures of linguistic similarity did not change the role of home cultural values during normal times and did not diminish the relevance of home country culture during crises. Moreover, all the cultural dimensions preserved their directions of impact on lending. Interestingly, greater linguistic similarities between parent bank and foreign bank subsidiaries did not translate into higher loan growth in normal times. However, both in Panels A and B, the coefficients estimated for the interaction term between domestic banking crises and the linguistic proximity measures were positive and statistically significant. In other words, while linguistic similarity does not alter the relevance of home country culture, it does help during crisis periods by boosting lending activities of foreign bank subsidiaries. Hence, the results confirmed that communication is important during crisis periods and supplemented the previous findings of Melitz and Toubal (2014) concerning the influence of language on bilateral trade.

[Table 11 here]

Geographical distance constituted the next factor that may distort inferences regarding the economic role of home country culture as both geographical distance and cultural values relate to the problem of asymmetric information. Hauswald and Marquez (2006) showed that the severity of the asymmetric information might be a function of distance. Mian (2006) found that greater geographic distance makes it more costly for foreign banks to collect and transfer soft information. Similarly, Berger et al. (2001) documented that foreign banks whose headquarters are located in countries geographically and culturally closer (other South American nations) experience fewer problems in extending loans to opaque small Argentine firms as compared to distant foreign banks. Following these studies, we introduced a new regressor that controlled for the geographic distance between the host and home country (GEO.DISTANCE). As informational problems may increase during a crisis period, we made the new control variable interact with the variable identifying host country crisis periods. Table 12 presents the relevant results. We found that the coefficients for the variable GEO.DISTANCE were negative yet statistically insignificant in four out of five specifications. Hence, we obtained weak evidence that geographic distance determines foreign bank lending. Moreover, the coefficients for the interaction term between geographic distance and host crisis were negative and did not differ from zero in all specifications. This could be because the distance barriers in lending may be decreasing over time, perhaps due to improvements in information technology (Cyrnak and Hannan, 2000; Petersen and Rajan, 2000). In a striking contrast to the GEO.DISTANCE variable, our cultural variables preserved their significance and directions of influence on lending by foreign bank subsidiaries. This means that while geographical distance seems to have lost its importance, which we attribute to technological development, the cultural distance seems to play a special and persistent role in explaining foreign banks' lending behavior during normal times and crisis periods in host countries.

[Table 12 here]

Finally, to assess risks linked to the omitted variables problem, we introduced several additional control variables that captured macroeconomic, legal, and institutional features of the multinational banks' home countries. The additional control variables allowed us to separate the effects of national cultural values on the lending activity of the foreign bank subsidiaries in the host countries from the impact of macroeconomic, legal, and political-institutional factors. Moreover, Mourouzidou-Damtsa et al. (2019) argued that home country characteristics might have a high correlation with the national cultural values and ultimately drive the results (i.e., create confounding effects). We followed Ahern et al. (2015), Li et al. (2013), and

Mourouzidou-Damtsa et al. (2019) and introduced variables that controlled for home countries' economic growth (HOME.GDP.GROWTH), economic freedom (HOME.ECON.FREEDOM), property rights (HOME.PROPERTY.RIGHTS), judicial effectiveness (HOME.JUDICIAL.EFFECT), and corruption (HOME.CORRUPTION)[4]. Table 13 presents the relevant estimation results. We found that home country institutional features are irrelevant and that only home countries' GDP growth enters regressions with a positive and statistically significant coefficient. This means that, as expected, good economic situations in home countries favor lending by foreign bank subsidiaries. Importantly, the results concerning the role of home country cultural values during both tranquil and crisis periods remained fully in line with those presented in Table 5. This means that our results were driven by home country cultural values and not institutional differences among the home countries of parent banks.

[Table 13 here]

In sum, the additional robustness checks confirmed that our results were not altered either by changes in econometric methods or the introduction of additional control variables. The stability of our main results confirmed the importance of the home country culture for foreign bank lending, in particular during tempestuous periods.

6. Concluding remarks

In this paper, we augmented the ongoing debate on the economic role of foreign bank subsidiaries in host countries. We focused on the role of parent companies' culture in shaping lending decisions of subsidiaries. We investigated whether home culture determines lending behavior in host countries during both tranquil and crisis periods. Furthermore, we checked if home country cultural values had a more significant impact than cultural distances between home and host countries or vice-versa. To verify our hypotheses, we used a new and comprehensive data set regarding foreign-owned banks originating from 49 home countries and operating in 47 host countries.

