

# The Number of Bank Relationships and Bank Lending to New Firms: Evidence from Firm-level Data in Japan

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This paper examines how the number of bank relationships affects bank lending to new firms using a unique firm-level panel data set of more than 2,000 unlisted small and medium-sized enterprises (SMEs) incorporated in Japan. The theory of winner's curse suggests that more bank relationships reduce short-term borrowing for new firms, and the theory of free-riding indicates that more bank relationships increase long-term borrowing for them. We find that more bank relationships reduce short-term borrowing for new firms. However, we find no evidence that more bank relationships increase long-term borrowing for them.

JEL classification: G21; L26; M13

Keywords: Multiple bank relationships; New firms; Short-term borrowing; Long-term borrowing