THE MONTREAL GROUP'S
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The role of Public Development Banks in fostering the creation and growth of new businesses

November 2025

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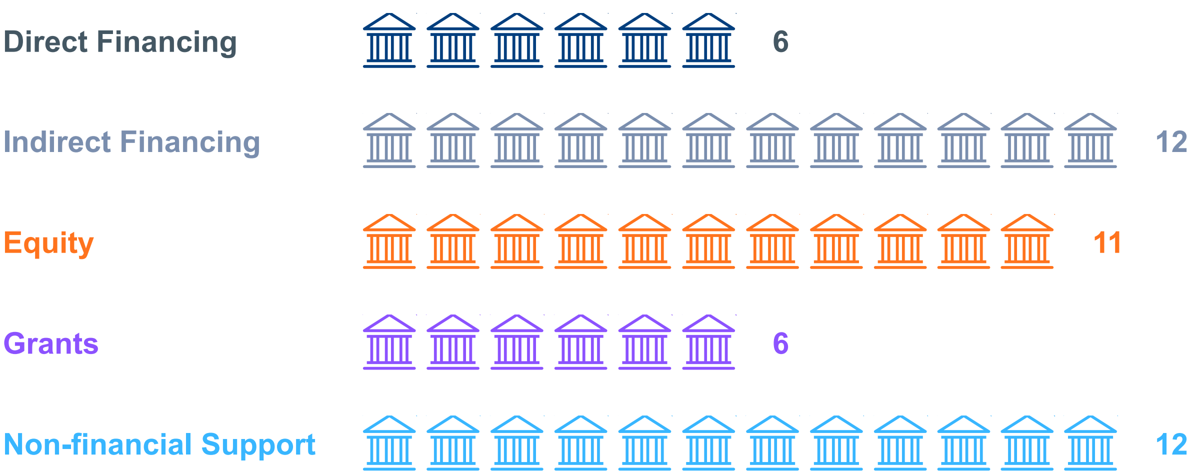
Executive Summary

This research paper explores the range of solutions Public Development Banks (PDBs) are employing to foster business creation and support new businesses.

The topic is more important than ever. Entrepreneurial intentions have risen over the past decade in many of the 14 countries covered in this report. Despite this growing appetite for entrepreneurship, though, new businesses continue to face major financing hurdles. Perceived as high-risk, they are often underserved by traditional financial institutions. Indeed, limited business or credit history, unstable revenues and a lack of experience among founders make it difficult for these businesses to access the financing they need to grow and succeed.

The research presented below shows that PDBs play a crucial role in addressing these challenges and are providing assistance to nascent entrepreneurs. By offering a range of solutions adapted to the reality of new businesses, such as targeted financing products, equity investments, preferential terms and specialized non-financial support, they fill the gaps left by private lenders while fostering business creation.

Financial and non-financial solutions for new businesses (number of PDBs per category)



This report also highlights that entrepreneurial success hinges on several key factors, including access to affordable capital, the ability to effectively apply the skills and knowledge required to run a business, and a capacity for entrepreneurs to build the right networks within their ecosystem. For this reason, PDBs generally leverage multiple tools to support new businesses. For instance, many PDBs interviewed for this research provide a combination of debt financing (direct lending, co-financing and guarantees), equity investments and non-financial services.

Targeted products and equity

Startup loans and guarantees

Grants aimed at startups in strategic sectors or demonstrating growth potential

Venture capital activity through direct investment and fund of funds

Preferential terms

Interest rate rebates to make financing more affordable

Reduced or no collateral requirements

Flexible repayment terms and grace periods

Lower business or credit history requirement

Non-financial support

Accelerator and capacity building programs

Free consultation services

Free online resources and courses

Access to technical support

Mentoring and networking

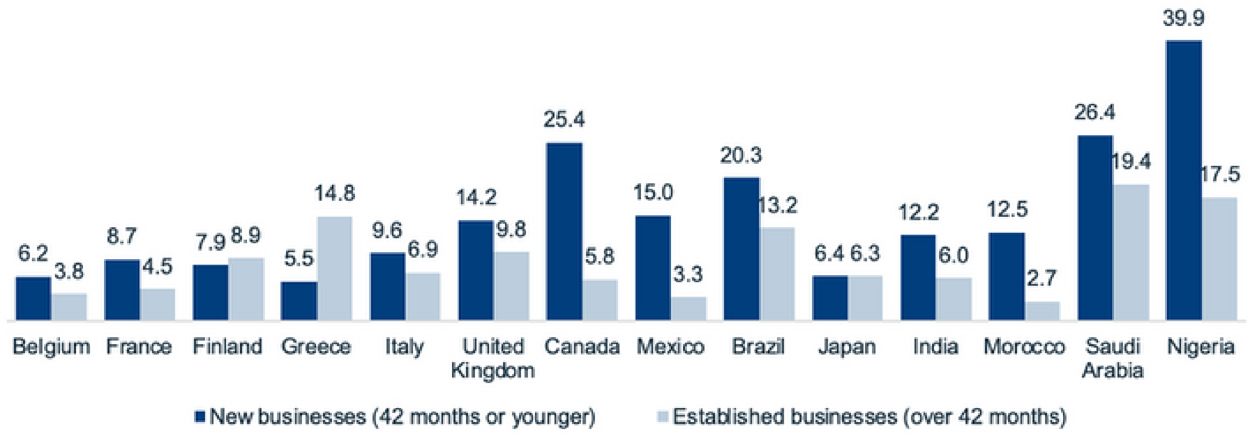
This study makes it clear that PDBs understand that no single instrument alone can support the creation and growth of new businesses. Instead, we show that a combination of financial and non-financial support is essential. By introducing mechanisms such as flexible repayments, interest rate subsidies, reduced collateral requirements, capacity building, mentorships and initiatives targeted at underserved groups, PDBs play a key role in turning new businesses into sustainable, long-term enterprises.

Introduction

While their individual footprints may be modest, small and medium-sized enterprises (SMEs) have a profound collective impact. Globally, they are a vital economic contributor, accounting for 90% of businesses, up to 70% of employment and 50% of GDP, globally.[1] As a result, maintaining a dynamic entrepreneurial ecosystem is crucial to sustaining business creation, economic growth and living standards.

To unlock the full potential of SMEs, it is essential to help entrepreneurs launch their business. However, fostering entrepreneurship is not just about encouraging business creation. It is equally about ensuring that business owners have the tools and resources to survive, scale and thrive. This support is critical, as entrepreneurs frequently face significant challenges along the way, from insufficient expertise to limited access to financing, minimal credit history, and the demands of juggling multiples roles. For instance, many business owners find themselves simultaneously managing operations, marketing, finance, and strategy. Perhaps unsurprisingly, in light of this reality, high levels of early-stage entrepreneurship contrast with low numbers of businesses maturing into established enterprises in many of the countries examined in this report (see Figure 1). Supporting this transition is critical to building a more resilient and dynamic economy.

