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SME Policy, Financial Structure and Firm Growth: Evidence From Japan

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Abstract

This paper investigates the effects of public policy and financial structure on the growth of small and medium enterprises (SMEs). Using a panel data set on SMEs in the Japanese manufacturing industry, we examine whether or not the SME Creative Business Promotion Law (CBPL) and financial structure affect firm growth. It is found that SMEs approved by prefectural governors under this law tend to increase assets. Further, we provide evidence that the CBPL and cash flow have an impact on the growth of younger SMEs.

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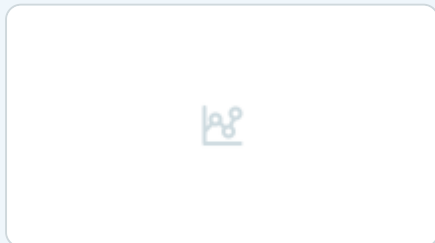
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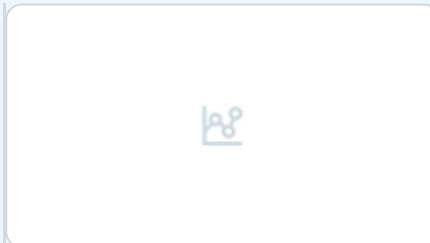
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