

Bankruptcy ratio of small enterprises and *Shinkin* Bank in Japan

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Abstract

This paper empirically investigates the role played by relatively small banks in the local credit market in Japan. We test the hypothesis that *Shinkin* banks, which are smaller than Regional banks on average, contribute to reducing the bankruptcy of unincorporated enterprises in the local market by maintaining larger amount of nonperforming loans than Regional banks. Empirical evidence suggests that *Shinkin* banks might specialize in relationship lending to relatively small enterprises than Regional banks.

JEL Classification: G21

Keywords: Relationship lending, Japanese banks, Nonperforming loans, Bankruptcy