In general terms, after controlling for numerous other potentially important drivers of bank lending activities, we found that the national culture of the parent banks determines the lending dynamics of their subsidiaries in the host countries. Therefore, we supplemented the previous findings concerning the cross-border influence of cultural values in banking (Ashraf

[4] The detailed definitions of those additional explanatory variables are presented in Table 2.

and Arsahad, 2017; Cheung et al., 2020). However, the role of home country culture significantly differs between normal and tempestuous times. For the former, we showed that subsidiaries with parent companies originating from countries characterized by high collectivism and long-term orientation are more likely to expand lending in host countries. Other dimensions of home country culture seem to be irrelevant in such circumstances. For the latter, we established that the home culture strikingly gains in relevance. In particular, we found that subsidiaries whose parent banks originate from countries scoring high on individualism and masculinity are more likely to increase lending during host country crises. However, subsidiaries controlled by foreign owners from countries scoring high on power distance, uncertainty avoidance, and long-term orientation tend to reduce lending in similar situations. Contrary to previous studies (Ginannetti and Yafeh, 2011; Toh and Jia, 2021), our research results did not confirm the significance of cultural distances for lending decisions but instead pointed to the important role of the home country cultural values in this area. The outcomes of the study were stable, economically relevant, and withstood a battery of robustness checks.

The empirical patterns identified in our paper have valuable policy and practical implications. First, policy-makers trying to achieve a smooth provision of loans in the economy should consider the cultural values of home countries apart from traditionally analyzed factors such as the financial standing of parent companies and their regulatory status in home countries. The cultural values, as we demonstrated, may co-determine lending outcomes in host country crises, particularly during difficult economic times when the smooth provision of loans matters the most. Second, firm managers should not treat the group of foreign banks as homogeneous. We demonstrated that some foreign banks are more likely to support their clients during crises through continued lending, while others are more likely to curb lending when firms need additional financing. Finally, in more general terms, as many previous studies, this paper confirms that a banking sector consisting of foreign banks with mixed origins is preferable from the perspective of the host country's financial stability.

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Table 1. Sample structure by year

This table presents sample composition by year based on observations included in estimations of specification (1) from Table 5.

Year	Observations	Host countries	Home countries
1997	69	16	22
1998	98	21	25
1999	114	21	22
2000	147	23	25
2001	153	22	25
2002	184	22	25
2003	184	22	24
2004	180	24	23
2005	188	24	27
2006	212	29	28
2007	224	30	30
2008	250	31	33
2009	282	33	34
2010	306	34	35
2011	297	34	35
2012	231	30	34
2013	234	34	36
2014	261	32	35
2015	258	34	36
2016	232	33	33
2017	245	33	35
2018	174	26	30
Total	4,523	47	49

Table 2. Definitions of variables

Variable name	Definition	Source of data
A. Bank-level fundamentals:		
LOAN.GR	Yearly growth rate of loans minus the country-year median of the yearly growth rate of loans for all domestic banks	Bureau van Dijk's BankFocus
BANK.SIZE	Bank assets in relation to the highest value of bank assets in a given country and year	Bureau van Dijk's BankFocus
EQUITY	Equity to assets	Bureau van Dijk's BankFocus
BANK.DEPOSITS	Deposits from banks to total liabilities	Bureau van Dijk's BankFocus
LOANS	Loans to assets	Bureau van Dijk's BankFocus
COST.TO.INC	Overheads to total operating income	Bureau van Dijk's BankFocus
NON.INT.INC	Non-interest income to total operating income	Bureau van Dijk's BankFocus
B. Specificity of the host country:		
CREDIT.MARKET	Domestic credit to private sector by banks (% of GDP)	World Development Indicators
STOCK.MARKET	Market capitalization of listed domestic companies (% of GDP)	World Development Indicators
INFLATION	Inflation, consumer prices (annual %)	World Development Indicators
GDP.GROWTH	GDP growth rate	World Development Indicators
UNEMPL	Unemployment rate	World Development Indicators
ECON.FREEDOM	Index of Economic Freedom	The Heritage Foundation
PROPERTY.RIGHTS	Index of Property Rights	The Heritage Foundation
JUDICIAL.EFFECT	Index of Judicial Effectiveness	The Heritage Foundation
CORRUPTION	Corruption Perception Index	Transparency International
LEGAL.ORIGIN.ENG	A binary variable that takes the value of 1 if the company law or commercial code of a country has an English origin and 0 otherwise	Djankov et al. (2007)
LEGAL.ORIGIN.FREN	A binary variable that takes the value of 1 if the company law or commercial code of a country has a French origin and 0 otherwise	Djankov et al. (2007)
LEGALORIGIN.GER	A binary variable that takes the value of 1 if the company law or commercial code of a country has a German origin and 0 otherwise	Djankov et al. (2007)
LANDLOCKED	A binary variable that takes the value of 1 for a landlocked country and 0 otherwise	Centre d'Etudes Prospectives et d'Informations
LATITUDE	Latitude of a country's capital city	Centre d'Etudes Prospectives et d'Informations
C. Crises:		
CRISIS	A binary variable that takes the value of 1 in case of a systemic banking crisis in a given host country and year and 0 otherwise	Laeven and Valencia (2013, 2020)

