



Journal of Small Business Management >

Volume 47, 2009 - Issue 1

86 | 24

Views | CrossRef citations to date | Altmetric

Articles

An Empirical Analysis of the Relationship Between Capital Acquisition and Bankruptcy Laws

Howard Van auken , Jeffrey Kaufmann & Pol Herrmann

Pages 23-37 | Published online: 21 Nov 2019

Cite this article

Sample our Economics, Finance, Business & Industry Journals
>> **Sign in here** to start your access to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

Ineffective capital acquisition decisions at start-up may lead to business failure and bankruptcy; a result which is both costly and disruptive to the owners and other stakeholders of the firm. To cope with the risk of failure, owners embark on a variety of risk-reducing activities whereas the U.S. government attempts to moderate the downside effects of such failures through the rules surrounding bankruptcy. Previous studies imply that as owners become more aware of the protections offered through the government regulation of bankruptcy, they should become less concerned with the effects of failure and be willing to raise higher levels of initial capital. Raising higher levels of initial capital, in turn, leads owners to take actions intended to reduce firm risk and to minimize the threat to their personal financial security. Data from a sample of small firms confirm our hypothesis by showing that as the level of initial capital

acquisition increases, owners embark on activities intended to reduce firm risk. However, capital acquisition is not associated with the owner's familiarity with bankruptcy regulations. As a result, governmental objectives in establishing these regulations may not be achieved. Our findings have implications for firms' owners, consultants, and policymakers, in terms of the relationship between an entrepreneur's knowledge of bankruptcy laws and the financing of their enterprises.

Topic of small business research: Small Business Finance and Accounting

Topic of small business research: Small Business Finance and Accounting

Notes

Topic of small business research: Small Business Finance and Accounting

Additional information

Notes on contributors

Howard Van auken

Howard Van Auken is at Iowa State University.

Jeffrey Kaufmann

Jeffrey Kaufmann is at Iowa State University.

Pol Herrmann

Pol Herrmann is at Iowa State University.

Information for

[Authors](#)[R&D professionals](#)[Editors](#)[Librarians](#)[Societies](#)

Opportunities

[Reprints and e-prints](#)[Advertising solutions](#)[Accelerated publication](#)[Corporate access solutions](#)

Open access

[Overview](#)[Open journals](#)[Open Select](#)[Dove Medical Press](#)[F1000Research](#)

Help and information

[Help and contact](#)[Newsroom](#)[All journals](#)[Books](#)

Keep up to date

Register to receive personalised research and resources
by email

 [Sign me up](#)    