

# **The Role of Bond Finance in Firms' Survival During the Asian Crisis**

**Marina-Eliza Spaliara**  
Loughborough University

and

**Serafeim Tsoukas**  
University of Nottingham  
Hong Kong Institute for Monetary Research

February 2010

## **Summary**

Our main goal in this paper is to provide an assessment of which types of Asian firms were more likely to survive the 1997-98 crisis and which were more likely to fail, paying special attention to the role of bond financing. This will inform policy makers in Asia and the western economies who aim to mitigate the effects of the present financial crisis through monetary and fiscal policy, loan guarantees and other measures. In order to achieve this goal we examine the link between firm survival and bond financing using firm-level panels from five Asian economies most affected by the 1997-98 crisis - Indonesia, Korea, Malaysia, Singapore and Thailand. Our findings show that the Asian crisis affected firm survival both directly and indirectly (through interactions with financial indicators). More importantly, we show that bond issuers, irrespective of the currency denomination, are more likely to survive compared to non-issuers. Nevertheless, only firms issuing bonds in local currency are shielded from the adverse effects of the crisis.