

**Assessing the Effectiveness of
COVID-19 Support Policies on Firm Performance:
Evidence from Japanese SMEs**

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Assessing the Effectiveness of COVID-19 Support Policies on Firm Performance: Evidence from Japanese SMEs

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Abstract

This study evaluates the effectiveness of government financial support for small and medium-sized enterprises (SMEs) in Japan during the COVID-19 pandemic. The Japanese government implemented various programs to support SMEs facing financial distress, leading to a notable decline in bankruptcies. We find that SMEs with strong ties to main banks and exporters were more likely to receive support, while subsidiaries or affiliates of large corporations were less likely to benefit. Although prior studies suggest that such policies may encourage "zombie" firms, our analysis shows that in the manufacturing sector, financial assistance fostered investment.

Keywords: SMEs; COVID-19; Financial Support; PSM-DID

JEL Classification: D22; D25; L52

1. Introduction

How does government financial support in response to exogenous shocks—such as natural disasters, infectious disease outbreaks, and financial crises—affect the performance and behavior of recipient firms? These support measures are often implemented urgently and broadly, encompassing not only firms severely affected by

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the shocks but also those that experience limited direct damage yet remain eligible for assistance. This raises a critical question: do such interventions inadvertently sustain inefficient or financially distressed firms—so-called “zombie” enterprises—or do they alleviate credit constraints and enable firms to invest and grow?

The COVID-19 pandemic caused widespread disruption to global economic activity, with particularly severe consequences for small and medium-sized enterprises (SMEs), which typically operate with limited financial buffers and restricted access to external financing. In response, governments worldwide implemented emergency financial assistance and subsidy programs to sustain the liquidity and operational viability of SMEs. In Japan, as in many other countries, the pandemic led to substantial declines in sales across various industries, significantly deteriorating the business environment for SMEs. To mitigate these adverse effects, the Japanese government introduced a range of financial support measures, including unsecured, interest-free loans—commonly referred to as “zero-zero” loans. These interventions appear to have been effective in the short term: the number of SME bankruptcies in 2020 and 2021 was lower than in 2019, suggesting that such measures helped firms avoid immediate financial collapse despite the severe economic downturn.

Many previous studies have pointed out that emergency financial support

during the COVID-19 pandemic may have unintentionally prolonged the survival of so-called “zombie” firms — companies that were essentially bankrupt and unable to repay their debts. While these policies were successful in preventing bankruptcies, there are concerns about their side effects. For instance, Honda et al. (2021) found that support was more likely to be directed toward financially weaker firms, such as those with low credit scores. Morikawa (2021) also noted that firms receiving government assistance were already significantly less productive than those that did not, even before the pandemic. However, not all studies agree. Watanabe and Watanabe (2022) argued that there is no strong evidence that loan guarantees disproportionately benefited unproductive or distressed “zombie” firms[†].

This paper examines whether the financial support provided to SMEs in Japan during the COVID-19 pandemic merely extended the life of struggling firms, or whether it actually improved their performance by easing credit constraints. Bartik et al. (2020) show that U.S. SMEs in the service sector—particularly in food services and entertainment—suffered sharp declines in sales and employment, while the impact on manufacturing varied more by sub-industry. These studies suggest that the effects of

[†] See also Hoshi et al. (2023), Kawaguchi et al. (2021) and Yamori and Aizawa (2021).

