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Capital Growth, Financing Source and Profitability of Small Businesses: Evidence from Taiwan Small Enterprises

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Abstract

This paper examines the relationship between profitability and financial capital for 1,276 small firms in Taiwan over the period 1992–1997. The results indicate a statistically positive relationship between profitability and capital growth. When financial capital is further divided into debt and equity, the results indicate a significantly positive relationship between profitability and equity financing, but a significantly negative relationship between profitability and debt financing. Moreover, the profitability of small firms is positively related to both the external economic conditions and the firms' previous profitability.



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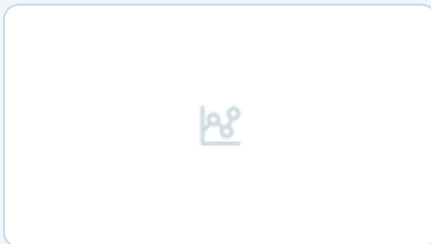
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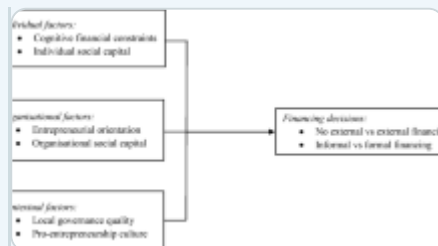
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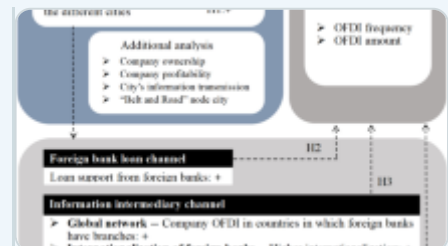
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