Silent bank runs: Discipline or contagion?

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Abstract

Depositors of *Shinkin* banks withdrew funds in silence over the 2000-2002 periods during which twenty-six *Shinkin* banks failed. This paper analyzes what information was important for them to make withdrawal decisions and finds empirical evidence for regional contagion effect from stock price of neighboring banks. Depositors withdrew funds after observing a fall in stock price of neighboring banks as well as deteriorating financial condition at the beginning of the year. To obtain the robust result, influences of the prefectural GDP and the aggregate growth rate of total deposit in the prefecture are carefully controlled in the econometric analysis. This paper provides two further findings; (1) The strong financial condition at the beginning of the period could deter the contagion, (2) a decline of stock prices of neighboring banks did not spill over to the deposit interest rate.

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