

Bank Relationships and Cash Holdings: Evidence from Japanese Firms

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This study investigates how firm–bank relationships affect corporate cash holding behavior. Using bank relationships and financial statement data for IPO firms in Japan, we find that firms with a competitive bank loan structure and long-term bank relationships hold more cash. In addition, we find that firms with less concentrated bank relationships have a higher propensity to save cash. The effect of bank relationships on cash holdings is greater for IPO firms than for large listed firms. Our findings suggest that heterogeneous firm–bank relationships and informational asymmetries are important determinants of a corporate cash holding policy.

JEL Classification: G21, G31, G32

Key words: bank competition, financial constraints, lending relationships, hold-up problems, refinancing risk