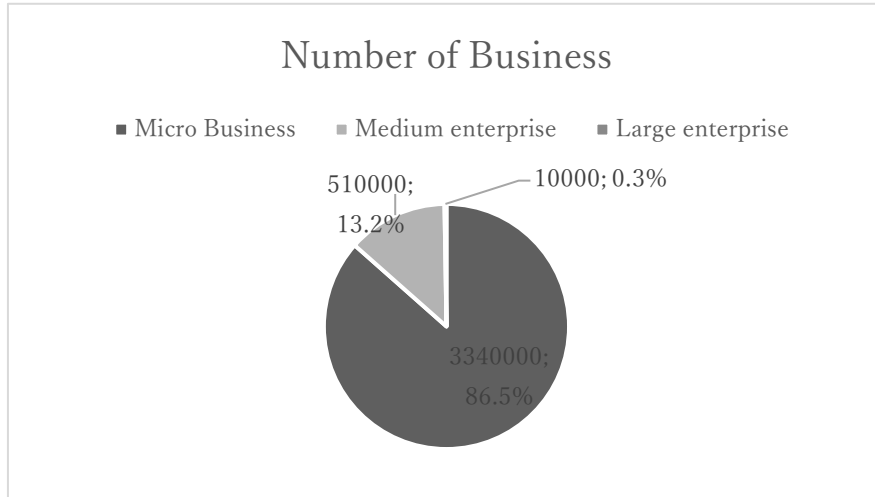
COVID-19-related financial assistance likely differed between manufacturing and service industries, and this sectoral difference needs to be carefully considered in the analysis.

The structure of the paper is as follows. Section 2 outlines the impact of COVID-19 on Japanese SMEs and the government's financial support measures. Section 3 explains the data and methodology used to analyze the determinants of financial support and its effects on firm performance. Section 4 presents the analysis results, and Section 5 concludes the paper.

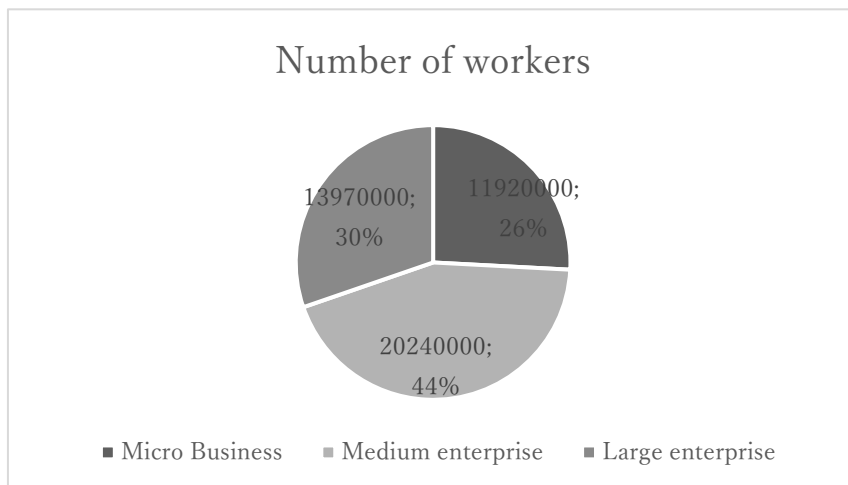
2. Japanese SMEs and Government Financial Support for COVID-19

In Japan, small and medium-sized enterprises (SMEs) play a vital role in the economy. While definitions vary across laws, the SME Basic Act defines SMEs as firms with capital of less than 300 million yen or fewer than 300 employees in manufacturing and related sectors. Under this definition, SMEs account for 99.7% of all businesses in Japan, employing approximately 32 million people—roughly 74% of the workforce—and generating about 44% of the total value added in 2015 (See Figure 1(a), (b), and (c)).

(a)



(b)



(c)

