

The Value of Bank Relationships: Evidence from the COVID-19 Crisis

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Abstract

We investigate how the firm stock performance during the COVID-19 crisis vary depending on firm bank relationships. Using Japanese firm data, we find that the outbreak of COVID-19 cause a sharp drop in stock performance for both firms with concentrated bank relationships and those with less-concentrated bank relationships during the collapse period of early spring, 2020. However, firms with concentrated bank relationships outperforms the less-concentrated firms after the rebound of stock prices from March 17, 2020. The bank relationship effects persist throughout the year 2020. Our results suggest that close bank relationships contribute to the recovering process of firms from the COVID-19 shocks.

JEL classification codes: G14, G21, G32

Keywords: Bank relationships, COVID-19, stock performance, financial constraints

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