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No Lending Relationships and Liquidity Management of Small Businesses During a Financial Shock

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Highlights

- Firms with lower growth, low working capital, and high internal cash holdings were more likely to end lending relationships with banks.
- Firms with lending relationships increased bank borrowings while those without lending relationships reduced internal cash during the global financial shock.
- Firm performance was neither lower nor higher for firms that did not have lending relationships with banks during the shock period.