Figure 1: Working-age population (15-64) involved in entrepreneurial activity by stage, latest year available (percent)



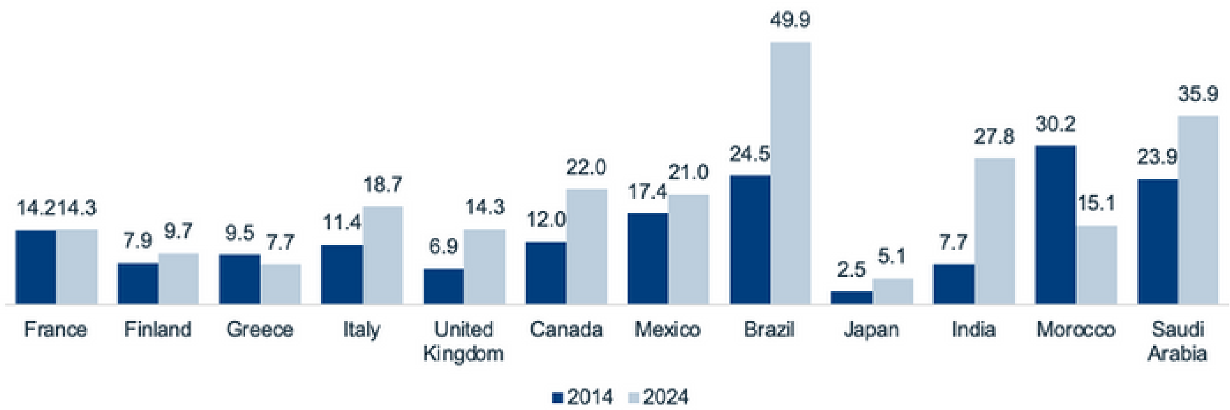
Note: Data are from 2024 except for Belgium (2015), Finland (2021), Japan (2022) and Nigeria (2013). New businesses also include people currently setting up a business. Source: Global Entrepreneurship Monitor.

On a positive note, Figure 2 shows a rise in entrepreneurial intentions over the past decade in a majority of the countries analyzed for this research. As more people consider launching their own business, Public Development Banks (PDBs) can capitalize on this momentum by supporting these new ventures.

[1] United Nations, Micro-, Small and Medium-sized Enterprises Day, 27 June, 2024 (last consulted on October 15, 2025).

This report aims to provide a better understanding of the needs and challenges of new businesses alongside the types of support provided to them by PDBs in 14 countries. By learning from international best practices, banks can strengthen their ability to help entrepreneurs turn intentions in thriving businesses.

Figure 2: Working-age population (15-64) not currently involved in entrepreneurial activities but intending to start a business in the next three years (percent)



*Belgium and Nigeria are not included in the table, as their most recent data are from 2015 and 2013 respectively. For Morocco and Saudi Arabia, 2015 and 2016 data are used in place of 2014, which was not reported.
Source: Global Entrepreneurship Monitor.

Methodology

In this report, The Montreal Group (TMG) examines the solutions PDBs are leveraging to foster business creation and support new ventures. Since the definition of a "new business" varies across the countries surveyed, we adopted a flexible definition: new businesses are early stage, for-profit commercial enterprises. They can be start-ups or businesses that have operated for a few years, but this study limits its analysis to businesses employing at least one person.

The report is based on a survey conducted between May and August 2025 among 14 PDBs across five continents, including two non-TMG members. Nacional Financiera (NAFIN) does not serve new businesses. Its direct and indirect financing activity is limited to businesses with at least two years of operations and with financial statements demonstrating sufficient profitability to cover monthly payments. For this reason, we focus instead on their subsidiary venture capital fund, Fondo de Fondos. It provides capital to other venture capital funds that invest in early-stage businesses.

The report is divided into three sections. The first examines different financial and non-financial solutions offered by PDBs to new businesses. The second identifies the needs of new businesses. Finally, the third section highlights the challenges faced by new ventures as well as the role PDBs play in filling market gaps to support business growth and creation.

Figure 3 : Survey respondents

Products and services offered by PDBs

All PDBs interviewed provided some form of support for new businesses, although the way they define new businesses varied across institutions. Definitions ranged from zero to seven years of operations, with SIDF and BNDES placing no such restrictions. HDB and Tamwilcom also adopted a more flexible approach, allowing the definition to vary by sector. Tamwilcom explains that it adopted this approach because sectors mature at a different pace: businesses in technology or innovation, for instance, can take more time to mature and require the same support as start-ups for a longer period than businesses in established sectors.

Table 1: How PDBs define new businesses

Definitions used	PDBs and clarifications when relevant
Less than one year in operation	**SIDBI**
Less than two years in operation	**BDC** Although a start-up is defined as a business with less than 12 months of operations, those with under two years are considered in development. Beyond that, businesses have access to broader financing options and services.
Less than three years in operation	**BBB, Bpifrance, Finnvera and Wallonie Entreprendre**
Less than five years in operation	**CDP, DBN and Fondo de Fondos**
Less than 7 years in operation or businesses in the process of establishment	**JFC** Although businesses may be considered new for up to seven years, JFC limits its disclosures to enterprises that are either at pre-establishment stage or within one year of being established. Businesses with less than two years of activity can access preferential rates on loans. Those at the pre-establishment stage, or established within seven years, can also access preferential rates if the founder is a woman, a youth (under 35) or a senior (over 55).
Varying definitions	**HDB** A business is considered new if it has been operating for less than three years, though this definition can be expanded to five years in some cases. **Tamwilcom** The definition is sector-specific to take into account the speed at which different industries mature. For conventional sectors, new businesses are defined as having been operating for less than three years. For innovative start-ups, the definition extends up to eight years.
No business age definition	**SIDF** Does not limit new businesses to a number of years. Any business established to generate a profit, or expanding to generate more revenues, is considered a new business. **BNDES** No definition for new businesses

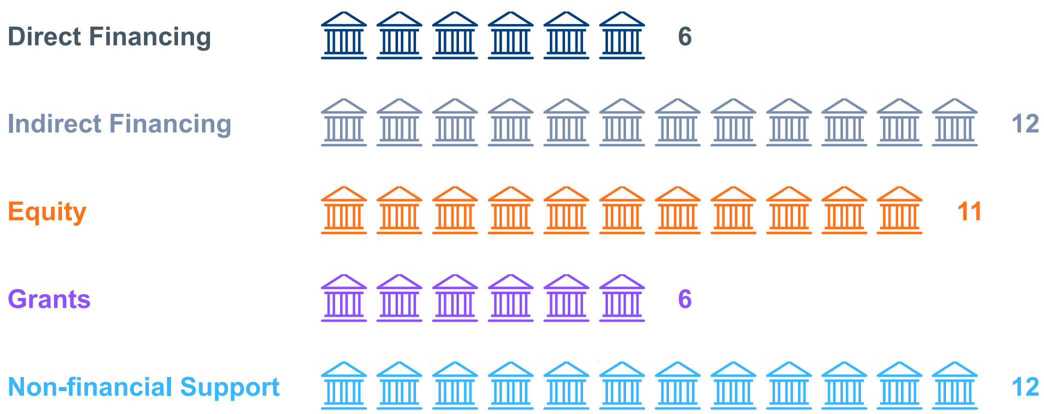
The PDBs interviewed support new businesses through a range of solutions, which can sometimes be combined to meet specific needs. Figure 4 shows the range of products offered. Out of the 14 PDBs interviewed, 12 offered multiple non-financial services, including accelerator programs, capacity building trainings, mentorship, networking events, advisory services, and online tools and resources.

