

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

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

# Econometric framework

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

# Questions

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

# Suggestions

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