Using the contract level data, we find that the lending by a Japanese state owned lending institution during the period of the credit crunch mitigated a firm's loss of borrowing from its main bank. We further find that the state owned institution's lending instrumented by the main bank's lending supply growth as explained by the bank's capital adequacy, which captures the lending to mitigate the loss of borrowing, had negative effects on a firm's profitability and investment rate and that the JASME's lending had an weak effect to mitigate the cash sensitivity of cash that captures the firm's financial constraint.

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