SIM.CRISIS	A binary variable that takes the value of 1 in case of a simultaneous systemic banking crisis in a given host and home country and year and 0 otherwise	Laeven and Valencia (2013, 2020)
D. Culture of the home country:		
HOME.POWER.DISTANCE	Hofstede's index of power distance for the home country	Hofstede et al. (2010)
HOME.INDIVIDUALISM	Hofstede's index of individualism for the home country	Hofstede et al. (2010)
HOME.MASCULINITY	Hofstede's index of masculinity for the home country	Hofstede et al. (2010)
HOME.UNCERT.AVOID	Hofstede's index of uncertainty avoidance for the home country	Hofstede et al. (2010)
HOME.LONG.TERM.ORIENT	Hofstede's index of long-term orientation for the home country	Hofstede et al. (2010)
E. Distance between the host and home countries:		
DIST.POWER.DISTANCE	Absolute distance between the host and home countries in terms of Hofstede's index of power distance	Hofstede et al. (2010)
DIST.INDIVIDUALISM	Absolute distance between the host and home countries in terms of Hofstede's index of individualism	Hofstede et al. (2010)
DIST.MASCULINITY	Absolute distance between the host and home countries in terms of Hofstede's index of masculinity	Hofstede et al. (2010)
DIST.UNCERT.AVOID	Absolute distance between the host and home countries in terms of Hofstede's index of uncertainty avoidance	Hofstede et al. (2010)
DIST.LONG.TERM.ORIENT	Absolute distance between the host and home countries in terms of Hofstede's index of long-term orientation	Minkov and Hofstede (2011)
LING.PROXIM	Adjusted Value of Linguistic Proximity	Melitz and Toubal (2014)
COMMON.LANGUAGE	The probability (0-1) that a pair of people at random from the two countries (host and home) understand one another in some language	Melitz and Toubal (2014)
GEO.DISTANCE	Distance (in thousand km) between the most populated cities of the host and home countries	Centre d'Etudes Prospectives et d'Informations
F. Specificity of the home country:		
HOME.GDP.GROWTH	GDP growth rate in the home country	World Development Indicators
HOME.ECON.FREEDOM	Index of Economic Freedom in the home country	The Heritage Foundation
HOME.PROPERTY.RIGHTS	Index of Property Rights in the home country	The Heritage Foundation
HOME.JUDICIAL.EFFECT	Index of Judicial Effectiveness in the home country	The Heritage Foundation
HOME.CORRUPTION	Corruption Perception Index in the home country	Transparency International

