Effectiveness of Credit Guarantees in the Japanese Loan Market

経済産業研究所 植杉威一郎
一橋大学大学院 坂井功治
カリフォルニア州立大学（ロングビーチ）ガイ・ヤマシロ

We examine the effect of the special credit guarantee program introduced by the Japanese government between 1998 and 2001. To alleviate the credit crunch faced by small businesses, the program provided 30 trillion yen of loan guarantees which was more than 10% of total small business loans outstanding. We contrast the moral hazard hypothesis with relaxing borrowing constraint hypothesis to examine the widely-held negative assessments of the program. We evidence an increase of long-term loans ratio and profitability among existing program users. It is consistent more with the relaxing borrowing constraint hypothesis than with moral hazard. To evaluate the special guarantee program, we need to compare this positive effect with the default cost of guarantee users.