1. Banks in Capital Market

1.1 The paper compares securities pricing during the pre-Glass-Steagall period with subsequent periods when commercial banks began to underwrite securities, thus becoming potential competitors of investment banks. The findings suggest a robust result that the entry of commercial banks has no adverse effects on security pricing, and in some cases, it even provides advantages when firms establish lending relationships with commercial banks. This indicates that firms underwritten by relationship banks experience minimal conflicts of interest that could negatively impact firm performance.

Furthermore, relationship banks tend to request lower underwriting fees from firms, which may result in commercial banks crowding out specialized investment banks. As a response, investment banks have incentives to develop their lending business. Additionally, banks serve as a quality signal for firms through their decision-making processes, indirectly reducing information acquisition costs for external investors.

1.2 The main contribution of the paper is that the paper provides empirical evidence of the underwriting effect of commercial banks competing with investment banks, and uncovered the indirectly role of commercial banks in the credit market.

2. Benefits of Lender Relationships

2.1 The key finding of the paper is that small firms that has close relationships with creditor could improve the availability of credit, while the cost of credit is not significantly affected.

In details, the researchers find that small firms are more likely to source capital from concentrated banks. lentgh of relationship, and whether banks provide the firm financial services affects the cost of capital is insignificant. However, it is found that firms that spends more in relationship construction(concentrate borrowing and expand finance business cooperation) has higher availability of finance due to better relationships.

Though further research found that close relationship does not provide cheaper credit because cost reductions to creditor has not been passed to lenders due to increasing monopoly, small firms has the intention to volunteer for close relationships and concentrate borrowing.

2.2 The main contribution of this paper is that the paper introduction new proxy for closeness of borrower and lender including concentration of borrowing across mutilple lenders, and age of relationships. Besides, different from previous paper, the paper research on the relationship on both the availability and price of credit.