

Vous êtes invité à la prochaine réunion du

SEMINAIRE ECONOMIQUE DE LOUVAIN



Thibault Fally (Paris-Jourdan School of Economics)

fera un exposé sur

**Credit Constraints
as a barrier to the entry and post-entry growth of firms**

Advanced market economies are characterized by a continuous process of creative destruction. Market forces and technological developments play a major role in shaping this process, but institutional and policy settings also influence firms, decision to enter, to expand if successful and to exit if competition becomes unbearable. In this paper, we focus on the effects of financial development on the entry of new firms and the expansion of successful new businesses. Drawing from harmonized firm-level data for 16 industrialized and emerging economies, we find that access to finance matters most for the entry of small firms and in sectors that are more dependent upon external finance. This finding is robust to controlling for other potential entry barriers (labor market regulations and entry regulations). On the other hand, financial development has either no effect or a negative effect on entry by large firms. Access to finance also helps new firms expand if successful. Both private credit and stock market capitalization are important for promoting entry and post entry growth of firms. Altogether, these results suggest that, despite significant progress over the past decade, many countries, including those in Continental Europe, should improve their financial markets so as to get the most out of creative destruction, by encouraging the entry of new (especially small) firms and the post-entry growth of successful young businesses

(Joint paper with Philippe Aghion, and Stefano Scarpetta¹)

Le séminaire aura lieu **le jeudi 22 novembre 2007 à 16h30**,
Bâtiment d'Economie
Collège Dupriez Salle Paul Rousseaux, d 144
Place Montesquieu, 3 - 1348 Louvain-la-Neuve
Renseignements : [Hylke Vandenbussche](#)