Bank Credit Market in Japan : A structural VAR Analysis

流通科学大学　畠田 敬

We examine a contemporaneous relation between demand and supply in the bank credit market in Japan by using a Structural VAR method. We also attempt to shed light on a long-run relationship in the bank credit market through cointegration regressions.

Evidence contained in our paper suggests that the Japanese economy has experienced a structural change in the bank credit market in the period of 1989, when Japanese stock prices have just reached the ceiling. For the preceding period 1980:3 - 1989:7, stock prices have not had the short-run (contemporaneous) effect on bank loans but had the long-run and positive effect. This result implies that the stock price index is an indicator of collateral which banks will claim in setting up credit-lines. What is more noticeable, it follows from this that collateral has the long-run effect on bank loans.

For the latter period 1989:8 - 1998:3, on the other hand, stock prices have not had the larger effect on bank loans than ever in the long-run. If anything, stock prices have had the short-run effects on bank loans from both the loan demand-side (balance sheet effect) and the loan supply-side (latent capital gains). In particular, our finding is that the lending behavior of regional banks is affected by the balance sheet effect of stock prices, while that of city banks is affected by loan supply-side effect of stock prices, which are a proxy of latent capital gains, so-called Fukumi Eki. Fukumi Eki is closely related with the risk-based capital ratio in Japan. A fall of Fukumi Eki makes banks with low capital ratios tend to reduce their lending. Thus our findings imply that the risk-based capital regulation has the profound effect on loans for city banks.