Table 3. Descriptive statistics

Variable name	Observations	Banks	Mean	Std. Dev.	Min	1st Quartile	2nd Quartile	3rd Quartile	Max
A. Bank-level fundamentals:									
LOAN.GR	4,660	703	0.017	0.378	-1.303	-0.158	-0.019	0.128	2.740
BANK_SIZE	4,660	703	0.152	0.238	0.000	0.009	0.040	0.181	1.000
EQUITY	4,660	703	0.147	0.110	0.000	0.085	0.116	0.169	0.986
BANK.DEPOSITS	4,660	703	0.203	0.223	0.000	0.036	0.120	0.305	0.995
LOANS	4,660	703	0.555	0.214	0.002	0.409	0.583	0.714	0.984
COST.TO.INC	4,660	703	0.632	0.266	0.062	0.464	0.596	0.741	2.478
NON.INT.INC	4,660	703	0.343	0.196	-0.100	0.214	0.330	0.443	0.992
B. Specificity of the host country:									
CREDIT.MARKET	4,660	703	0.511	0.310	0.002	0.296	0.465	0.616	1.578
STOCK.MARKET	4,660	703	0.382	0.321	0.001	0.174	0.333	0.467	3.522
INFLATION	4,660	703	0.056	0.056	-0.011	0.026	0.044	0.069	0.961
GDP.GROWTH	4,660	703	0.035	0.032	-0.131	0.018	0.038	0.053	0.153
UNEMPL	4,660	703	0.082	0.045	0.004	0.052	0.073	0.100	0.335
ECON.FREEDOM	4,660	703	61.189	7.651	45.700	56.000	61.100	65.500	84.200
PROPERTY.RIGHTS	4,660	703	48.710	18.918	10.000	30.000	50.000	60.000	96.100
JUDICIAL.EFFECT	4,660	703	52.888	12.202	23.300	45.200	55.500	57.700	93.400
CORRUPTION	4,660	703	44.530	13.793	27.000	35.000	41.000	53.000	87.000
LEGAL.ORIGIN.ENG	4,660	703	0.123	0.329	0.000	0.000	0.000	0.000	1.000
LEGAL.ORIGIN.FREN	4,660	703	0.395	0.489	0.000	0.000	0.000	1.000	1.000
LEGALORIGIN.GER	4,660	703	0.364	0.481	0.000	0.000	0.000	1.000	1.000
LANDLOCKED	4,660	703	0.136	0.343	0.000	0.000	0.000	0.000	1.000
LATITUDE	4,660	703	24.311	30.570	-44.283	-6.133	39.917	50.100	59.917
C. Crises:									
CRISIS	4,660	703	0.089	0.285	0.000	0.000	0.000	0.000	1.000
SIM.CRISIS	4,386	670	0.041	0.199	0.000	0.000	0.000	0.000	1.000
D. Culture of the home country:									
HOME.POWER.DISTANCE	4,523	675	47.489	18.032	11.000	35.000	40.000	60.000	104.000
HOME.INDIVIDUALISM	4,523	675	64.709	21.962	8.000	51.000	71.000	80.000	91.000
HOME.MASCULINITY	4,523	675	56.540	20.112	5.000	43.000	62.000	66.000	110.000
HOME.UNCERT.AVOID	4,523	675	67.306	21.697	23.000	46.000	70.000	86.000	112.000
HOME.LONG.TERM.ORIENT	4,641	701	57.311	21.217	6.801	45.340	60.453	67.003	100.000

E. Distance between the host and home countries:									
DIST.POWER.DISTANCE	4,025	563	26.806	18.387	0.000	12.000	25.000	37.000	93.000
DIST.INDIVIDUALISM	4,025	563	29.227	21.185	0.000	11.000	26.000	43.000	83.000
DIST.MASCULINITY	4,025	563	21.280	15.805	0.000	7.000	20.000	30.000	74.000
DIST.UNCERT.AVOID	4,025	563	21.501	16.674	0.000	7.000	18.000	34.000	72.000
DIST.LONG.TERM.ORIENT	4,303	637	21.568	16.324	0.005	8.060	18.136	30.227	74.307
LING.PROXIM	4,481	677	1.227	1.361	0.000	0.000	1.654	1.946	5.838
COMMON.LANGUAGE	4,481	677	0.242	0.293	0.000	0.013	0.136	0.356	1.000
GEO.DISTANCE	4,430	670	4.802	4.424	0.060	1.094	2.760	8.151	19.147
F. Specificity of the home country:									
HOME.GDP.GROWTH	4,619	696	0.020	0.026	-0.148	0.010	0.021	0.032	0.134
HOME.ECON.FREEDOM	4,660	703	69.028	7.409	40.300	63.400	70.200	74.900	83.100
HOME.PROPERTY.RIGHTS	4,660	703	75.939	17.641	10.000	70.000	81.000	90.000	95.000
HOME.JUDICIAL.EFFECT	4,660	703	72.299	12.407	13.800	63.400	73.200	78.000	93.800
HOME.CORRUPTION	4,660	703	66.956	14.582	18.000	57.000	72.000	80.000	88.000

