

The Number of Bank Relationships and Bank Lending to Informationally Opaque SMEs

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This paper examines how the number of bank relationships affects bank lending to informationally opaque firms using a unique firm-level dataset of more than 1,000 small and medium-sized enterprises (SMEs). We find that an increase in the number of bank relationships can increase bank lending to informationally opaque SMEs. We also find that this increase is prominently observed in long-term loans. Moreover, long-term loans to these firms sharply increase by establishing multiple bank relationships. Furthermore, these loans gradually increase with an increase in the number of bank relationships. These findings suggest that such a number can serve as quality signs of informationally opaque SMEs and increase bank lending to them.

JEL classification: G21; L26; M13

Keywords: Bank relationships; Bank lending; Informationally opaque firms; Small and medium-sized enterprises