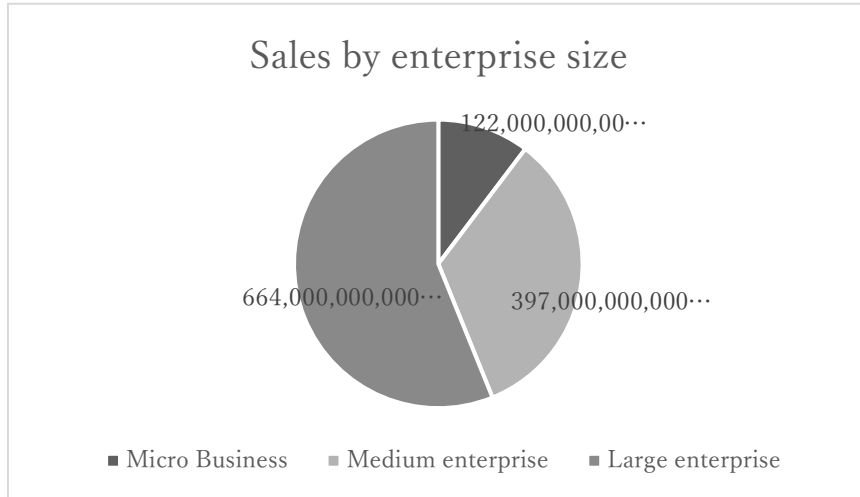


Figure 1. Distribution of SMEs by Number of Businesses, Employees, and Value Added (2015)

Source: Small and Medium Enterprise Agency, 2015

SMEs provide the bulk of employment for Japanese industry, and they are the foundation for producing essential goods, but they face challenges. The number of enterprises in Japan has been on a downward trend since 1999, and among them, the number of SMEs has decreased by approximately 1.2 million over the 20 years since 1996 (Small and Medium Enterprise Agency, 2018). The problem of business closure has arisen due to a lack of successors resulting from the declining birthrate and aging

population and the consequent lack of skills transfer. The energy problem must also be addressed, increasing the company's burden due to the need for additional facilities and the rising cost of materials and fuels. Moreover, even if it is pre-COVID-19, in 2016, 23.9% of SMEs cited " financing" as a business challenge for growth.

Impact of COVID-19 on SMEs in Japan

In Japan, the most significant impact of COVID-19 on SMEs was in the second quarter of 2020. While all industries experienced a drop in sales during this period, the accommodation and travel industries experienced substantial sales declines. Sales in the accommodation and travel industries are down 90% compared to last year. Not only the service industry but also the manufacturing industry is affected. Among small and medium-sized auto parts firms with a capital of 500 million yen or less, 21.5% of shipments decreased from the previous year (Japan Auto Parts Industries Association, 2023).

In addition, inflation, which before the pandemic had risen only slightly even with aggressive monetary expansion, was accelerated by the sharp rise in imported goods due to the fragmentation of global value chains and the surge in energy prices.

Inflation caused by rising material costs has made it much more difficult for SMEs to finance their operations, which had been on the agenda even before the pandemic.

Government Support on SMEs

In that situation, the Japanese government provides several support programs to SMEs facing financial distress due to the pandemic. The total amount of the support is 26 trillion yen. These programs include special-term loans, subordinated loans, grants, subsidies, moratoriums on debt repayment, a grace system for tax and social insurance fee payments, and the protection of small subcontractors. Some measures, such as the grace system for tax payment and subordinated loans, are available to firms of all sizes, while others target SMEs only.

Among the measures designed for SMEs, we specifically focus on special-term loans since the fiscal disbursements for these measures were quite large. The government has introduced two special loan programs related to COVID-19: 1) a program for loans originated by government-affiliated financial institutions (GFIs) and 2) one for loans originated by private financial institutions and backed by government guarantees and subsidies. A detailed description of these loans is provided in the

following.

1) Loans by GFIs

Government-affiliated financial institutions included the Japan Finance Corporation, the Shoko Chukin Bank, and the Okinawa Development Finance Corporation, which provided loans to SMEs. These GFIs have been extending low-interest rate unsecured loans to SMEs whose sales were negatively affected by the pandemic, with sales dropping by at least 5%. The GFIs label these loans “special loans to deal with the impact of the COVID-19 pandemic.”

For firms to be eligible to apply for these special-term loans, their sales must have dropped by at least 5%. Firms approved for these unsecured loans receive a discount on the interest rate for the first three years. That discount would be virtually zero for three years if the firms that significantly reduced sales, specifically 5% in the case of micro sole proprietorships, 15% in the case of micro corporations, and 20% in the case of SMEs, had reduced sales.

