

Effects of Main Bank Switch on Small Business Bankruptcy

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This paper examines the effects of main bank switch within five years of the first settlement term on the probability of firm bankruptcy. We use a unique firm-level panel data set of more than 3,000 unlisted small and medium-sized enterprises (SMEs) in Japan. We find the following four points. First, switching of main banks reduces the probability of SME bankruptcy. Second, the switching reduces the probability of bankruptcy even if the switch is a transfer or new transaction. Third, the effects of switching on reducing the probability of bankruptcy differ depending on the strength of the firm–bank relationship. Finally, the reduction of the SME bankruptcy probability is observed only when young firms are targeted.

JEL classification: G21; G33; M13; M21

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Firm–bank relationship