Structure of Bank Loan Debt: Evidence from Newly Listed Firms in Japan

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This study investigates how firms determine their bank loan structure to balance the benefits and costs of multiple banking relationships. Using the bank loan share data for newly listed firms in Japan, it is found that firms with fewer tangible assets and greater financial risks choose heterogeneous multiple banking relationships, consisting of a large relationship lender and other banks. It is also found that firms' banking relationships are less concentrated among bank loan dependent firms. On the other hand, profitable firms are found to choose more concentrated and homogeneous banking relationships. These results suggest that firms choose both the debt and bank loan structure to balance the risk of hold-up problems and coordination failure.

Key words: bank competition; lending relationships; growing firms; hold-up problems; coordination failure