On the So-called Forbearance Lending[*]

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Abstract: Using a matched sample of Japanese banks and their listed borrowing firms for the period between 1993 and 2011, this paper examines the forbearance lending in terms of whether an unviable relationship between a financially-distressed bank and a low-performing firm increased the supply of bank loans. We find that the forbearance lending responsible for banksô small capital buffers prevailed in the 1990s, but did not in the 2000s, while the forbearance lending responsible for the nonperforming loans prevailed not only in the 1990s, but also in the 2000s. We also examine why such a difference of the forbearance lending existed.

Keywords: forbearance lending, zombie firm, loan-level data.
JEL classification: G01, G21, G28.

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