Table 4. Unconditional impact of home culture on bank lending in host countries

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies and the constant term. Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
Bank-level fundamentals:					
$BANK\_SIZE_{t-1}$	-0.168***	-0.161***	-0.169***	-0.166***	-0.153***
	(0.0359)	(0.0353)	(0.0358)	(0.0359)	(0.0356)
$EQUITY_{t-1}$	0.496***	0.467***	0.495***	0.505***	0.473***
	(0.115)	(0.117)	(0.114)	(0.116)	(0.109)
$BANK.DEPOSITS_{t-1}$	-0.0259	-0.0271	-0.0255	-0.0251	-0.0117
	(0.0422)	(0.0423)	(0.0421)	(0.0422)	(0.0428)
$LOANS_{t-1}$	-0.366***	-0.369***	-0.365***	-0.361***	-0.369***
	(0.0505)	(0.0503)	(0.0505)	(0.0503)	(0.0503)
$COST.TO.INC_{t-1}$	0.0861**	0.0860**	0.0867**	0.0870**	0.0892**
	(0.0372)	(0.0371)	(0.0372)	(0.0371)	(0.0364)
$NON.INT.INC_{t-1}$	-0.0748	-0.0669	-0.0762	-0.0761	-0.0495
	(0.0465)	(0.0464)	(0.0464)	(0.0465)	(0.0456)
Specificity of the host country:					
$CREDIT.MARKET_t$	-0.0587	-0.0635*	-0.0574	-0.0582	-0.0673*
	(0.0372)	(0.0369)	(0.0372)	(0.0372)	(0.0364)
$STOCK.MARKET_t$	-0.0821*	-0.0843**	-0.0824**	-0.0819*	-0.101**
	(0.0419)	(0.0421)	(0.0419)	(0.0419)	(0.0410)
$INFLATION_t$	-0.0386	-0.0494	-0.0331	-0.0360	0.00489
	(0.196)	(0.194)	(0.196)	(0.196)	(0.193)
$GDP.GROWTH_t$	-0.640**	-0.654**	-0.629**	-0.641**	-0.635**
	(0.258)	(0.256)	(0.258)	(0.257)	(0.250)
$UNEMPL_t$	0.121	0.0975	0.131	0.144	0.156
	(0.228)	(0.228)	(0.225)	(0.229)	(0.207)
$ECON.FREEDOM_t$	0.00551***	0.00531***	0.00554***	0.00552***	0.00547***
	(0.00182)	(0.00182)	(0.00182)	(0.00182)	(0.00183)
$PROPERTY.RIGHTS_t$	-0.000408	-0.000192	-0.000375	-0.000458	-0.000499
	(0.000831)	(0.000831)	(0.000827)	(0.000832)	(0.000805)
$JUDICIAL.EFFECT_t$	0.00132	0.00138	0.00131	0.00129	0.00107
	(0.00121)	(0.00120)	(0.00122)	(0.00122)	(0.00119)
$CORRUPTION_t$	0.00204	0.00198	0.00205	0.00209	0.00205
	(0.00150)	(0.00150)	(0.00150)	(0.00150)	(0.00146)
LEGAL.ORIGIN.ENG	0.0513	0.0579	0.0454	0.0477	0.0749*
	(0.0416)	(0.0410)	(0.0420)	(0.0419)	(0.0413)
LEGAL.ORIGIN.FREN	0.00403	0.00317	0.000927	0.00903	-0.00328
	(0.0369)	(0.0364)	(0.0371)	(0.0370)	(0.0352)
LEGALORIGIN.GER	-0.0188	-0.0175	-0.0253	-0.0159	-0.0163
	(0.0326)	(0.0320)	(0.0334)	(0.0327)	(0.0318)
LANDLOCKED	-0.0833***	-0.0894***	-0.0845***	-0.0812***	-0.0850***
	(0.0306)	(0.0306)	(0.0306)	(0.0307)	(0.0317)
LATITUDE	0.00179***	0.00180***	0.00180***	0.00184***	0.00133**
	(0.000540)	(0.000534)	(0.000542)	(0.000544)	(0.000519)
Culture of the home country:					
HOME.POWER.DISTANCE	-2.00e-05				
	(0.000488)				
HOME.INDIVIDUALISM		-0.000980**			
		(0.000417)			
HOME.MASCULINITY			0.000431		
			(0.000447)		
HOME.UNCERT.AVOID				-0.000471	
				(0.000432)	
HOME.LONG.TERM.ORIENT					0.00117**

					(0.000453)
Observations	4,523	4,523	4,523	4,523	4,641
Banks	675	675	675	675	701
Wald’s chi-squared	278.9***	295.1***	276.3***	277.9***	282.8***

