

EMPIRICAL RESEARCH ON THE GRANT  
FOR GROUPS OF SMALL AND MEDIUM ENTERPRISES  
TOWARD THE RECOVERY AFTER THE GREAT EAST JAPAN EARTHQUAKE  
- POTENTIAL BENEFIT OF FORMING GROUPS -

Hiroki Nagai, Graduate Program in Sustainability Science, 47-116801

Advisor: Associate Professor Motoharu Onuki

Co-Advisor: Project Assistant Professor Toshinori Tanaka

ABSTRACT

On March 11, 2011, the Great East Japan Earthquake hit the northeastern part of Japan and the following tsunami caused devastating damage to the broad area. The recovery of small and medium enterprises (SMEs) is one of the important aspects of the recovery of the whole region as they are key drivers of the economy. After the Great East Japan Earthquake, “the grant for groups of SMEs towards the recovery” (hereinafter referred to as “the grant for groups”) was newly installed by the national government. While the assistance for the management of funds (e.g. special loan, interest subsidy, credit guarantee) was the main governmental supporting scheme for disaster-affected SMEs in the past disasters such as the case of the Great Hanshin Awaji Earthquake, “the grant for groups” is the completely new scheme to directly grant the disaster-affected SMEs.

Eligible grantees are groups of enterprises. Any kinds of groups (any industry, any combination, either newly formed or existed before the disaster) are acceptable. The grant can

be utilized for fixing or buying damaged equipment and buildings of the individual enterprises. The grant called applications seven times since June, 2011, till March, 2013, and 390 billion yen, which is very large amount as the grant for SMEs, were attached to it.

The most of the current research interests focus on the direct economic effects of “the grant for groups” focusing on the individual enterprises (such as Kaneko, 2012; Matsunaga, 2012). Neither of them focuses on the meaning of forming groups, even though forming a group is a particular feature of the grant. Therefore, it is needed to understand if there are potential benefits or functions of forming groups.

This study aims at finding out the function of “the grant for groups” in terms of forming a group by investigating what enterprises do or did as a group while applying and implementing “the grant for groups”. This study has set the study area in Iwate Prefecture, one of the most severely damaged prefectures. The semi-structured interview surveys were conducted with 17 groups out of 77 groups which have received “the grant for groups” in Iwate Prefecture (as of January, 2013). Those interviewed groups belong to different industries and located in different regions in Iwate Prefecture. Complementary interviews were also conducted with the related organizations such as the prefectural government and the supporting agencies

The results showed that there are actually the benefits and functions which “the grant for groups” can provide at the different stages of the process (i.e. forming a group, preparing for

the application, implementing the reconstruction plan) as a consequence of requesting enterprises to form a group. The benefits found from the interview survey, are summarized in the following three points:

- 1) Drive SME owners engaged in the recovery process while forming a group and preparing for the application
- 2) Encourage mutual support among the enterprises within the group while preparing for the application
- 3) Encourage the collaborative project

This study provided a new aspect of the function of “the grant for groups”. As a consequence of requesting enterprises to form a group, above-mentioned software benefits were provided in addition to the hardware support (providing the reconstruction cost).

Especially, benefits provided while forming groups and preparing for the application are important new findings which should be taken into consideration by the academia and the policy makers as the important functions of “the grant for groups” in the context of the post disaster policy.

Since this study conducted interview survey only with the leader or a few members of 17

groups which have received “the grant for groups”, it is recommended to conduct the survey with more members from each group in order to understand the functions more holistically.

*Key Words:* Disaster reconstruction, Forming a group, Governmental financial support, Small and medium enterprises