In terms of financing solutions, PDBs utilize either debt financing or equity investment, or both, to support new businesses. At present, DBN, Finnvera and JFC do not provide any equity investment, while NAFIN supports new businesses primarily through equity investments made by its subsidiary, Fondo de Fondos.

For debt financing, the most common approach is indirect financing offered through partner institutions. Only six banks provide financing directly to businesses. While most PDBs rely on one process or the other based on how they operate, five banks leverage both direct and indirect financing to support new businesses: BDC, Bpifrance, CDP, SIDBI and SIDF. Indirect financing allows PDBs to leverage the established relationships that traditional financial institutions already maintain with SMEs. When processes are automated, PDBs can reach a broader SME base using fewer resources, at lower fixed costs, since they require less internal capacity. Direct financing, on the other hand, fosters a closer relationship between PDBs and SMEs. It offers greater flexibility in the services provided and more control over their quality. Through direct lending, PDBs can also apply their specialized expertise more effectively, especially in areas where traditional banks may have limited experience.

On the equity investment side, most PDBs have an investment arm doing a mix of direct and indirect equity investment. Direct equity investments are often tied to specific strategic mandates while indirect equity investments allow for a broader reach with less involvement from the PDBs.

Figure 4: Solutions for new businesses (number of PBDs per category)



While PDBs usually offer their full range of general services to new businesses, some PDBs also offer solutions targeted directly at new ventures, provided they comply with eligibility requirements. BBB and BDC, for instance, offer a start-up loan, while Bpifrance and Finnvera offer a start-up guarantee. These products are available to businesses with limited credit or business history. Some PDBs also offer grants (Tamwilcom, Bpifrance, DBN, BNDES) or personal loans to new entrepreneurs at 0% interest rates (Tamwilcom, Bpifrance) to encourage business creation. Finally, JFC, SIDF, DBN and BNDES offer tailored non-financial support to start-ups.

In other cases, PDBs do not offer separate products specifically for new businesses but instead offer preferential pricing or other favorable terms to small enterprises or businesses that have been operating for a limited number of years. This approach applies to CDP, DBN, HDB, JFC and Tamwilcom.

Table 2: Main tailored products and preferential terms offered to new businesses

Organization	Tailored product or preferential terms
BBB	"Start Up Loans" are personal loans targeted at new and growing businesses. Decisions are based on personal credit and do not require business history. The solution provides term loans of up to £25,000 with a fixed interest rate of 6%. Repayment term varies from one to five years. First-time start-up loans come with 12 months of free mentoring.
BDC	"Start-up financing" is a term loan for young businesses with at least 12 months of operations and generating sufficient revenues. Repayment term can go up to 72 months. Collateral is required. Flexible repayment options are available.
BNDES	BNDES Garagem is a start-up acceleration program providing technical advice, mentorship, training, networking opportunities and online business tools. Moreover, 10 cash prizes ranging from 30,000 to 160,000 reals are offered to the most promising participants.
Bpifrance	Guarantees are available covering up to 80% of business creation loans with a decision process fully delegated to commercial banks for loans under €200,000. This is aimed at businesses under three years. "Prêts d'honneurs" are personal loans for new entrepreneurs who started or purchased a business less than three yearsold. They are term loans with a duration of one to seven years, include a grace period of up to 24-month at 0% rate, and require no collateral, provided the entrepreneur is accompanied by specialized business networks. Grants of up to €90,000 provided to qualifying deep tech start-ups less than a year old, covering up to 70% of eligible costs.

Organization	Tailored product or preferential terms
CDP	Offers reduced interest rates on cofinanced revolving lines of credit.
DBN	DBN MSME Capacity Building Initiative is a pitch competition that provides training, guidance and networking opportunities to new businesses to help them gain crucial business skills. The program grants a cash prize to the winners of the competition. DBN also provides an interest rate reduction of 200 basis points on its wholesale lending to new and small businesses.
Finnvera	Finnvera's "Start Guarantee" covers up to 80% of the start-up loan. The guarantee can range from €10,000 to €80,000 and is capped at €160,000 per business. This solution is offered to new businesses with less than three years of operation.
HDB	HDB offers lower interest rate loans and higher guarantee coverage for new and small businesses. Conditions include reduced or waived collateral requirement and a grace period of six to 24 months for a loan duration of two to 10 years. The business must pass credit checks at their financial institutions.
JFC	JFC offers lower interest rate loans and other favourable conditions to businesses operating for less than two years, including term duration of up to 20 years for equipment (10 years for working capital) and a grace period of up to five years. Start-up support seminars at 14 support centres and 152 branches. Free start-up consultation services through 152 branches, three business support plazas, an online platform and a free hotline.
SIDBI	SIDBI provides support through its Programmes for Development and Impact initiatives to promoteentrepreneurship development, capacity building, financial inclusion, sustainable livelihoods, digital literacy, and social impact projects.
SIDF	Free consultations are offered for new businesses through a dedicated hotline.

Organization	Tailored product or preferential terms
Tamwilcom	Prêts d'honneurs" are personal loans to first-time entrepreneurs provided at 0% interest rates. Reduced rates of 2%-2.5% are provided for their share of co-financed loans. Grants are offered to early-stage ventures with technology or innovation projects. Funding reaches up to 200,000 dirhams for most projects but can go up to 400,000 dirhams for projects involving intellectual property.
Wallonie Entreprendre	"Online loans" and "Online guarantees" are products offered for business creation, growth and succession. Businesses of less than 3 years are eligible for these solutions, even without financial statements. New businesses can get access to guarantees (up to 75% of the loan), cofinanced loans or both. For guarantee commitment and loans of €75,000 or less, the process is fully automated online. The cofinanced portion of the loan is priced 200 basis points under the bank's interest rates, with a minimum of 2.5%. No collateral is required.