Private financial institutions have been extending unsecured SME loans with preferential terms in response to the pandemic. The government incentivizes private institutions to develop such loans by providing loan guarantees and subsidies for

interest payments and guarantee fees. In most cases, the coverage ratio of loan guarantees in each loan contract is 100%. Guarantee fees and interest payments are fully subsidized for all sole proprietorships as well as for SMEs whose sales dropped by at least 15%. That support included interest-free, unsecured loans of up to 600 million Yen per company.

2) Private bank loans backed by guarantees and subsidies

Private financial institutions also have been extending unsecured SME loans as well as GFIs. The government incentivizes private institutions to extend such loans by providing loan guarantees and subsidies for interest payments and guarantee fees. In most cases, the coverage ratio of loan guarantees in each loan contract is 100%. Guarantee fees and interest payments are fully subsidized for all sole proprietorships as well as for SMEs whose sales dropped by at least 15%. For SMEs whose sales dropped by between 5% and 15%, half of the guaranteed fees are subsidized, but these firms receive no interest rate discount.

Bankruptcies of SMEs

Figure 2 shows the number of bankruptcies and the bankruptcy rate of SMEs

from FY 2017 to FY 2022. Before the pandemic, bankruptcies were stable at about 8,000 from FY2017 to FY2019. Surprisingly, the number of bankruptcies after the pandemic was lower than before. Bankruptcies of SMEs in FY2020 are 7% fewer than in FY2019 and 22% fewer in FY2021 than in the previous year. As for FY2022, the number of bankruptcies has increased compared to the previous year, but the number is lower than before the pandemic. This low bankruptcy rate indicates that the Japanese government's support worked well to keep SMEs in business and prevent bankruptcy.

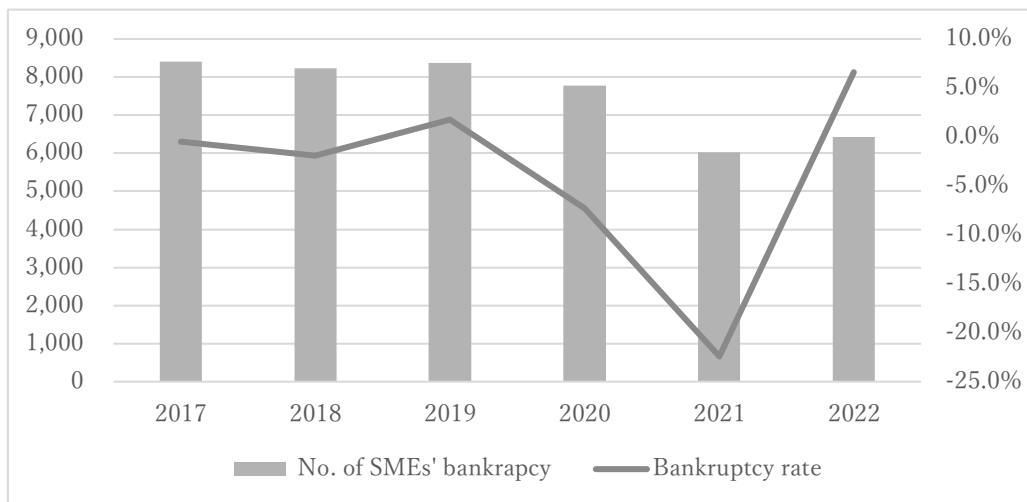


Figure 2. Number and Rate of SME Bankruptcies in Japan, FY2017–FY2022

Source: Tokyo Shoko Research

3. Empirical Strategy

This section outlines the data, variable construction, and estimation strategy used to evaluate the effects of COVID-19-related financial support on SME performance in Japan.

Data Source and Panel Construction

Our analysis relies on data from the annual Small and Medium Enterprise Survey conducted by the Small and Medium Enterprise Agency. This survey collects financial, operational, and strategic information from approximately 110,000 SMEs across Japan.

Although the data is primarily cross-sectional, the same firms have been surveyed consecutively since FY2018, allowing us to construct a two-year panel dataset for FY2019 (pre-pandemic) and FY2020 (during the pandemic and policy implementation).

