

The Number of Bank Relationships of SMEs: A Disaggregated Analysis of Changes in the Swiss Loan Market

Doris Neuberger*, Solvig R athke** and Christoph Schacht***

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Abstract

This paper investigates changes in the number of bank relationships of small and medium-sized enterprises in Switzerland from 1996 to 2002. It differentiates between overall bank relationships and lending relationships and disaggregates the loan market with respect to firm sizes, industries and banking groups. On average, bank lending declined, and the concentration of lending relationships increased. The changes seem to have been driven by demand and supply for medium-sized firms, but only by supply for micro and small firms. Supply-side reductions resulted from a merger and changes in credit risk management by major banks. We find evidence of increasing specialization of larger banks on transaction lending and of smaller and regional banks on relationship lending.

JEL classifications: G21, G32

* Corresponding author: Prof. Dr. Doris Neuberger, Department of Economics, University of Rostock, Ulmenstr. 69, D-18057 Rostock, Germany; Tel.: +49 381 4984346; Fax: +49 381 4984348; e-mail address: doris.neuberger@uni-rostock.de

** Dr. Solvig R athke, University of Witten/Herdecke, Germany

*** Dr. Christoph Schacht, IFZ Institute for Financial Services Zug, University of Applied Sciences Central Switzerland, Switzerland (until 05 / 2005)

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