

How do start-up firms change their capital structures? Evidence from Japan*

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Abstract

This paper explores capital growth of start-up firms. Using a sample of Japanese firms, we describe changes in capital structure during the start-up stage. We also estimate the effects of internal finance, which is measured by cash flow, on capital growth. It is found that firms with more internal finance are likely to increase their total assets and equity, while they decrease their liabilities (debt). Furthermore, we provide evidence that they tend to increase loans payable to external suppliers of capital.

JEL Classification: M13; G32; M21

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