

Do Financial Shocks Have Negative Effects on Small Businesses? New Evidence from Japan for the Late 1990s

Daisuke Tsuruta

From the journal [The B.E. Journal of Economic Analysis & Policy](#)

<https://doi.org/10.2202/1935-1682.2445>

 Citations 2

Abstract

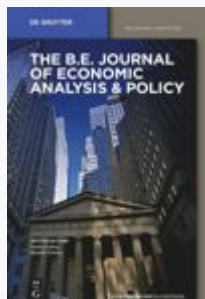
The banking literature suggests that the low performance of the banking sector can spread to real economic activities, especially small businesses. Many previous studies insist that the Japanese experience of the 1990s supports this argument. However, many studies of small businesses are often insufficient since they depend on aggregate data, even though small businesses are likely to face difficult constraints in their activities when financial problems are severe. In this study, we use firm-level data on small businesses and investigate whether bank-dependent small businesses face severe constraints on their activities, which lowers performance. Our results differ from the findings of previous work in this area. First, we show that per the widely used TANKAN statistics, the focus of many existing studies, is misleading and that a majority of respondents in this survey (at least 71%) report no worsening in the lending attitude of financial institutions in the so-called credit crunch period of 1998-1999 (or even in the 2000-2001 period). Second, using detailed firm level panel data from the Credit Risk Database, we find no significant reductions in the loans for the majority of small businesses. Third, while we do find evidence that bank-dependent firms increased reliance on internal funds during the period of the credit crunch (1998-2001), we find no evidence that this negatively impacted firm performance (as reflected in firm growth and profitability measures).

Keywords: [credit crunch](#); [financial shock](#); [small business](#)

Published Online: 2010-9-21

©2011 Walter de Gruyter GmbH & Co. KG, Berlin/Boston

From the journal



The B.E. Journal of Economic Analysis & Policy

Volume 10 Issue 1

Articles in the same Issue

Frontiers Article

Public Policy and Market Competition: How the Master Settlement Agreement Changed the Cigarette Industry

Advances Article

Tax Law Asymmetries and Income Shifting: Evidence from Japanese Capital Keiretsu

Tax and Subsidy Combinations for the Control of Car Pollution

Selective Schools and Academic Achievement

Simple Pricing Schemes for Pollution Control under Asymmetric Information

Telling the Truth May Not Pay Off: An Empirical Study of Centralized University Admissions in Germany

Permit Markets, Seller Cartels and the Impact of Strategic Buyers

Transactions Costs in Charitable Giving: Evidence from Two Field Experiments

Learning-by-Doing and Cannibalization Effects at Multi-Vintage Firms: Evidence from the Semiconductor Industry

The Role of Television in Household Debt: Evidence from the 1950's

High-Powered Careers and Marriage: Can Women Have It All?

The Effect of Financial Development on the Investment-Cash Flow Relationship: Cross-Country Evidence from Europe

Who Benefits from the Earned Income Tax Credit? Incidence among Recipients, Coworkers and Firms

Advertising Competition in Retail Markets

Advertising Collusion in Retail Markets

Uncertainty, the Demand for Health Care, and Precautionary Saving

Household Demand for Broadband Internet in 2010

Chapter 7 or 13: Are Client or Lawyer Interests Paramount?

Heterogeneity and Learning in Labor Markets

Protecting Minorities in Large Binary Elections: A Test of Storable Votes Using Field Data

Pet Overpopulation: An Economic Analysis

Downloaded on 16.12.2024 from <https://www.degruyter.com/document/doi/10.2202/1935-1682.2445/html>