Table 5. Host country crisis

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
$CRISIS_{t-1}$	0.0724	-0.167**	-0.154**	0.157*	0.144
	(0.0574)	(0.0725)	(0.0655)	(0.0926)	(0.0941)
HOME.POWER.DISTANCE	0.000348				
	(0.000507)				
HOME.INDIVIDUALISM		-0.00116***			
		(0.000426)			
HOME.MASCULINITY			0.000172		
			(0.000465)		
HOME.UNCERT.AVOID				-0.000238	
				(0.000451)	
HOME.LONG.TERM.ORIENT					0.00138***
					(0.000469)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.00206*				
	(0.00108)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00237**			
		(0.00112)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00225**		
			(0.00112)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00249**	
				(0.00119)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00269*
					(0.00138)
Observations	4,523	4,523	4,523	4,523	4,641
Banks	675	675	675	675	701
Wald's chi-squared	296.0***	300.4***	283.5***	282.0***	284.9***

Table 6. Simultaneous home and host country crises

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host-country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
$SIM.CRISIS_{t-1}$	-0.0268	-0.307***	0.102	0.151*	0.0637
	(0.0556)	(0.0960)	(0.0628)	(0.0825)	(0.0995)
HOME.POWER.DISTANCE	-6.97e-05				
	(0.000543)				
HOME.INDIVIDUALISM		-0.00102**			
		(0.000456)			
HOME.MASCULINITY			0.000579		
			(0.000483)		
HOME.UNCERT.AVOID				-0.000464	
				(0.000466)	
HOME.LONG.TERM.ORIENT					0.00117**
					(0.000485)
$SIM.CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.000272				
	(0.00106)				
$SIM.CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00415***			
		(0.00138)			
$SIM.CRISIS_{t-1}$ x HOME.MASCULINITY			-0.00227**		
			(0.000935)		
$SIM.CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00267**	
				(0.00106)	
$SIM.CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00174
					(0.00153)
Observations	4,261	4,261	4,261	4,261	4,369
Banks	646	646	646	646	668
Wald's chi-squared	286.2***	296.7***	286.1***	286.7***	291.8***

Table 7. Unconditional impact after controlling for the distance between the host and home countries' culture

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Variables:	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$
HOME.POWER.DISTANCE	0.000241				
	(0.000803)				
DIST.POWER.DISTANCE	0.000624				
	(0.000819)				
HOME.INDIVIDUALISM		-0.00124**			
		(0.000615)			
DIST.INDIVIDUALISM		5.06e-06			
		(0.000668)			
HOME.MASCULINITY			0.000288		
			(0.000499)		
DIST.MASCULINITY			0.000224		
			(0.000688)		
HOME.UNCERT.AVOID				-0.000290	
				(0.000477)	
DIST.UNCERT.AVOID				0.000258	
				(0.000617)	
HOME.LONG.TERM.ORIENT					0.00122***
					(0.000469)
DIST.LONG.TERM.ORIENT					-0.000914
					(0.000586)
Observations	4,025	4,025	4,025	4,025	4,303
Banks	563	563	563	563	637
Wald's chi-squared	245.3***	276.9***	242.8***	248.2***	273.4***

Table 8. Host country crisis impact after controlling for the distance between the host and home countries' culture

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
$CRISIS_{t-1}$	-0.0683	-0.132	-0.131	0.348**	0.180*
	(0.120)	(0.0955)	(0.0845)	(0.142)	(0.100)
HOME.POWER.DISTANCE	0.000430				
	(0.000847)				
DIST.POWER.DISTANCE	0.000418				
	(0.000838)				
HOME.INDIVIDUALISM		-0.00152**			
		(0.000624)			
DIST.INDIVIDUALISM		0.000256			
		(0.000684)			
HOME.MASCULINITY			8.86e-05		
			(0.000503)		
DIST.MASCULINITY			0.000295		
			(0.000684)		
HOME.UNCERT.AVOID				-4.25e-05	
				(0.000488)	
DIST.UNCERT.AVOID				0.000284	
				(0.000632)	
HOME.LONG.TERM.ORIENT					0.00150***
					(0.000488)
DIST.LONG.TERM.ORIENT					-0.00111*
					(0.000603)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.000926				
	(0.00171)				
$CRISIS_{t-1}$ x DIST.POWER.DISTANCE	0.00293				
	(0.00189)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00258*			
		(0.00143)			
$CRISIS_{t-1}$ x DIST.INDIVIDUALISM		-0.00157			
		(0.00154)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00247*		
			(0.00128)		
$CRISIS_{t-1}$ x DIST.MASCULINITY			-0.00120		
			(0.00158)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00468***	
				(0.00160)	
$CRISIS_{t-1}$ x DIST.UNCERT.AVOID				-0.00156	
				(0.00150)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00321**
					(0.00144)
$CRISIS_{t-1}$ x DIST.LONG.TERM.ORIENT					2.60e-06
					(0.00130)
Observations	4,025	4,025	4,025	4,025	4,303
Banks	563	563	563	563	637
Wald's chi-squared	262.1***	282.6***	248.1***	265.1***	274.6***