Direct financing

Direct financing refers to lending operations in which PDBs extend credit directly to SMEs, bypassing financial intermediaries. The entire loan process, from application to disbursement, is handled by the PDBs. This approach fosters a closer relationship with SMEs, enabling PDBs to tailor financial solutions to the specific needs of each business. It also allows PDBs to apply their specialized knowledge of SME challenges and opportunities, expertise that traditional financial institutions may not possess.

Out of the 14 PDBs interviewed, six provide direct financing to support new businesses and business creation.[2] Direct financing is used with varying intensity. BDC, SIDF and JFC operate mainly under direct financing with 85% to 100% of their lending provided directly to businesses.

[2] Finnvera also provides direct lending but it is limited to individuals looking to pursue an acquisition to help them buy shares. This falls outside the scope of new businesses or business creation support

Other PDBs use direct financing mainly to complement their indirect financing activities. It accounts for a small share of their total lending (15% or less). CDP leverages direct financing to support specific strategic sectors or projects not necessarily tied to business creation. SIDBI uses direct financing to support sectors that are strategic for micro, small, and medium-sized enterprises (MSME), helping both with capacity expansion and the creation of new businesses. Bpifrance partners with a business creation network to offer direct financing specifically for individuals who started or took over a business in the past three years. Since the loan beneficiary is the individual rather than the company, these loans can be granted before a business is registered or begins operations. They typically range from €10,000 to €20,000, with a maximum of €90,000. However, eligibility requires the individual to be supported by specialized networks for start-ups. This solution aims at fostering new businesses by providing zero-interest, collateral-free loans to new entrepreneurs, with repayment terms of up to seven years.

Term loans are the only direct financing product that PDBs provide, although their duration, structure and conditions vary. Term duration can range from three years for short-term needs to 25 years, with grace periods of one to five years. Depending on the PDBs, loans can be issued for different purposes (working capital, equipment) or for specific industries.

JFC offers term loans of up to 10 years for working capital and 20 years for equipment and machinery with grace periods of up to five years. Businesses in their first two years of operations, among other underserved groups, can access preferential interest rates with no collateral required. Credit decisions are based on in-person interviews during which the bank assesses the entrepreneur's ability to formulate and execute a proper business plan for the new venture. Businesses without a history can access credit if their plan is solid. SIDF also lends to greenfield projects and generally accompanies entrepreneurs through the process to ensure their business proposal is complete. SIDF only provides financing to businesses in industrial sectors.

BDC, for its part, provides term loans of up to three years for start-up financing. For other term loans, the duration typically matches the amortization period, which can extend up to 25 years depending on the project. These loans can also include a grace period of 12 to 36 months. BDC typically requires the business to have been in operations for at least 12 months, but grants loans to start-ups or businesses with a short credit history, albeit for lower amounts and under stringent conditions.

Table 3: Summary of direct financing products for new businesses

Organization	Term loans available to new businesses
BDC	Start-up financing with term duration of up to 72 months. Eligible businesses must have been in full-time operation for at least 12 months and generate revenues. They have to meet a minimum credit score or show a solid credit rationale. Financing is capped and subject to stricter review for start-ups and businesses with short credit history. Other term loans are also available to all SMEs with duration of up to 25 years depending on the amortization period of the project. These loans can also include grace periods of 12 to 36 months. A minimum credit score is required.
Bpifrance	“Prêts d’honneurs” for new entrepreneurs starting or purchasing a business within the last three years. These loans are personal loans with a duration of one to seven years, including a 24-month grace period at 0% rate, no collateral required. To access these loans, the entrepreneur must be accompanied by specialized business networks.
CDP	Term loans with duration of three to 15 years. Business or project must align with CDP strategy for direct lending. Credit decisions are based on business plan, financial sustainability, SME status and growth prospects.
JFC	Term loans with durations of up to 10 years for working capital and 20 years for equipment with grace periods of up to five years. Businesses with no credit history are eligible. Credit decisions are based on in-person interviews during which the bank assesses the entrepreneur’s ability to formulate and execute a proper business plan for the new venture. Business having operated for less than two years can access preferential interest rates with no collateral required.
SIDBI	Term loans with duration of up to 10 years for general loans and seven years for machinery loans. Flexible repayment options are available including repayment based on cashflow forecasts and a moratorium of up to 18 months. New businesses must have a good credit score. Promoters should have at least three to five years of experience in the same line of business and have an asset coverage ratio of at least 1.4. Direct lending is offered in strategic sectors or underserved segments.
SIDF	Loans for greenfield projects with terms depending on project type and loan purpose. Credit decisions are based on a business’ history and the strength of its business plan. SIDF is highly involved in accompanying the business in preparing the credit proposal for approval. SIDF employs a fee-based pricing but is looking to move towards interest rates. Businesses must operate in industries covered by SIDF (energy, mining, logistics and industry).

Indirect financing

Indirect financing is a method whereby banks provide financial support through intermediary financial institutions. This support can take the form of guarantees on various types of credit (revolving, term loans, working capital) or through co-financing and wholesale lending.

By leveraging these intermediaries' networks and infrastructure, PDBs can significantly extend their reach. Instead of managing thousands of individual SME loans, PDBs only need to oversee a small portfolio of financial institutions, which in turn serve a large number of SMEs. This approach reduces the burden on PDBs' internal resources, particularly for tasks like loan processing and risk assessment.

Our survey indicates that this approach is widely adopted, with 12 out of the 14 banks using it to support SMEs. However, three institutions make only limited use of this approach. SIDF just started providing indirect lending a year ago. BDC is growing its indirect channel through new partnerships, but this activity remains relatively small. JFC does not offer indirect lending but provides insurance to other credit guarantee associations established by the Japanese local governments.

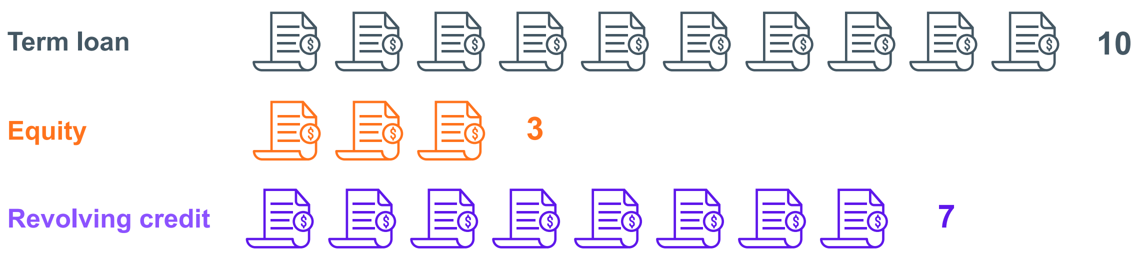
1. Guarantees

PDBs provide guarantees indirectly through partner financial institutions to reduce the credit risk borne by the lenders, thereby encouraging them to extend financing to new businesses and SMEs. In some cases, such as Bpifrance and Finnvera, PDBs offer guarantee schemes specifically for business creation loans. In the case of Bpifrance, commercial banks can unilaterally attach a guarantee to a loan application without consulting Bpifrance for loans under €200,000. This arrangement eliminates the fixed cost associated with issuing guarantees for Bpifrance. For loans above €200,000, the bank must consult Bpifrance, although this is rare, since most business creation loans fall below that threshold. For business creation loans, Bpifrance guarantees go up to 60% of the final loss (80% in the case of green projects). This coverage exceeds that provided for any other type of loan, which is capped at 50%. Similarly, Finnvera has a guarantee product called "Start Guarantee" designed specifically for start-ups and businesses less than three years old that are classified as SMEs. Finnvera's guarantee coverage is up to a maximum of 80% of the loan. However, in the event of a default, Finnvera covers 50% of the outstanding amount, while the government of Finland covers the remaining 50%.

