

# Real Effects of the End of Bank-borrower Relationships: Evidence from a Loan-level Data

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**ABSTRACT.** Using the dataset over 30 years including the lost two decades in Japan, I found that the bank health had a strong affect on the cutoff of borrowing-lending relationships between banks and firms in 1990s and the first half of 2000s while in a normal time the bank factor predicts almost nothing. Furthermore I show that not always capital crunch happened but also window dressing effect can not be neglected. I also found that the cutoff is associated with the 1.3% point decrease of investments in the early 2000s although in other time there is no strong evidence to show the connection between cutoffs and investments.

*JEL classification:* G01, G21, G28.

*Keywords:* matched lender-borrower data, bank-firm relationship, capital crunch, window dressing, treatment effect.

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