Bank-Firm Relationship Influences Firm’s Performance

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The bank-firm relationship can influence the firm’s performance in maintaining its funding availability.

“In-depth, the influence can be seen from the firm’s financial capability in maintaining its funding availability,” said Aniek Hindrayani, a lecturer at Economic Education Study Programme, Faculty of Teaching Education at Universitas Sebelas Maret Surakarta, Central Java, on Tuesday (30/1).

Defending her dissertation during an open examination for Doctoral Programme at Faculty of Economics and Business UGM, Aniek said a strong bank-firm relationship will address the firm’s financial issue. In addition, the asymmetric information issue can also be minimized, thus the firm will be prevented from underinvestment.

Aniek further said by a strong bank-firm relationship, the firm which does not face a financial issue can avoid the agency of free cash flow and overinvestment. In addition, a developing firm will also be spared from underinvestment issue.

“It also prevails for a mature firm where a strong bank-firm relationship will reduce its overinvestment issue,” said Aniek.

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