Chilean pension fund managers and corporate governance: The impact on corporate debt

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In this paper we analyse the relationship between the investment of Pension Fund Managers (AFPs) and the cost of corporate debt (public and private). Using a sample of 93 non-financial Chilean listed firms between 2009 and 2014, we find that AFPs increase the probability of issuing bonds. Moreover, in line with our crowding out hypothesis, we show that AFPs increase the cost of bank borrowing. In line with the monitoring view, we find that AFPs decrease bond yields. On average, our results suggest that AFPs improve corporate governance by influencing information disclosure and by reducing the intensity of lending relationships with banks.