Comments on “By a Silken Thread: Regional Banking Integration and Pathway to Financial Development In Japan’s Great Recession

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Summary Findings

- Higher Perfecture level share of SMEs, lower the output
- SMEs with greater credit constraints negatively affected by low levels of banking integration
- The magnitude of financial integration effect on growth depends on its interaction with local bank dependence (SME presence)
Econometric framework

- Not clear in intuition
- Growth of lending and beta? What does beta signify? Is it elasticity of SME demand for bank loans?
- Not clear about FI measurement
- How does the 19th Century Perfectures relate to FI in the dataset?
- IV instrument: distance for bank-firm relation?
Questions

- Financial integration vs. financial development
- Firm-bank relationship to determine financial segmentation?
- Financial segmentation by regulations, institutions, sovereignty may have different implications for transmission
- Not clear how endogeneity in IV regression is addressed
Suggestions

- Clearer definitions/intuition behind the models
- Firm-bank relationship is interesting, can be explored more, especially among SMEs for their access to funding and their contribution to growth relationship
- More nuanced implications of firm-bank relationship for banking integration/segmentation