Some loans automatically come with guarantees once the loan is approved. Wallonie Entreprendre, for example, provides automatic credit guarantees on smaller loans (guarantee commitment up to 75% and €75,000): considering the limited loan size and large transaction volumes, the guarantees are granted automatically upon the lender's approval. Guarantee commitments above €75,000 require banks to share the applicant's information with Wallonie Entreprendre for a detailed analysis of the company and a risk assessment. SIDBI, for its part, allows SMEs to request coverage under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), a joint initiative of the Government of India and SIDBI. Under CGTMSE, an SME can access term loans and working capital of up to INR 10 crore without collateral, subject to eligibility criteria defined by CGTMSE and payment of a guarantee fee.

BDC's Accelerator Loan Guarantee Program typically supports new businesses by providing guarantees of up to 85% on term and working capital loans of between CA$25,000 and CA$500,000. In some cases, BDC offers guarantees on a declining scale: 100% in the first year, 90% in years two and three, and about 80% in years four to six. Similarly, guarantees offered by Tamwilcom range from 50% to 80% of loans to support new business growth, with a coverage level varying with the customer and product type. For example, an established business may get a guarantee of up to 70%, or 80 % if the business is owned by a woman.

Figure 5: Range of financial products guaranteed by public development banks



HDB manages guarantees off its balance sheet. The bank relies on national and European Union (EU) funds, rather than its own capital. Hence, HDB acts as a management entity for public and EU-sourced schemes. Additionally, HDB often subsidizes the guarantee fee, which is then considered state aid based on EU rules. In this way, HDB ensures that all guarantee fee pricing remains competitive, transparent and aligned with development objectives. HDB also provides loan guarantees that are specific to certain initiatives. For example, under the Banks Innovation Guarantee Fund, loans of up to €400,000 are provided to companies planning to undertake new and innovative investments. If the company meets the bank's ESG and innovation performance criteria, the company qualifies for a capital rebate of 20% of the eligible loan amount, which reduces the outstanding balance. Similarly, BBB manages guarantees on behalf of the government. In other words, the guarantees are contingent liabilities of the national government.

Whilst most of the surveyed PDBs provide guarantees to businesses, one PDB takes a slightly different approach. DBN provides partial guarantees to its Participating Financial Institutions (PFI) through its wholly owned subsidiary Impact Guarantee Credit Limit (ICGL), specifically to de-risk lending to SMEs. DBN offers guarantees to financial institutions on loans extended to SMEs, rather than to the businesses. All loans guaranteed by ICGL are subject to ICGL's standard risk acceptance criteria in addition to the credit requirements of the partner financial institution.

2. Co-financing and wholesale loans

HDB provides co-financing loans to share the risk with other financial institutions. In this case, HDB provides 40% to 50% of the loan amount at a zero interest rate, and the partner banks provide the rest. In most cases, partners cap the interest rates they charge and HDB provides additional interest rate subsidies of up to 3% of the banks' interest rate for the first two to three years of the loan. In rare cases, HDB has subsidized 100% of the interest rate, although this is mainly for microloans to farmers.

Tamwilcom also offers co-financing term loans to serve new and established businesses. Loans are co-financed on a 50-50 basis and Tamwilcom's share is priced at 2% to 2.5%, which is below market rates. This makes debt financing more affordable to SMEs and incentivizes banks to lend to SMEs with riskier profiles.

Banks like BNDES do not provide loans specifically for new businesses. Instead, they offer "free use" loans that businesses—particularly young ones—can apply to any purpose.

Among PDBs offering specific loans for new businesses, Wallonie Entreprendre offers "the online loan," a co-financing product supporting business creation, growth and succession. Under this scheme, Wallonie Entreprendre matches the loan provided by the partner bank to a new business up to a maximum of €75,000 per project. Wallonie Entreprendre offers the same term duration as the bank, which can go up to 15 years with no collateral requirement. The loan application and decision are handled by the partner bank, with a maximum loan amount of €75,000, and Wallonie Entreprendre matches the loan amount approved by the partner. This has proven to be the most effective funding option for small projects. In a similar arrangement, a term loan is co-financed with banks for a maximum amount of €1,000,000 per project, capped by the amount of the bank loan. The loans, subject to a detailed analysis of the company and a risk assessment, are also available for a maximum term of 15 years, based on the duration determined by the bank, with an interest rate equal to the partner bank's rate less 2%.

BBB offers "Start Up Loans" of up to £25,000, which are priced at 6% with no collateral and distributed through financial intermediaries. BBB noted that beneficiaries of the Start Up Loan had higher survival rates and stronger asset and employment growth since incorporation than similar businesses. The solution also increased access to financing for these new businesses.[3]

Lending to new businesses is also a key focus area for DBN. The bank has an annual target of allocating at least 5% of its lending portfolio to new businesses. As a wholesale bank, DBN does not provide loans directly to businesses. Rather, partner financial institutions apply for a credit line and, upon approval, they use these funds to lend to businesses across the country.

SIDBI's indirect financing comes in the form of refinancing to partner financial institutions on loans extended to SMEs only. The primary reason for this is to ensure sufficient liquidity in the market and to channel more funds to the SME sector. SIDBI offers refinancing for working capital assistance and term loans. Moreover, SIDBI is heavily leveraging digital platforms to make its solutions more accessible. For example, its "PSB Loans in 59 Minutes" digital initiative connects underbanked entrepreneurs with nearby financial institutions. Through an app, loan approvals can be granted in principle by member commercial banks in 59 minutes based on GST reports, income tax returns, bank statements, credit reports and business details. The GST Sahay initiative also provides an automated online process for businesses to obtain GST discounts on their invoices within 24 to 48 hours.

