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[Borrador de economía, núm. 638](#)

Tenga en cuenta

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Autor o Editor

José Eduardo Gómez, Nidia Ruth Reyes

Autores y/o editores

[Gómez-González, José Eduardo](#)

[Nidia Ruth Reyes](#)

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We study the effect of relationship lending on small firms' failure probability using a uniquely rich data set comprised of information on individual loans of a large number of small firms in Colombia. We control for firm-specific variables and find that small firms involved in long-term liaisons with commercial banks have a significantly lower probability of becoming bankrupt than otherwise identical firms not involved in a long-term credit relationship. We also find that small firms with multiple banking relationships face a lower failure hazard than otherwise identical firms involved in a unique long-term relationship.