

Main Bank Impairment and Corporate Cash Holdings during the Global Financial Crisis

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This paper examines how the impairment of main banks' balance sheets affects corporate cash-holding behavior during the 2008 financial crisis by using a firm–bank match-level dataset of 2,707 firms in Japan. The major findings of this paper are three points. First, the impairment of main banks increases firms' cash holdings during the financial crisis. Second, this tendency is more remarkable among firms with limited financing sources other than bank loans and those with unstable firm–main bank relationships. Third, there is no evidence that the impairment of other banks affects firms' cash-holding behavior during this period.

JEL classification: G01; G21; G32

Keywords: Cash holdings; Bank impairment; Financial crisis; Main bank; Firm–bank relationships