First Reporto of the Proposal:

Dispersion in Financing Costs and Development

By

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We make use of a huge repository of corporate loan contracts coming from the Brazilian Public Credit Register (SCR - Credit Information System), a confidential loan level database protected by Brazilian banking privacy law, owned and managed by Central Bank of Brazil. It provides detailed information on all loans granted after January 2005, such as loan amounts, loan maturities, interest rates and default rates. Moreover, the data allows us to collect information on borrower-lender relationship, such as total years since the first loan and the firms' total number of lenders and brings some borrower characteristics (location, age and economic sector). We calculate the firms' outstanding loans spreads by the difference between the weighted average of firms' outstanding loans rates and the one-year interbank deposit rate.

We link this Central Bank dataset with another administrative data set from the Brazilian Ministry of Labour. This second dataset contains information on all formally registered non-financial firms in Brazil - Rais (Annual Social Information Report), a mandatory annual survey. The data provides detailed information on employers (legal nature, economic sector and location), employees (age, gender and education), and employment relationship, such as wage, tenure, hiring and layoff dates. The data allows us to identify the date of entrance and exit of firms.

Besides firms' legal nature, location and economic sector, the total number of employees, wage bill and employees' education was collected from Rais and merged into the SCR dataset. Financial firms, public administration, non-governmental organizations and multilateral agencies were excluded. Our database comprises annual data of more than 3 million firms from 246 sectors between 2006 and 2016, totaling 11.8 million firm-year observations[1]. Our sample period evolves two years of solid economic growth (2006 and 2007), the burst and

1 We remove the first year of credit data (2005) due to the poor quality of interest rates reported in that time.

aftermath of the global financial crisis in 2008-2009, a strong economic recovery from 2010 to 2013, and the larger recession of the Brazilian economy in recent history (2014-2016), with a huge impact on the labor market.

We are working on the empirical section of this paper to understand how firm characteristics affect spreads and leverage of firms in Brazil. This section will be key to estimate the parameters of our structural model. The model will be important to quantify the impact of credit reforms on growth and productivity of firms in Brazil.