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

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## 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 downsides of capital acquisition.

Previous studies indicate that capital acquisition through the government is associated with the effects of capital acquisition on firm risk. A sample of small firms shows that capital acquisition is not associated with the owner's familiarity with

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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

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## Notes

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## Additional information

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