

Table 2  
Determinants of Japanese Lending in the United States, U.S. Branches, 1989:1 to 1995:2

Estimation Method Dependent Variable	Variance Components $\frac{\Delta \text{Loan} - \Delta \text{StLoan}}{\text{Asset}}$	Fixed Effects $\frac{\Delta \text{Loan} - \Delta \text{StLoan}}{\text{Asset}}$	Variance Components $\frac{\Delta \text{Loan}}{\text{Asset}}$	Variance Components $\frac{\Delta \text{CI} - \Delta \text{StCI}}{\text{Asset}}$	Fixed Effects $\frac{\Delta \text{CI} - \Delta \text{StCI}}{\text{Asset}}$	Variance Components $\frac{\Delta \text{CI}}{\text{Asset}}$
Constant	-34.473* (2.18)	-	-35.768** (2.25)	-9.827 (0.85)	-	-8.823 (0.76)
Parent Risk-Based Capital Ratio	1.928** (6.58)	1.912** (5.02)	2.189** (7.53)	0.792** (3.68)	0.819** (2.89)	0.819** (3.79)
Land Price	0.380** (7.56)	0.341** (5.70)	0.320** (6.42)	0.197** (5.52)	0.208** (4.91)	0.167** (4.67)
Foreign Direct Investment	0.081 (4.08)	0.071** (3.11)	0.095** (4.88)	0.070** (4.63)	0.071** (4.04)	0.080** (5.22)
Employment Growth	0.553* (2.03)	0.526 (1.77)	0.383 (1.42)	0.171 (0.85)	0.132 (0.60)	0.016 (0.08)
Log(Asset)	1.237 (1.38)	-0.995 (0.41)	1.178 (1.31)	0.432 (0.67)	-1.008 (0.57)	0.362 (0.55)
Nonperforming Loans Loans	0.020 (0.19)	0.060 (0.47)	0.018 (0.17)	-0.286 (1.91)	-0.223 (1.32)	-0.299* (2.00)
C&I Loans Assets	0.045 (1.37)	0.081 (1.46)	0.047 (1.43)	-0.044 (1.86)	-0.103** (2.58)	-0.044 (1.84)
Real Estate Loans Assets	-0.054 (1.11)	-0.108 (1.20)	-0.068 (1.40)	0.004 (0.11)	0.016 (0.24)	-0.002 (0.04)
Trust Bank	0.357 (0.27)	-	-0.223 (0.17)	-0.677 (0.70)	-	-0.852 (0.88)
Long-Term Credit Bank	1.540 (1.05)	-	1.296 (0.87)	2.546* (2.41)	-	2.448* (2.30)
Regional Bank	2.553 (0.97)	-	2.134 (0.81)	-0.649 (0.34)	-	-0.884 (0.46)
Hausman test P-value	0.812	-	0.729	0.812	-	0.775
Observations	370	370	370	370	370	370
R <sup>2</sup>	0.387	0.408	0.406	0.294	0.318	0.294

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SSR	13866	13392	13573	7577	7328	7603
SER	6.482	6.37	6.413	4.792	4.712	4.8

Table 2

Note: The data are semiannual observations for March and September. Independent variables are measured as of the beginning of the period. The land price series is the commercial land index for all urban districts and is measured relative to its peak in Spetember 1991. Foreign direct investment and employment growth are measured over the prior six-month period. Nonperforming loans as a share of total loans are used in the first three columns and nonperforming C&I loans as a share of total C&I loans are used in the last three columns. Absolute values of t-statistics are in parentheses.

\* Significant at the 5 percent level.

\*\* Significant at the 1 percent level.



R2	0.397	0.443	0.255	0.306	0.328	0.413	0.233	0.29
SSR	11740	10853	6463	6017	13098	11431	6653	6161
SER	5.92	5.917	4.392	4.406	6.244	6.063	4.45	4.451

Note: The data are semiannual observations for March and September. Independent variables are measured as of the beginning of the period. The land price series is the commercial land index for all urban districts and is measured relative to its peak in September 1991. Foreign direct investment and employment growth are measured over the prior six-month period. Nonperforming loans are used in columns 1, 2, 5, and 6, and nonperforming C&I loans as a share of total C&I loans are used in columns 3, 4, 7, and 8. The set of instruments for the change in parent capital include its own lagged value, changes in hidden reserves, the percentage changes in the Nikkei stock price index, the exchange rate and land prices, and dummy variables for changes in the ratings of long-term and short-term debt, as well as each of the other explanatory variables. Absolute values of t-statistics are in parentheses.

\*Significant at 5 percent level.  
 \*\*Significant at 1 percent level.