Table 9. Robustness checks: Hierarchical model estimations

This table presents the results of estimations for a hierarchical model with random effects for banks and host countries. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
$CRISIS_{t-1}$	0.0855*	-0.155**	-0.169***	0.139*	0.148**
	(0.0465)	(0.0706)	(0.0618)	(0.0798)	(0.0738)
HOME.POWER.DISTANCE	0.000437				
	(0.000445)				
HOME.INDIVIDUALISM		-0.00118***			
		(0.000359)			
HOME.MASCULINITY			0.000114		
			(0.000393)		
HOME.UNCERT.AVOID				-0.000256	
				(0.000386)	
HOME.LONG.TERM.ORIENT					0.00124***
					(0.000370)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.00224**				
	(0.000903)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00223**			
		(0.00106)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00259***		
			(0.000956)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00217**	
				(0.00109)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00269**
					(0.00110)
Observations	4,523	4,523	4,523	4,523	4,641
Banks	675	675	675	675	701
Wald's chi-squared	373.2***	379.7***	375.0***	373.7***	385.3***

Table 10. Robustness checks: Hierarchical model estimations after controlling for the distance between the host and home countries' culture

This table presents the results of estimations for a hierarchical model with random effects for banks and host countries. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
$CRISIS_{t-1}$	-0.0301	-0.115	-0.139*	0.376***	0.202**
	(0.0965)	(0.0820)	(0.0743)	(0.130)	(0.0868)
HOME.POWER.DISTANCE	0.000622				
	(0.000678)				
DIST.POWER.DISTANCE	0.000549				
	(0.000699)				
HOME.INDIVIDUALISM		-0.00157***			
		(0.000560)			
DIST.INDIVIDUALISM		0.000420			
		(0.000613)			
HOME.MASCULINITY			4.42e-05		
			(0.000422)		
DIST.MASCULINITY			0.000366		
			(0.000549)		
HOME.UNCERT.AVOID				-6.70e-05	
				(0.000461)	
DIST.UNCERT.AVOID				0.000346	
				(0.000574)	
HOME.LONG.TERM.ORIENT					0.00134***
					(0.000399)
DIST.LONG.TERM.ORIENT					-0.000873*
					(0.000517)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.00138				
	(0.00130)				
$CRISIS_{t-1}$ x DIST.POWER.DISTANCE	0.00265*				
	(0.00149)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00275**			
		(0.00129)			
$CRISIS_{t-1}$ x DIST.INDIVIDUALISM		-0.00231*			
		(0.00131)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00292**		
			(0.00114)		
$CRISIS_{t-1}$ x DIST.MASCULINITY			-0.00159		
			(0.00149)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00473***	
				(0.00153)	
$CRISIS_{t-1}$ x DIST.UNCERT.AVOID				-0.00235	
				(0.00168)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00335***
					(0.00117)
$CRISIS_{t-1}$ x DIST.LONG.TERM.ORIENT					-0.000497
					(0.00139)
Observations	4,025	4,025	4,025	4,025	4,303
Banks	563	563	563	563	637
Wald's chi-squared	336.4***	339.5***	331.7***	336.3***	368.8***

Table 11. Robustness checks: Estimations after controlling for the linguistic similarity of host and home countries

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Index of linguistic similarity

	(1)	(2)	(3)	(4)	(5)
Variables:	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$
$CRISIS_{t-1}$	0.0198	-0.207**	-0.213***	0.0954	0.101
	(0.0617)	(0.0807)	(0.0825)	(0.0896)	(0.0954)
LING.PROXIM	-0.0112	-0.00803	-0.0112	-0.0119	-0.00828
	(0.00827)	(0.00830)	(0.00826)	(0.00831)	(0.00800)
$CRISIS_{t-1}$ x LING.PROXIM	0.0485**	0.0390*	0.0451*	0.0449**	0.0359*
	(0.0207)	(0.0213)	(0.0233)	(0.0220)	(0.0209)
HOME.POWER.DISTANCE	0.000262				
	(0.000532)				
HOME.INDIVIDUALISM		-0.00108**			
		(0.000444)			
HOME.MASCULINITY			0.000146		
			(0.000471)		
HOME.UNCERT.AVOID				-0.000304	
				(0.000460)	
HOME.LONG.TERM.ORIENT					0.00133***
					(0.000481)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.00220**				
	(0.00112)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00227*			
		(0.00121)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00236**		
			(0.00114)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00238*	
				(0.00122)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00270*
					(0.00142)
Observations	4,378	4,378	4,378	4,378	4,462
Banks	653	653	653	653	675
Wald's chi-squared	304.0***	300.2***	280.5***	279.4***	281.5***

