

The Effects of Bank Capital Shocks on Borrowers:  
Evidence from Japan during the global financial crisis

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**Abstract**

This paper provides causal evidence of a credit crunch by focusing on exogenous capital shocks to Japanese banks and loan demand shocks to their clients during the global financial crisis. Empirical results reveal that adverse capital shocks to banks exacerbate their borrowers' financial constraints on investment, and that its magnitude is economically significant.

**Keywords:** Bank capital shocks, Global financial crisis, Credit crunch

**JEL Classifications:** E22, G21, G31