Figure 7: Summary of indirect financing products offered

Organization	Guarantees	Cofinancing and wholesale loans
BBB	Growth Guarantee Scheme provides guarantees of up to 70% of the loan, with a maximum loan amount of £2M. Can be used on a wide range of credit products. To be eligible, businesses must meet a maximum revenue of £45M and not be in financial difficulty. Targeted to SMEs in general. Underwriting is made by financial intermediaries including banks. ENABLE Guarantee program is designed to encourage additional lending to smaller businesses. In return for a fee, participating institutions are incentivised by a government-backed guarantee to support defined portfolios of debt finance.	Indirect personal loans targeted at new and growing businesses. Decisions are based on personal credit and do not require business history. The solution provides term loans of up to £25,000 with a fixed interest rate of 6%. Underwriting is made by financial intermediaries. Repayment term varies between one to five years. The product includes 12 months of free mentoring.

[3] British Business Bank, Evaluation of Start Up Loans, December 2024

Organization	Guarantees	Cofinancing and wholesale loans
BDC	Up to 85% of the loan, with a maximum loan amount of CA$500,000. Can be used for term loans. Businesses must have operated for at least 12 months and generate less than CA$10M in revenues. Targeted to SMEs in general. A financial intermediary handles underwriting.	
BNDES		Indirect loans to SMEs, including new businesses, that can be used for any purpose. The intermediary institution assumes the credit risk and also handles the underwriting.
Bpifrance	Up to 80% of credit risk covered on business creation loans. Financial intermediaries handle underwriting for loans below €200,000. Double risk assessment for amounts of €200,000 and over.	
CDP	Up to 80% of loan amount. Available to SMEs meeting minimum credit worthiness requirements. Financial intermediaries handle underwriting.	Co-financed term loans and revolving credit lines. Business must possess a sufficient track record or demonstrate a capacity to successfully execute the proposed investment project. Must align with strategic priorities or fall within eligible sectors. Reduced interest rates on revolving credit. Financial intermediaries handle underwriting.
DBN	Partial guarantees to financial institutions on SME loans. Offered through its subsidiary ICGL. Subject to ICGL standard risk acceptance criteria in addition to the credit requirements of the partner financial institution.	Indirect term loans and revolving lines of credit offered through various traditional and alternative private lenders. DBN provides a 200-basis-point reduction on interest rates. Targets all SMEs. Financial intermediaries handle underwriting.

Organization	Guarantees	Cofinancing and wholesale loans
Finnvera	Up to 80% of the loan amount, with loans ranging from €10,000 to €80,000. Limit of €160,000 per business. Can be applied to various financing products. Targeted at businesses having operated for up to three years. Financial intermediaries handle underwriting.	
HDB	Coverage ranges between 60% and 80% of the loan amount depending on the program and risk category. Can apply for term loans and revolving credit. New businesses access higher guarantee rates. The guarantee fee can be subsidized for certain projects or SMEs. New businesses also access preferential interest rates on the products covered by the guarantee. Financial intermediaries handle underwriting. Under the Innovation Guarantee Fund, loans of up to €400,000 are provided to businesses intending to implement a new and innovative investment project.	Indirect term loans provided to SMEs via traditional and alternative private lenders. Term loans with duration of two to 10 years, with grace periods of six to 24 months. No collateral required and preferential rates offered to new businesses. Financial intermediaries handle underwriting.
SIDBI	Covers between 75% and 85% of the loan depending on the borrower. Businesses in underserved groups access the higher range of the guarantee rate. Maximum loans of INR 10 crore. Available to new or existing micro and small businesses. Financial intermediaries handle underwriting.	Refinancing, credit guarantees and fund of funds support offered to banks, Non-Banking Financial Compagnies (NBFCs), Microfinance Institutions (MFIs) and venture capital funds in partnership with financial institutions. This approach enables wider credit access, risk sharing and sector-specific development through intermediaries. Partner institutions handle underwriting.

Organization	Guarantees	Cofinancing and wholesale loans
SIDF		Indirect loans offered through traditional financial institutions since 2024. This solution is currently implemented on a small scale but SIDF plans on expanding it.
Tamwilcom	Covers between 50% and 80% of credit risk depending on the business. Applies to a variety of credit products. Targeted to SMEs in general.	Term loans co-financed with commercial banks and microfinance institutions, covering up to 40% of the loan. Tamwilcom's share of the loan is priced at an interest rate of 2% to 2.5%. Used for new and established SMEs.
Wallonie Entreprendre	Up to 75% of the loan with a maximum guarantee of €1.5M for most SMEs. For guarantees of up to €75,000, the process is fully automated when the partner institution handles the underwriting. Businesses having operated for less than three years are always eligible, as they are considered not in financial difficulty.	Co-financed term loans covering 50% of the financing needs. New businesses can access term loans of up to €1,000,000 and online loans of up to €75,000, both at discounted rates. While larger loans require detailed risk assessment, online loan applications are fully automated and rely solely on the financial intermediary's underwriting. Online loans require no collateral and the funds can be disbursed within five days of an agreement. Businesses having operated for less than three years are always eligible, as they are considered not in financial difficulty.

3. Equity

When making equity investments, PDBs invest directly by acquiring a stake in target companies or indirectly through funds of funds. All 11 PDBs offering equity investments indicated they do both direct and indirect investments without preferring one over the other.

Bpifrance has made more equity investments through funds of funds and has a significant footprint in the French venture capital (VC) ecosystem. It holds a stake in two thirds of France's VC funds, making its indirect approach a significant force in the ecosystem. When investing directly, Bpifrance partners with co-investors and typically contributes around 15% of the target fund size.

Wallonie Entreprendre also makes equity investments, but they are mainly targeted at strategic sectors: defense, aerospace, digital technologies, life sciences and green transition. It can invest in very early-stage companies to finance entrepreneurial initiatives converting scientific innovation into products. Equity investments are made directly or through funds of funds.

Similarly, SIDBI makes direct equity investments in SMEs and start-ups with high growth potential using its authorized capital. It normally takes on a minority stake with proportionate voting rights and seeks board representation. However, SIDBI also does equity investments indirectly through funds of funds by providing financing to alternative investment funds, which, in turn, invest in start-ups.

For BNDES, whether equity investments are made directly or indirectly depends on the ticket size. Transactions above US $8 million are done directly, while those below are executed indirectly through fund managers and co-invested with other Brazilian institutional investors. In recent years, direct investing has been less common than indirect investing. However, BNDES is making efforts to strengthen its direct equity investments, with a focus on the green economy.

BBB invests through funds and provides direct investment, with a focus on later-stage companies. However, two initiatives support early-stage equity investments. The first, called Enterprise Capital Funds, supports new and emerging VC fund managers who are struggling to raise funds. The objective is to help these fund managers launch their operations and establish a track record that will attract more funding in the future. These funds typically go on to invest in early-stage companies. The other initiative, called Regional Angel Programme, helps angel investors form angel syndicates to pool their resources and make larger and more numerous investments than they could individually. These syndicates also end up investing in early-stage businesses.

