Prior to the 2020 pandemic, the leveraged loan market experienced an unprecedented boom, which came hand in hand with significant changes in contracting terms. This study presents large-sample evidence of what constitutes contractual weakness from the creditors’ perspective.

Investors look for evidence during a market crisis that a company is resilient. This study includes findings that challenge the notion that companies need to adopt practices that hurt their employees because investors want them to do so.

This paper explains the seemingly conflicting narratives from the stock and labor market about the underlying state of the economy. We show that day-to-day changes in the predictions of standard models of infectious disease forecast changes in aggregate stock returns in pandemics.

Practitioners commonly refer to four distinct loan types: asset-based loans, cash flow loans, trade financing, and leasing. It is important to account for these differences in loan type in order to analyze the economic significance of credit market disruptions.

Common wisdom holds that VC investment and VC-backed startups are relatively insulated from downturns. This study shows that the relative quantity and quality of innovation declines more for VC-backed firms than for other types of firms during downturns.

3Questions A startup fund's ability to attract a major first investor is a signal to others that the investment pool is just fine for entering. Shawn Cole and Rob Zochowski answer questions about anchor investors.  
   
 Open for comment; 0 Comments posted.

Retail pharmacy data illustrates it can be misleading to use list prices instead of net prices to understand pharmaceutical prices. Analysts and economists working in public policy should be extremely cautious in drawing policy conclusions based on list prices alone.

An expected explosion in bankruptcy proceedings over the coming months could overwhelm the courts, says Stuart Gilson.  
   
 Open for comment; 0 Comments posted.

Examining motives and incentives behind the growing international flows of US-denominated securities, this study finds that dollar-denominated capital flows are increasingly intermediated by tax haven financial centers and nonbank financial institutions.

Based on a field experiment involving 1,345 microentrepreneurs in India, this study provides insight into the depth and breadth of social knowledge contained in rural and peri-urban social networks. Harnessing community information directly from a microentrepreneur’s peers helps to identify high-growth microentrepreneurs and predict their returns to capital.

American retailers have yet to pass along higher prices caused by Chinese tariffs, but shrinking product demand caused by the coronavirus could change that, warns Alberto Cavallo.  
   
 Open for comment; 1 Comment posted.

This paper examines the relationship between executive gender and creditor recovery rates, showing that creditors to female-run firms have higher recovery rates in the event of default.

Following the 2008 financial crisis, France offered a business loan program that helped firms, employees, and even the government, says Boris Vallee.  
   
 Open for comment; 0 Comments posted.

Microfinance has failed to catalyze entrepreneurship in developing countries, despite abundant evidence of high return on investment opportunities. What can account for this? This study presents a theory in which firms that borrow from an informal lender may see their growth stalled and remain in the relationship indefinitely, even though they would have continued to grow in the absence of a lender.

A survey of small-business owners shows that lack of liquidity and skepticism of government programs are compounding COVID crisis recovery efforts.  
   
 Open for comment; 17 Comments posted.

Grants or investments? Philanthropic organizations have multiple funding tools available, but choosing the wrong one can dilute the benefits, according to research by Benjamin N. Roth.  
   
 Open for comment; 0 Comments posted.

Using data from a large Peruvian bank trying to expand credit access to small and medium enterprises, this study shows that competing lenders use one another’s loan approvals as an input into their own approval process. Such “free riding” has great impact on market outcomes and might warrant policy intervention.

COVID-19 will put many small businesses on life support. Karen G. Mills, who has been advising policymakers on aid options, offers guidance to owners on the brink of ruin.  
   
 Open for comment; 21 Comments posted.

The author provides a formal definition of organizational sustainability and characterizes the situations in which a social enterprise should be sustainable. The analysis then delineates when an investment in a social enterprise delivers superior impact to a grant.

Companies increasingly use software to conduct rapid price changes. Alexander MacKay explains why firms might benefit but consumers should be worried.  
   
 Open for comment; 2 Comments posted.