Heterogeneous Exits: Evidence from New Firms

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Abstract: Using data on new firms founded in Japan during 1997–2004, this paper explores heterogeneous exits, that is, bankruptcy, voluntary liquidation and merger. In particular, we examine heterogeneities in the determinants of exit between these forms of exits. It is found that the factors affecting the exit of new firms vary significantly across the forms of exit. While small-sized firms tend to exit the market through bankruptcy, large-sized firms are more likely to disappear because of merger. It is also found that firms with highly educated managers are less likely to go bankrupt, but they are more likely to exit the market through voluntary liquidation and merger. Moreover, we provide evidence that new firms are forced to exit the market through bankruptcy in regions with a higher density of establishments.

Keywords: New firm; exit; heterogeneity; bankruptcy; voluntary liquidation; merger.

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