In contrast, some PDBs do not invest themselves. Instead, they do so through subsidiaries. Typically, these subsidiaries invest directly in target companies or indirectly through funds of funds. This is the case with BDC, CDP, HDB, SIDF and NAFIN. A major player in the Canadian VC ecosystem, BDC's subsidiary BDC Capital makes both direct or indirect equity investments.

NAFIN does not cater to new businesses. However, its wholly owned subsidiary Fondo de Fondos does invest in new businesses, typically at the Series A stage, when companies generate revenues between US$1 million and US$6 million. Over the last three years, Fondo de Fondos has committed 33% of its portfolio to VC funds, an amount significant enough to send a positive signal to the market and potential investors, creating more funding channels for businesses. This includes positions in funds and direct investments in companies promoting productive credit through leasing, factoring and other instruments. This approach targets high growth companies that are underserved by the banking sector.

BDC and Tamwilcom also offer subordinated financing solutions such as mezzanine and quasi-equity financing. These solutions, while not traditional equity investment, are designed to optimize the cash flow of rapidly growing companies without diluting ownership.

4. Grants

DBN and BNDES provide grants to new businesses through specific programs aimed at building capacity and developing entrepreneurship. DBN's SME Capacity Building Initiative is an annual training program aiming to improve entrepreneurs' skills and capacity. During this three- to five-day training, entrepreneurs learn different business skills that can help them succeed in their business and improve their access to credit. At the end of the training, entrepreneurs can pitch their business proposal. Based on the strength of their business plan, they can receive a grant ranging from N500,000 to N1,000,000.

SIDBI, through its Programmes for Development and Impact Initiatives (PDI), channels support through different organizations, such as NGOs, educational institutions and development organizations working in strategic sectors. These grants are relatively small but can support business creation and build capacity among marginalized individuals.

BNDES, for its part, partners with the accelerator Quintessa to offer a start-up acceleration program, called BNDES Garagem, which connects businesses with investment funds. Although it offers no guarantee of investment, the program targets start-ups and growing businesses working on social or environmental impact projects. It provides free technical advice, mentoring, workshops and networking opportunities with potential investors. Out of the 100 participants, BNDES offers a cash prize of 30,000 to 160,000 reals to the 10 start-ups with the most promising projects.

HDB, CDP, Bpifrance and Tamwilcom also provide grants, but these are aimed at specific sectors or projects often aligned with national strategies like innovation, tech and green initiatives. HDB provides grants as blended facilities using different financial instruments, such as capital rebates, interest rate subsidies and mentoring costs. Bpifrance offers grants under different programs. Through the Bourse French Tech Emergence, they provide a grant of up to €90,000 to deep tech start-ups having operated for less than a year. They also support research and development efforts by reducing the risk associated with innovation projects. They provide a reimbursable advance that is forgiven if the project fails, but needs to be reimbursed if the project succeeds. Tamwilcom provides the Tech Start grant through its Innov Invest program to start-ups that have technological, digital or social projects. This grant covers initial expenses of selected start-ups, providing up to 200,000 dirhams, or up to 400,000 dirhams for projects involving intellectual property. Start-ups apply for these grants through partner incubators and accelerators or through calls for projects.

5. Non-financial support

PDBs typically offer a wide range of non-financial support. While the accelerator and capacity building programs highlighted in the grants section are relatively unique to each bank, most PDBs offer comparable support to new businesses, including technical advice, mentoring, online business tools and educative content, and networking events. Only HDB and Bpifrance bundle non-financial support with some of their financing solutions. This bundling lowers the risk associated with financing start-ups by providing them with the tools and expertise needed to succeed.

Wallonie Entreprendre structures its non-financial support through an extensive framework with solutions tailored for each stage of a company's lifecycle, from start-ups to business transitions. This framework includes different types of services (diagnosis, coaching, technical advice, mentoring, etc.). This support is mainly provided through external firms selected by Wallonie Entreprendre to ensure a high-quality service. The program is administered through a digital portal, simplifying the reporting.

SIDF and JFC also provide free consultation services for new businesses. Start-ups can access advice with JFC through toll-free hotlines, three business support offices and a start-up support desk at each of its 152 branches. SIDF has an “Ask an expert” service, providing start-ups with free phone consultations.

Only Finnvera and BBB do not offer non-financial support. However, Finnvera collaborates with other state-owned organizations providing advisory services. BBB does not have non-financial support as part of its offering for businesses, although companies receiving a “Start Up Loan” also receive mentoring for 12 months.

Needs of new businesses

All PDBs describe the needs of new businesses in similar terms. This is mainly because businesses across the world are relatively similar in their early stages. For instance, new ventures are typically small, and their founders may have limited business or financial knowledge. At this stage, entrepreneurs often operate with limited resources or experience, and struggle to craft strong business proposals, understand market dynamics and plan their growth strategically. Moreover, new business owners tend to be unfamiliar with available financing options, programs and application processes.

More importantly, new businesses usually have little to no credit or business history. With unstable revenues, low profitability and limited collateral, they are often perceived as risky, greatly limiting their access to financing from traditional lenders. Compared to established businesses, early-stage companies often pay higher interest rates, have lower financing acceptance rates, rely more on personal credit and face stricter collateral requirements. These barriers can stifle growth before it begins.

To help new businesses face these challenges and grow sustainably, PDBs identified three critical needs: access to affordable financing, technical support, and mentoring and networking.

Figure 6: Three critical needs of new businesses

Accessible and affordable financing

- Longer repayment periods
- Lower collateral requirements
- Risk-adjusted pricing
- Grants and subsidies
- Working capital

Technical advice and guidance

- Financial management
- Regulatory compliance
- Strategic growth and business planning
- Digital transformation
- Export and investor readiness

Mentoring and networking

- Mentorship and coaching
- Connecting with potential clients and investors
- Peer-to-peer learning

Financing products with tailored pricing and conditions can significantly improve new businesses' access to credit and provide the capital needed to support their growth. These products often include longer repayment periods, grace periods (moratoria), reduced collateral requirements and lower interest rates, all of which help mitigate financial pressure at the early stage.

Flexible repayment options reflecting the realities of early-stage operations can further enhance liquidity for young businesses. For example, SIDBI offers a staggered repayment model, allowing businesses to align their loan repayments with projected cash flows. This means that firms can repay a larger portion of their loan during periods of higher revenue, easing the burden during leaner months. Grants and subsidies also play a crucial role in building capacity and supporting innovation during the formative stages of a business.

In addition to financial support, access to high-quality advice from experienced professionals is essential. Technical assistance helps bridge critical knowledge gaps in areas such as financial management, strategic growth planning, business development, digital transformation and internationalization. This kind of support equips entrepreneurs with the skills and insights needed to build resilient and scalable businesses.

Networking opportunities are equally important. They enable new businesses to connect with key ecosystem stakeholders who can directly contribute to their development, including suppliers, clients, and investors. Peer-to-peer connections also foster learning and collaboration. Through mentorship and coaching, entrepreneurs gain valuable guidance, encouragement and practical advice from those who have navigated similar challenges.

