A **keiretsu** is a Japanese term referring to a group of interlinked businesses with close relationships, often centered around a bank or a major industrial company. It's a form of corporate structure that promotes mutual support, long-term stability, and shared interests among member companies.

Types of Keiretsu

1. **Horizontal Keiretsu**
   • Centered around a **main bank** and includes companies from various industries.
   • Example: **Mitsui**, **Mitsubishi**, **Sumitomo** groups.
   • Members often own small stakes in each other and collaborate financially and strategically.
2. **Vertical Keiretsu**
   • Structured around a **major manufacturer** and its suppliers and distributors.
   • Common in the **automotive and electronics sectors**.
   • Example: **Toyota Group**, where Toyota is at the center and works closely with parts suppliers and dealerships.

Key Features

• **Cross-shareholding**: Companies own shares in each other to prevent hostile takeovers and ensure loyalty.

• **Stable supply chains**: Long-term relationships between manufacturers and suppliers.

• **Bank-centered financing**: Member companies often rely on a central bank for funding.

• **Information sharing**: Close coordination and strategic planning among members.

Benefits

• Stability during economic downturns.

• Easier access to capital.

• Reduced transaction costs and risks.

• Stronger collaboration and innovation.

Criticisms

• Can lead to inefficiencies and lack of competition.

• May discourage outside investment or innovation.

• Less transparency in governance.