The final balanced panel contains data on 11,255 firms.

Table 1. Descriptive Statistics by Industry (All, Manufacturing, and Service)

Variable	All Industries			Manufacturing			Service		
	Sample Size	Mean	Standard Deviation	Sample Size	Mean	Standard Deviation	Sample Size	Mean	Standard Deviation
Financial support	11,255	0.12	0.32	4,542	0.128	0.334	6,345	0.108	0.311
Change in sales	11,255	46732.57	2261192.00	4,542	45682.120	758133.400	6,345	50845.680	2939671.000
Employee	11,255	56.61	151.37	4,542	60.431	115.258	6,345	55.009	175.809
Family business	11,255	0.45	0.50	4,542	0.518	0.500	6,345	0.392	0.488
Affiliated companies or subsidiaries of large corporations	11,255	0.13	0.33	4,542	0.139	0.346	6,345	0.124	0.329
Borrowing from the main bank	11,255	0.58	0.49	4,542	0.632	0.482	6,345	0.536	0.499
Export	11,255	0.11	0.31	4,542	0.195	0.396	6,345	0.057	0.231
Overseas branch	11,255	0.04	0.20	4,542	0.067	0.250	6,345	0.028	0.165
Contract	11,255	1.82	0.42	4,542	1.793	0.408	6,345	1.861	0.350
Outsourcing	11,255	1.79	0.41	4,542	1.738	0.440	6,345	1.822	0.383
Number of years in business	11,255	8.98	1.49	4,542	9.194	1.334	6,345	8.821	1.568
Tax scheme	11,255	0.19	0.39	4,542	0.229	0.420	6,345	0.161	0.368
Ownership of patent rights	11,255	1.84	0.37	4,542	1.768	0.422	6,345	1.883	0.321
Long-term borrowings from banks	11,255	198606.30	991336.20	4,542	186879.400	550357.200	6,345	212732.800	1232805.000
Long-term borrowings from non-banks	11,255	33864.24	457541.30	4,542	34687.440	442975.400	6,345	34612.730	479806.200
No bond financing	11,255	9246.01	211319.80	4,542	7083.058	77940.610	6,345	10922.860	273409.900
accounts payable	11,255	132139.80	1152519.00	4,542	139585.500	878007.900	6,345	127935.300	1340221.000
Short-term borrowings from banks	11,255	95736.15	799819.40	4,542	107759.300	685023.900	6,345	90448.670	892842.300
Short-term borrowings from non-banks	11,255	46893.05	1794391.00	4,542	27623.100	190736.300	6,345	62981.920	2384349.000

Source: Calculations from the Small and Medium Enterprise Survey

Unfortunately, the data do not include whether firms had a financial support for COVID-19 in the questionnaire. However, since we have data on long-term borrowing from financial institutions and interest payments, we will assume that firms have received support measures if the ratio of interest payments to borrowing has declined despite an increase in bank borrowing in FY2020 compared to FY 2019. Through this process, we identified 1303 firms that received government financial assistance. However, it is not possible to identify whether the financing source is a GFI or a private financial institution.

Estimation method

The following logit estimation will analyze the determinants of the firms that received such identified assistance.

$$\Pr(\text{Obtain}_i) = \psi(\alpha + \beta_1 \text{Change_in_sales}_i + \mathbf{X}_i \boldsymbol{\gamma}_i),$$

where, $\psi(\cdot)$ represents the cumulative density function of the logistic distribution.

Obtain_i is a dummy variable that represents whether firm i obtained funds from the special loan program by the government or private financial institution.

Change_in_sales_i represents the percentage change in sales from FY 2019 to FY 2020. We expect β_1 to be negative.