The Role of PDBs in catalyzing capital and capacity building

PDBs play a significant role in the emergence and sustainability of new businesses. All surveyed banks indicated that access to credit is a critical factor for the success of new ventures. But beyond providing financing, these PDBs acknowledge the need to provide additional support to help these businesses reach a more mature stage. To this end, PDBs have developed various strategic programs providing financial and non-financial support, helping to bridge the gap and ensure the sustainability of new businesses. One such initiative is the "Coup de pouce" loan developed by Wallonie Entreprendre. In this scheme, individuals lend money to small businesses and receive a tax credit. Since its launch in 2016, this initiative has supported about 1,800 businesses with a total loan amount of more than €91 million.

SIDBI also runs an initiative in which it operates a fund of funds on behalf of various government entities to promote entrepreneurship and support start-ups. Under this model, SIDBI invests in VC funds or alternative investment funds (AIFs), which then provide funding to eligible start-ups. This approach facilitates indirect financing across multiple sectors and regions.

For its part, BDC aims to address the market gap through its Community Banking initiative, a program targeting underserved entrepreneurs. BDC also works to address the decline in business activity in Canada by helping individuals acquire existing businesses, thereby facilitating ownership transitions and preventing market exits.

Fondo de Fondos, as a Limited Partner, seeks to participate in the corporate governance of its portfolio companies to promote best practices and liquidity strategies. This approach benefits both investors and the broader industry, as reinvesting returns is the most effect catalyst for industry growth. In this regard, Fondo de Fondos has supported companies, through fund investments, that have reported outstanding results in the public market. Fondo of Fondos' seal of approval as a reputable local player, backed by strong governance and rigorous due diligence, encourages regional and foreign investors to allocate funds to investments led by Mexican managers.

DBN plans to expand its lending to fintech companies and loan aggregators. DBN also plans to drive impact investing through permanent capital vehicles (PCVs). Moreover, DBN provides technical assistance to partner financial institutions. By equipping them with knowledge and understanding of the SME ecosystem, this approach enables them to create products that fully cater to the needs of businesses.

Similarly, NAFIN provides technical assistance and training to new businesses and existing companies.

BNDES, through its program BNDES Garagem, operates a community for all businesses that have previously completed the acceleration program, with the goal of providing long-term support. It is also developing a product aligned with the evolving needs of these businesses. BNDES Garagem also supports businesses that are still in the pre-establishment, ideation phase.

JFC works to promote entrepreneurial spirit by holding a program called Business Grand Prix for high school students.

Looking forward, most PDBs plan to introduce new solutions to better support the creation and growth of new businesses. SIDBI, for example, has developed several digital platforms to support initiatives focused of sectors such as electric vehicles (EVs) and green finance. It also continues to expand its digital ecosystem by working on new platforms and enhancing co-lending models in collaboration with fintech companies.

Similarly, Tamwilcom plans to develop digital platforms to streamline access to finance and advisory services. It also intends to deploy targeted financing tools to support sustainable start-ups. HDB has created a new financial instrument, the “Patent Fund,” to provide quasi-equity instruments for patent filing and the creation of minimum viable products.

HDB has created a new financial instrument the "Patent Fund", to provide quasi-equity instruments for patent filing and creating minimum viable products. HDB also conducts ESG monitoring and benchmarking for SMEs and advisory programs for small enterprises through the ESG Tracker and Carbon Footprint Calculator tools.

Bpifrance, on the other hand, is supporting entrepreneurship in some specific low-income areas tagged "Priority Districts" through the development of products like "Prêt d'honneur."

SIDF mainly provides direct financing, but began offering indirect loans to businesses on a small scale in 2024, in response to customer demand, and plans to expand this channel to reach more customers in the coming years. The examples show that PDBs can identify customers' needs and respond by developing effective solutions.

To ease the credit constraints on start-ups in Finland, Finnvera recently conducted a pilot micro loan initiative granting loans to micro enterprises with growth potential that have been operating for at least one year. The loan aims to help micro enterprises access financing to support growth, productivity or competitiveness beyond its normal operations.[4] Over 1,000 applications were received for the pilot program, but around half of the applications were declined. As a consequence, Finnvera is conducting a detailed analysis of the pilot program to determine its viability. BBB has appointed its first Chief Development Officer, who will lead a central hub for business development and customer relationship management for the bank's delivery partners and fund managers, supporting investment and banking businesses. The development team will help build the bank's access to finance ecosystems across the United Kingdom, creating a simpler route for partners to engage with BBB.

BBB also helps to create a more inclusive investment ecosystem with its new Investor Pathway Capital Program. This initiative aims to support diverse and emerging fund managers across the economy, making it easier for new entrants, particularly those from underrepresented groups, to enter the venture capital space.

These innovations and new product offering show the dedication of PDBs to support business creation and growth.

[4] Finnvera https://www.finnvera.fi/eng/financing/loans/loan-for-micro-enterprise-growth

Conclusion

This report examined how 14 PDBs, across five continents, support the creation and growth of new businesses. Drawing on a survey conducted in the summer of 2025, the analysis was structured around three main components. The first reviewed the financial and non-financial solutions offered by PDBs to new businesses. The second identified the key needs of these businesses. Finally, the third highlighted the challenges faced by new ventures as well as the role PDBs can play in addressing market gaps to promote business growth and creation.

One key point to emerge clearly from this report is that PDBs are making a deliberate, strategic effort to provide support to new businesses in their respective jurisdictions. While some PDBs offer dedicated products specifically for new businesses, others cater to new ventures as part of the broader SME ecosystem. From targeted financing products to equity investments, preferential terms and specialized non-financial support, the solutions they provide help to fill the gaps left by private lenders while fostering business creation.

The survey also revealed that PDBs worldwide characterize the needs of new businesses in similar ways, reflecting the comparable challenges faced by early-stage ventures across markets. Three needs emerged as most critical: access to affordable financing, technical support, and mentoring and networking. Indeed, new businesses are often unable to access traditional financing options as they have insufficient business or credit history. Moreover, they often lack the expertise and network crucial to running and growing a business. By facilitating access to financing and complementary services, PDBs play a transformative role by bridging this market gap.

When it comes to the role PDBs can play in helping new businesses grow, this report has shown that PDBs play a key role in turning new businesses into sustainable, long-term enterprises. To this end, they have developed various financial and non-financial solutions including flexible repayments, interest rate subsidies, reduced collateral requirements, capacity building and mentorship.

Ultimately, as entrepreneurial activity continues to rise globally, the role of PDBs is set to become increasingly significant. By sharing best practices and aligning initiatives with development priorities, they can improve their product offerings and maximize their impact, driving job creation through the creation of sustainable, resilient SMEs.

THE MONTREAL GROUP

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