

Impact of Disasters on Family Firms and Local Banks

Natural and man-made disasters—such as floods, wildfires, industrial accidents, and economic crises—can have severe consequences not only for local communities but also for businesses and financial institutions. This project investigates how such disasters affect the financial behavior of family-owned firms and local banks, and how the effects of these shocks spread through their relationships.

Family firms and regional banks are often deeply rooted in local economies. They are also particularly vulnerable to disruptions, yet they may respond differently than larger, more diversified entities. For example, firms may become more cautious with spending or more committed to long-term sustainability. Banks may change their lending practices or risk assessments, especially if their leaders have experienced disasters in the past.

To study these patterns, we combine multiple sources of data: information on disaster events, financial performance, and the personal backgrounds of company leaders and bank executives. Using modern tools in data analysis and econometrics, we aim to uncover how personal experience with disasters shapes financial decisions and risk-taking behavior.

This research will provide new insights into how firms and banks adapt to extreme events. It will help policymakers understand which organizations are most vulnerable and how financial systems can be made more resilient in the face of future crises.