

हंसराज

महाविद्यालय

दिल्ली विश्वविद्यालय

महात्मा हंसराज मार्ग,

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2024-2025

Name of the Event: The Shadow Loan Effect

Organised by: The Commerce Society

Date of the Event: 20th November, 2024

Venue of the Event: Online, via Zoom

Name of Coordinator(s): Ms. Deepshika Yadav

Alumni Co-Convenor of the Society: Mr. Khem Chand

Name of Convener: Dr. R.C. Garg

Event Description:

The Department of Commerce and the Commerce Society of Hansraj College organized a guest lecture on the topic “What Happens to Listed Firms After They Obtain Costly Shadow Loans,” delivered by Dr. Sushanta Mallick, Professor of International Finance at the Queen Mary University of London.

The event was to shed light on the emergence of shadow loan activities and the growing reliance of listed firms on shadow loans. Dr. Mallick provided an in-depth analysis of firms that rely on shadow loans compared to those that depend on formal bank financing. He highlighted the significant consequences for firms with high exposure to costly shadow loans, including rising interest expenses, increased default risk, and notable declines in performance and productivity indicators.

A key focus of the lecture was on the increasing cost of capital for firms shifting from traditional bank loans to expensive shadow loans. This shift, as Dr. Mallick emphasized, leads to negative effects on performance, productivity, risk profiles, firm investments, and employment.

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He also discussed the varying impact of shadow loan experience for state-owned enterprises (SOEs) and privately owned enterprises (POEs). He pointed out that POEs are more vulnerable to the adverse effects of taking shadow loans. However, an interesting observation that was highlighted was that firms with high technology and productivity could mitigate the risks associated with obtaining such loans.

The session concluded with a Q&A session with the students to enhance their understanding of the concerned topic. The session was highly enriching, where the students could acquire a wealth of knowledge on the intricacies of shadow loans and their repercussions on firm performance.

Pictures:

Data

- ▶ Data was collected from two sources within **CSMAR** - Loan Transactions data and firm financial statements
- ▶ Loan transactions dataset is used to identify firms with high **exposure** to shadow loans
- ▶ This information is combined with firm **financial statements**
- ▶ Quarterly **panel** data from 2012-2020 with 110301 observations
- ▶ Data for **3845** listed firms from 31 industries and 14 regions in China
- ▶ On average, firms take **9 (Median = 5)** shadow loans after their first shadow loan
- ▶ We classify firms with more than **5 shadow loans** as shadow-bank firms
- ▶ Other firms without shadow loans or with less than 5 shadow loans are classified as **formal-bank firms**
- ▶ There are **816** shadow-bank firms in our sample

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Motivation

- ▶ Our loan transactions dataset shows that shadow loans were more **expensive** and required **collateral** in a high percentage of loans compared to bank loans
- ▶ **25% of firms** in our sample still obtain shadow loans
- ▶ We identify firms with **high exposure** to costly shadow loans using intensive and extensive margin variables
- ▶ We exploit a **natural experiment** where firms switch from bank to costly shadow loans
- ▶ This transition towards expensive shadow loans might increase firms' **cost of capital**
- ▶ High reliance on these loans might lead to poorer **performance, productivity, higher risk** and harmful real effects in terms of reduced firm **investment and employment**

Attendance Sheet:

NAME
Riddhi kumari
Mohak Jain
Ishita Goyal
Parth saini
Arrsheea
Dhruv Garg
Ambuj Gulati
Chirag Arora
Purvi Patidar

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Krishvi Jain
Tripti Joshi
Hardik Jindal
Saket Malhotra
Meenal Srivastava
Kritika Bhatia
Yamini Bharadwaj
Aarush Agrawal
Nipun Gupta
Rudraksh
Sameeksha goel
Aditi
Sara
Vaidik
Gangesh
Ritesh Garg
Samarth Kumar
Palash Vaishya
Akshra Rathi
Kanika Jakhmola
Siya Gupta
Sargun Singh Sethi
Guneet Atal
Naman
Kalpana singh
Kishlay Singh

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Aprajeeta
V P ANUSH
Udit Shukla
Shebok Mukherjee
Pranjal Saini
Divija Bansal
Komal Verma
Kumar saikrishna Nayak
Ritvik Khurana
Jiya Bhardwaj
Esha Agarwal
Archita
Siddhi Agrawal
Anita
Prasanna Balamurugan
Aryan Kaneriya
Anshu Raj
Purba Maji
Mishti Gupta
Nishchay Sachdeva
Noorpreet Singh
Rashi
Gauri Manchanda
Anjaneya Shukla

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Arshnoor
Jitendra siyag
Suhani Sharma
Bhoomi
Amay
Kartik
parth koul
Shreya Dubey
Aishwarya Pandey
Chhavi
Raunak Garg
Ruchi
Tarun Kumar
Aparna
Arkaja
Shaurya
Sonal Gupta
Raghav Agarwal
Ehraz Siddiqui
Praveen Kumar
Aarav Grafik
Tridisha Sikdar
Ansh Nagar
Riya Raj
Purav Kumar Tayal
Areen Yadav

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Ankur singal
Divyansh
Naman Atri
Hemanjot Singh
Ayushman