

# FINANCIAL INTERMEDIARIES, OWNERSHIP STRUCTURE AND MONITORED FINANCE: EVIDENCE FROM JAPAN\*

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## **Abstract**

This paper introduces new and unique data from 127 Japanese private equity funds that enable a first-ever direct comparison of individual owner-manager structures versus financial intermediation structures in terms of the governance provided to investee companies through private equity funds. The data indicate individual owner-manager structures (financial disintermediation) give rise to much smaller portfolios of entrepreneurial firms and more advice to entrepreneurs. Across the scope of different financial intermediation structures including banks, life insurance companies, securities firms, corporations and government bodies, there are further differences in the provision of governance and value-added advice provided to investees. The data further indicate US-affiliated funds in Japan are more likely to have smaller portfolios and provide more advice to entrepreneurial companies, possibly due to a greater skill set in providing advice to facilitate the development of small entrepreneurial firms.

**Keywords:** Financial Intermediation, Ownership Structure, Private Equity

**JEL Classification:** G24, G28, G31, G32, G35