

Do Governmental Financial Institutions Help Startups Grow?  
Evidence from Japan\*

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*Abstract*

We find that governmental financial institutions in Japan tend to lend to the small firms owned by the disadvantaged entrepreneurs who do not own enough personal assets, or the firms with limited credit access to borrow from private financial institutions. We also find that the firms that borrow from GFIs grow faster than the firms that borrow from private lenders, from the eighth year since loans were made. These findings together suggest that GFIs have contributed to the long run growth of small firms that private lenders are reluctant to make loans to.

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