Abstract

My study extends the study “Does Access to External Finance Improve Productivity? Evidence from a Natural Experiment” by Alexander Butler and Jess Cornaggia. Their study identified that agricultural production increased the most over the sample period in areas with relatively strong access to capital. My research adapts their empirical approach to capture productivity differences before and after the financial crisis. My study then dives into further detail and captures the impacts of government infusions under the Troubled Asset Relief Program (TARP).

Research Questions

1) Did the Financial Crisis impact the relative productivity of corn and soybeans consistent with increased constraints in access to finance?

2) Did the TARP moderate the effects of the financial crisis on productivity consistent with an easing of access to finance constraints?

Hypotheses

H1: There is a more negative association between productivity and access to finance in the post financial crisis period.

H2: The more negative association between productivity and access to finance in the post financial crisis period is moderated by TARP bank presence.

Models

(1) \( Yield_{Corn} = \alpha_0 + \beta_1Finance + \beta_2Crisis\_Period + \beta_3Finance\_TARP + \beta_4Deposits + \epsilon_i \)

(2) \( Yield_{Soy} = \alpha_0 + \beta_1Finance + \beta_2Crisis\_Period + \beta_3Finance\_TARP + \beta_4Deposits + \epsilon_i \)

Graphical Support: H1

Graphical Support: H2

Multivariate Results

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Agriculture Bank Results

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Acknowledgments

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Haslam College of Business

Data References

TARP
Transaction Report 10/01/10; http://www.treasury.gov/initiatives/financial-stability/reports/Pages/TARP-Investment-Program-Transaction-Reports.aspx

Bank Deposits
SOD (Summary of Deposit) Data; https://www2.fdic.gov/sod/index.asp

Corn & Soybean Yields
NASS: Natural Agricultural Statistics Service; http://quickstats.nass.usda.gov/

Weather Underground; http://wunderground.com/history/

United States Census Bureau; http://quickfacts.census.gov/qfd/index.html

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Important and worthy of study especially agricultural industries rely on bank lending is understood how the financial crisis impacted industries; however, less has been done to understand the financial crisis on productivity consistent with increased constraints in access to finance in the post financial crisis period. My study then dives into further detail and captures the impacts of government infusions under the Troubled Asset Relief Program (TARP).