Listing and Financial Constraints by Kenichi Ueda (The University of Tokyo), Akira Ishide (Northwestern University), and Yasuo Goto (Seijo University and RIETI)

Abstract
We confirm, with a twist, that listing to a stock exchange can mitigate financial constraints of firms, using Japanese firm-level data over 20 years, 1995-2014, controlling for main bank relationship and majority owner influence. Compared to a similar unlisted firm, a listed firm has a lower marginal product of capital and more new borrowings in recessions. Theoretically, we argue that these are most important variables to uncover differential financial frictions between listed and unlisted firms. However, the listed firms do not borrow more on average over time, but rather maintain lower leverage on average to mitigate the borrowing constraints.