



The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle

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Abstract

This article examines the economics of financing small business in private equity and debt markets. Firms are viewed through a financial growth cycle paradigm in which different capital structures are optimal at different points in the cycle. We show the sources of small business finance, and how capital structure varies with firm size and age. The interconnectedness of small firm finance is discussed along with the impact of the macroeconomic environment. We also analyze a number of research and policy issues, review the literature, and suggest topics for future research.

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JEL classification

G21; G28; G34; E58; L89

Keywords

Venture capital; Small business lending; Bank; Mergers

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