

Picking Winners or Fostering Them? Evidence from the J-Startup program

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Abstract

Using a longitudinal dataset of Japanese start-ups, this study evaluates the J-Startup program, Japan's flagship initiative to foster globally competitive ventures. We first estimate a logit model to identify the determinants of program selection and find that selected firms are typically larger, younger, and exhibit signals of innovative capacity. To assess causal effects, we estimate the average treatment effect on the treated (ATT) using propensity score matching. The results show that program participation significantly enhances firm growth, particularly in employment and sales, and increases the likelihood of generating high-growth firms. Heterogeneity analysis reveals that these effects are particularly pronounced for younger firms, while the evidence on firm size remains inconclusive. This suggests that while the program exhibits elements of “picking winners,” its marginal impact is strongest for firms at earlier stages of development, pointing to the potential role of public programs as growth catalysts beyond mere selection. Overall, the findings underscore the importance of targeted policy design that accounts for firm heterogeneity.

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