

# How Do Insiders Affect Start-up Financing?

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## Abstract

This paper examines how support from entrepreneurs' insiders affects financial constraints for entrepreneurs using a survey of 2,644 new firms in Japan. The major findings of this paper are as follows. First, bank referrals from the insiders alleviate entrepreneurs' financial constraints, whereas there is no evidence that providing initial funds from the insiders alleviates the constraints. Second, the effect of the referrals can be more pronounced for financially constrained entrepreneurs. Third, such referrals are effective in alleviating entrepreneurs' financial constraints even if they do not receive initial funds from their insiders.

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Keywords: Insiders; Start-up financing; Entrepreneurs; Financial constraints; Banks

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