

## Traditional debt finance and alternative financing instruments for SMEs (New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments)

This chapter provides the rationale for the study and illustrates the objective and structure of the report. It describes traditional lending technologies and related credit-risk mitigation techniques. It comments on their limitations for financing young and small firms and for sustaining long-term investment and growth. It discusses how financing instruments alternative to straight debt alter the traditional risk-sharing mechanism and proposes a categorization of these instruments across the risk/return spectrum, i.e. by differing degrees of risk and return.

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