Further, \mathbf{X}_i denotes various firm-level control variables. Specifically, we included in our analysis a dummy variable for whether the firm is a family business or not, a dummy variable for whether the firm is a subsidiary or affiliate of a large firm, a dummy variable for whether the firm has borrowed from its main bank in FY 2019, as variables representing relationships with other companies and banks. We also included indicators of globalization, such as whether the company exports or has overseas branches. In addition, the number of bank loans in FY 2019, the number of years in operation, the number of employees, and whether they take advantage of tax incentives,

as well as prefecture dummies and industry dummies, were also included in the analysis.

We compare the firm performance of firms that received COVID-19 financial assistance and firms that did not receive the assistance, by propensity score matching difference-in-differences (PSM-DID) analysis. The following variables are used to estimate propensity scores; number of people employed, whether the firm has overseas operations, whether the firm exports, whether the firm is a subsidiary or affiliate of a large firm, whether the firm borrows from its main bank, whether the firm is a family business, whether the firm engages in contract production, contract manufacturing, contract production, whether the firm uses preferential tax treatment for small businesses, whether the firm applies for patents, years in operation, short-term bank loans, short-term non-bank loans, bonds amount issued, accounts payable.

Propensity scores are estimated based on firm characteristics and financial variables prior to the pandemic. Matched treatment and control groups are compared using changes in the following outcomes:

- Cash flow as a share of total assets (d_cash_asset)
- Borrowing as a share of assets (d_liablility_assets)

- Profit margin (d_profit_sales)
- Number of employees (d_employee)
- Capital investment (d_investment)

4. Estimation Results

(1) Determinants of Support: Logistic Regression Analysis

Tables 2, Columns (1) and (2), report the results of a logistic regression analysis examining the determinants of receiving COVID-19-related financial support for small and medium-sized enterprises (SMEs) in Japan, disaggregated by manufacturing and service sectors. The key findings are as follows.

-Role of Bank Relationships:

In both sectors, SMEs that had existing borrowing relationships with their main banks in FY2019 were significantly more likely to receive government financial assistance.

This highlights the importance of established bank-firm relationships in facilitating access to public support programs, particularly under crisis conditions. The results suggest that main banks may have acted as intermediaries, channeling support to firms

with whom they had ongoing financial engagements.

-Export Orientation:

In the manufacturing sector, exporting firms were significantly more likely to receive financial support. This may reflect policy prioritization of globally integrated firms or heightened need among exporters due to international supply chain disruptions during the pandemic. No such effect was observed in the service sector, likely due to its predominantly domestic focus.

-Corporate Affiliation:

Firms affiliated with large corporations—either as subsidiaries or through capital ties—were significantly less likely to receive support in both sectors. This suggests that government programs were intentionally targeted toward independent SMEs rather than firms perceived to have access to internal group financing or greater resilience through corporate networks.

-Alternative Financing Sources:

Firms that issued bonds or borrowed from non-bank institutions were less likely to obtain support. This may indicate higher perceived credit risk or ineligibility under program guidelines, which often emphasized traditional bank-mediated lending

channels.

These findings indicate that public financial support during the pandemic disproportionately benefited SMEs with strong, stable relationships with main banks and exposure to international markets, while excluding those with corporate affiliations or alternative funding channels.

Historically, Japanese SMEs have often been embedded in vertically structured subcontracting relationships with large firms. These long-term, stable partnerships enabled SMEs to gain access to relationship-specific assets such as specialized equipment, technical knowledge, and guaranteed demand. However, these arrangements also placed SMEs in relatively weak bargaining positions, reflecting a classic principal-agent dynamic. Subcontractors were often compelled to reduce prices and shorten delivery times to meet the requirements of dominant buyer firms. Since the 1990s, however, structural changes brought about by globalization and advances in information and communication technologies (ICT) have transformed this landscape. Many Japanese SMEs have moved away from exclusive, long-term subcontracting ties and instead engaged in more diversified and flexible relationships with a broad set of domestic and international partners—effectively integrating into global value chains (GVCs).