Panel B. Common spoken language

	(6)	(7)	(8)	(9)	(10)
Variables:	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$	$LOAN.GR_t$
$CRISIS_{t-1}$	0.0229	-0.232***	-0.175***	0.107	0.122
	(0.0613)	(0.0869)	(0.0678)	(0.0945)	(0.100)
COMMON.LANGUAGE	0.0502	0.0352	0.0491	0.0501	0.0679**
	(0.0311)	(0.0321)	(0.0316)	(0.0317)	(0.0310)
$CRISIS_{t-1}$ x COMMON.LANGUAGE	0.157**	0.192***	0.159**	0.184**	0.137*
	(0.0699)	(0.0742)	(0.0698)	(0.0724)	(0.0750)
HOME.POWER.DISTANCE	0.000315				
	(0.000511)				
HOME.INDIVIDUALISM		-0.00110**			
		(0.000445)			
HOME.MASCULINITY			0.000283		
			(0.000466)		

HOME.UNCERT.AVOID				-0.000322	
				(0.000461)	
HOME.LONG.TERM.ORIENT					0.00149***
					(0.000495)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.00178				
	(0.00114)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00267**			
		(0.00125)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00199*		
			(0.00110)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00241**	
				(0.00122)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					-0.00287*
					(0.00147)
Observations	4,378	4,378	4,378	4,378	4,462
Banks	653	653	653	653	675
Wald's chi-squared	305.4***	315.7***	293.2***	292.0***	300.7***

Table 12. Robustness checks: Estimations after controlling for the geographic distance between the host and home countries

This table presents the results of GLS estimations for the random-effects model. For brevity, we did not present estimations for year dummies, the constant term, bank-level fundamentals (BANK.SIZE, EQUITY, BANK.DEPOSITS, LOANS, COST.TO.INC, and NON.INT.INC), and host country control variables (CREDIT.MARKET, STOCK.MARKET, INFLATION, GDP.GROWTH, UNEMPL, ECON.FREEDOM, PROPERTY.RIGHTS, JUDICIAL.EFFECT, CORRUPTION, LEGAL.ORIGIN.ENG, LEGAL.ORIGIN.FREN, LEGALORIGIN.GER, LANDLOCKED, and LATITUDE). Standard errors clustered at a bank level are shown in parentheses . *, **, *** refer to significance at the 10%, 5%, and 1% levels, respectively.

Variables:	(1) $LOAN.GR_t$	(2) $LOAN.GR_t$	(3) $LOAN.GR_t$	(4) $LOAN.GR_t$	(5) $LOAN.GR_t$
$CRISIS_{t-1}$	0.0501	-0.153**	-0.131*	0.171*	0.129
	(0.0554)	(0.0772)	(0.0671)	(0.0945)	(0.0834)
GEO.DISTANCE	-0.00354	-0.00220	-0.00364	-0.00410	-0.00534*
	(0.00314)	(0.00334)	(0.00310)	(0.00312)	(0.00310)
$CRISIS_{t-1}$ x GEO.DISTANCE	-0.00632	-0.00983	-0.00517	-0.0120	-0.00887
	(0.00753)	(0.00745)	(0.00686)	(0.00744)	(0.00719)
HOME.POWER.DISTANCE	0.000440				
	(0.000501)				
HOME.INDIVIDUALISM		-0.00110**			
		(0.000449)			
HOME.MASCULINITY			0.000159		
			(0.000448)		
HOME.UNCERT.AVOID				-0.000337	
				(0.000444)	
HOME.LONG.TERM.ORIENT					0.00127***
					(0.000457)
$CRISIS_{t-1}$ x HOME.POWER.DISTANCE	-0.00134				
	(0.00106)				
$CRISIS_{t-1}$ x HOME.INDIVIDUALISM		0.00241**			
		(0.00107)			
$CRISIS_{t-1}$ x HOME.MASCULINITY			0.00195*		
			(0.00106)		
$CRISIS_{t-1}$ x HOME.UNCERT.AVOID				-0.00235**	
				(0.00111)	
$CRISIS_{t-1}$ x HOME.LONG.TERM.ORIENT					