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THE EFFECT OF BANK LENDING BEHAVIOR ON FIRM FINANCING

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《SUMMARY》

In this paper, we empirically analyze the association between bank lending behavior and their clients firms' financing, using the case of the Long-Term Credit Bank of Japan (LTCB) that has experienced its ownership change twice. We find that in the first phase where the bank was rescued by the Government, the relationship termination resulted in the reduction of leverage, whereas in the second phase where the bank was owned by the private equity fund, there did not exist such an association. The results in this paper suggest that the effects of changes of bank lending behavior on their clients firms' financing depend on the predictabilities of the borrowing firms about those changes.