Empirical evidence supports the performance advantages of this strategic shift. Kimura (2002) demonstrates that SMEs engaged in subcontracting relationships tend to be smaller, less export-oriented, and less technologically capable. Moreover, such firms are not necessarily more profitable. In fact, the highest profitability is observed among SMEs that do not participate in subcontracting at all—neither as suppliers nor as outsourcers. This finding suggests that independence and adaptability, rather than subordination within hierarchical supply chains, may be more conducive to SME resilience and performance in the post-COVID economy.

Table 3. Determinants of Receiving COVID-19 Support: Logistic Regression Results

Variable	(1)	(2)
	Manufacturing	Service
Change in sales	-9.26E-09 -1.54E-08	-0.0000001 (0.0000001)
Employee	-0.0007592* -0.0004484	0.00072 (0.00063)
Family business	0.1718658* -0.0922425	0.16446 (0.10455)
Affiliated companies or subsidiaries of large corporations	-0.6053608*** -0.2328744	-0.8173269*** (0.24721)
Borrowing from the main bank	2.693635*** -0.1667627	2.888271*** (0.24537)
Export	0.3500342** -0.1674044	0.05541 -0.12473
Overseas branch	0.1254218 -0.2255243	(0.19560) (0.18838)
Contract	-0.0455446 -0.1450248	0.04311 (0.12551)
Outsourcing	0.1028941 -0.1322862	-0.01898 (0.12079)
Number of years in business	-0.0185253 -0.0304366	-0.03058 (0.04097)
Tax scheme	0.0193665 -0.1085474	-0.04709 (0.11029)
Ownership of patent rights	-0.0287597 -0.1315006	-0.15707 (0.11546)
Long-term borrowings from banks	4.01E-08 -2.89E-08	0.000000141** (0.0000001)
Long-term borrowings from non-banks	5.02E-08 -0.000000122	0.0000001 (0.0000001)
No bond financing	0.00000115*** -0.000000321	0.00000175*** (0.0000007)
accounts payable	0.000000123*** -0.000000061	0.00000001 (0.0000004)
Short-term borrowings from banks	-0.0000000198*** -5.56E-08	0.00000004 (0.0000007)
Short-term borrowings from non-banks	-0.000000118 -4.17E-08	-0.0000015 (0.0000009)
Industry_Code_small	-0.0000712 -0.0002926	0.00091 (0.00070)
Prefecture_code	0.001688 -0.0035627	0.00206 (0.00458)
Constant	-4.120885 -0.4936813	(4.17818) 0.56559
Observations	4,542	6,345

Source: Calculations from the Small and Medium Enterprise Survey

Note: Values in parentheses indicate *t*-statistics; *, **, *** mean statistically significant at 10%, 5%, and 1% levels, respectively.

(2) Effects of Support: PSM-DID Results

Tables 4(a) and 4(b) present the estimated treatment effects of receiving COVID-19-related financial support on key firm performance indicators, using the propensity score matching difference-in-differences (PSM-DID) methodology. The analysis is disaggregated by sector to capture heterogeneous effects between manufacturing and service industries[‡].

In the manufacturing sector in Table 4(a), receiving financial support had a statistically significant positive effect on firm investment. This suggests that improved access to credit may have enabled recipient firms to undertake capital expenditures, potentially contributing to long-term productivity improvements. On the other hand, the

[‡] In both manufacturing and service industries, all variables are balanced in the treatment and control groups.

ratio of borrowing to total assets slightly increased among supported firms, indicating a moderate rise in financial leverage.

However, the results show no statistically significant changes in other key performance indicators, including cash flow, profit margins, and employment. This implies that while support facilitated investment, it did not translate into immediate improvements in operational profitability or workforce expansion.

In contrast, the effects observed in the service sector were less favorable in Table 4(b). Firms that received financial support experienced a deterioration in both cash flow and borrowing indicators. This pattern may reflect an over-reliance on external support in the absence of a robust recovery in core business operations. Moreover, there were no statistically significant improvements in profitability, employment, or investment among supported service-sector firms.

