AN EVALUATION OF REGIONAL FINANCIAL INSTITUTIONS
BY SWITCHING COSTS

By TAKAYOSHI NAKAOKA

〈SUMMARY〉

Previous studies have been analyzed on theoretical framework and focused how estimate to switching costs. Although explaining to determinants of switching costs is important, few empirical studies that investigated the determinants of switching costs exist. This paper estimates switching costs between firm and bank by simple method. Then, we empirically analyze that how local economic conditions and specific characteristics of the bank affect on switching costs. We find that local economic condition affects switching cost on credit market. Specially, switching cost decreases as increasing local credit market competitiveness. In addition, our main result is that the relation between switching cost and the bank size was shown non-linearity, like inverse U-shape. This finding suggests that there is optimal bank size from view point of switching cost, and that give to policy implication for reorganizing the shinkin-bank in recent year.

© Japan Society of Monetary Economics 2011