These findings point to a sectoral divergence in the effectiveness of financial support during the COVID-19 pandemic. In the manufacturing sector, the aid appears to have alleviated credit constraints and supported capital formation, suggesting potential long-term benefits. In contrast, the service sector—disproportionately affected by the

pandemic—showed limited signs of recovery, with evidence of continued financial strain and underperformance among supported firms.

The results underscore the importance of designing tailored policy responses that take into account sector-specific characteristics and challenges. Without such differentiation, blanket financial support may risk inadvertently prolonging the survival of underperforming firms, particularly in service industries where structural vulnerabilities remain unresolved.

Table 4 Impact of Support on Firm Performance: PSM-DID Results

(a) Manufacturing sector

	Coefficient	AI robust std. err. z	P>z		[95% conf. interval]	
d_cash_asset	-1.680786	1.146026	-1.47	0.142	-3.926956	0.565384
d_liablility_assets	-11.08297	5.968854	-1.86	0.063	-22.78171	0.615773
d_profit_sales	-0.0648409	0.0499497	-1.3	0.194	-0.1627406	0.033059
d_employee	0.4194188	0.891169	0.47	0.638	-1.32724	2.166078
d_investment	116583.1	49520.48	2.35	0.019	19524.71	213641.4

(b) Service sector

	Coefficient	AI robust std. z	P>z		[95% conf. interval]	
d_cash_asset	-3.746872	2.142503	-1.75	0.08	-7.946102	0.4523567
d_liablility_assets	-47.71174	33.11541	-1.44	0.15	-112.6168	17.19328
d_profit_sales	0.0099248	0.0385243	0.26	0.797	-0.0655815	0.0854311
d_employee	1.964381	3.163326	0.62	0.535	-4.235623	8.164386
d_investment	42121.56	25744.74	1.64	0.102	-8337.21	92580.33

Source: Calculations from the Small and Medium Enterprise Survey

5. Conclusion

This study examined the determinants and effects of COVID-19-related financial support for small and medium-sized enterprises (SMEs) in Japan using a panel dataset from FY2019 and FY2020. Employing logistic regression and propensity score matching difference-in-differences (PSM-DID) methods, the analysis revealed important insights into both the allocation and consequences of public financial assistance during the pandemic.

Our findings indicate that firms with strong relationships with their main banks and those engaged in export activities were significantly more likely to receive financial support, particularly in the manufacturing sector. In contrast, firms affiliated with large corporations or reliant on non-bank borrowing channels were systematically less likely to benefit. This suggests that the support measures were not uniformly distributed but instead reflected institutional access and firm characteristics.

Regarding firm outcomes, we found clear sectoral asymmetries. In the manufacturing sector, financial support was associated with increased investment, implying that financial support may have eased credit constraints and enabled productive capital formation. However, no significant effects were observed on

profitability, employment, or cash flow. In the service sector, support did not lead to any measurable improvement and, in some cases, coincided with worsened financial indicators—raising concerns about the risk of dependence or misallocation.

These results contribute to the growing literature on crisis-driven government interventions and underscore the importance of sector-sensitive policy design. A one-size-fits-all approach risks both inefficiency and unintended consequences, such as the support of structurally weak or non-viable firms. While financial support played a vital role in preventing widespread SME bankruptcies during the pandemic, its longer-term impact on firm performance appears more nuanced.

From a policy perspective, our findings highlight the need to complement short-term liquidity support with mechanisms that promote sustainable business transformation, particularly in manufacturing industries. Policymakers should consider coupling financial assistance with conditionality or business restructuring support to avoid the entrenchment of so-called "zombie" firms.

This study is subject to certain limitations. First, the identification of supported firms is based on inferred changes in borrowing and interest payments, rather than direct observation of support receipt. Second, the short panel duration limits our ability to

assess medium- to long-term effects. Future research should explore the persistence of support-induced performance changes and examine how firms that received aid fared in subsequent recovery phases.

Ultimately, this paper underscores that while government support during crises is essential, its design and targeting must be carefully calibrated to ensure not only survival but also resilience and growth of the SME sector.

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