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Research Proposal

"The Impact of Financial Regulation on the Ability of Emerging Growth Companies to Raise Capital in the US."

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Abstract

Emerging growth companies (EGCs) drive innovation and economic growth in the United States. They face significant challenges in raising capital as they may need to establish revenue streams or assets to use as collateral. EGCs may rely on external financing sources such as venture capital, angel investing, or Initial Public Offerings (IPOs) to overcome these challenges. Since the Financial Crisis of 2008, Financial regulations, such as the JOBS Act, the Dodd-Frank Act, Regulation A+, and crowdfunding regulations, have been implemented to ensure financial stability and investor protection. These regulations have impacted EGCs' ability to raise capital. This research aims to identify the specific financial regulations affecting EGCs and analyze their impact on EGCs' ability to raise capital in the USA using secondary data analysis. The findings will provide valuable information for policymakers, investors, and EGCs to support their decision-making when raising capital. This research is particularly relevant in the current economic climate, as policymakers and investors must balance financial stability and investor protection with the growth and success of EGCs.

Key Words: Emerging Growth Companies, Financial Regulation, Capital Raising, Crowdfunding, Investor Protection, Initial Public Offerings, Venture Capital, Angel Investing, Financial Crisis, Economic Growth, Innovation, Regulatory Burdens, Disclosure Requirements, Private Placements, Accredited Investors, Capital Markets, Investment, Regulatory Compliance.

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1. Background

The United States is home to some of the world's most innovative and fast-growing companies, such as Airbnb, DoorDash, Zoom, Peloton, Slack, Pinterest, Impossible Foods, and Stripe. These companies are commonly referred to as Emerging Growth Companies (EGCs). EGCs are relatively new firms with high growth potential operating in industries characterized by rapid technological change. They have annual gross revenues of less than $1.07 billion (SEC, n.d.).

Like all businesses, EGCs need capital to fund their operations, pay employees, conduct research and development, and other business expansion activities to maximize their growth potential and profits. Because they are relatively new, EGCs face unique challenges when raising capital. One factor that has significantly impacted capital-raising efforts by EGCs is financial regulation; especially following the 2008 financial crisis, regulators introduced various measures to increase transparency in financial markets, promote market stability, and protect investors.

According to a report by the Congressional Research Service, financial regulation can significantly impact the ability of EGCs to raise capital, as it may impose additional costs and requirements on these companies. (Lowry, 2018). One of the primary reasons financial regulations significantly impact EGCs is that while these companies typically need more financial resources, they lack the track records of larger, more established firms, that foster confidence in financial institutions and other investors to extend loans or invest. As a result, EGCs may have more limited options for raising capital and may be more susceptible to changes in regulatory requirements. For example, regulations such as the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 impose additional reporting and disclosure requirements on EGCs, which can be time-consuming and expensive to comply with (Lowry, 2018).

The impact of financial regulation on EGCs has been extensively studied in recent years, with a growing body of literature examining the different types of regulations that affect these companies and their effects on the funding landscape. Some scholars argue that the regulatory burden on EGCs is excessive and may discourage innovation and investment (Carney, 2016). Others argue that financial regulation is necessary to protect investors and ensure market stability (Barr, 2018; Suárez, 2019).

It is worth noting that the regulatory environment for EGCs in the United States is complex and dynamic, with various federal and state regulations that may apply to these companies, depending on their specific characteristics and business activities. For example, EGCs that go public may be subject to the reporting and disclosure requirements of the Securities and Exchange Commission (SEC) and the regulations of the stock exchanges on which their shares are listed (Lowry, 2018). Other regulations that may impact the ability of EGCs to raise capital include tax laws, intellectual property regulations, and antitrust laws, among others (Belleflamme, Lambert, & Schwienbacher, 2014). These regulations impose additional costs and requirements on EGCs, which can deter potential investors and limit the growth potential of these companies.

Despite the challenges faced by EGCs in accessing funding, these companies have continued to attract significant interest from investors. Many have successfully raised substantial capital through various channels, such as crowdfunding, venture capital, private equity, strategic investors, or government grants. In recent years, crowdfunding has become a popular way for

EGCs to raise capital. Crowdfunding platforms allow EGCs to raise funds from many small investors, often with relatively low minimum investments, which can provide a significant source of capital. A study by Agrawal et al., (2015) found that crowdfunding positively impacted innovation, suggesting that it may be an essential tool for supporting EGCs.

EGCs also often leverage venture capitalists and angel investors' expertise and networks to secure funding. Venture capitalists typically provide funding and support to high-growth companies in exchange for equity in the company. On the other hand, Angel investors invest their own money in early-stage companies. These investors provide EGCs with valuable expertise, mentorship, and access to networks of other investors and potential customers. According to the National Venture Capital Association, venture capital investment in EGCs reached $150 billion in 2021, highlighting investors' ongoing interest in these companies (National Venture Capital Association, 2022).

While these alternative funding channels are available for EGCs, they may not be sufficient to meet all the capital needs of these companies. EGCs are often forced to go through the rigorous hurdles of financial regulation to access the more traditional methods of raising capital, such as IPOs. As a result, the regulatory environment in which these EGCs operate can significantly impact their ability to access funding. For example, the JOBS Act, which aimed to reduce regulatory burdens on EGCs, has successfully increased the number of IPOs and reduced the time for an IPO (Hurley and Knight, 2019). Even with such flexibilities, some scholars still argue that the regulatory burden on EGCs is too high and that more needs to be done to reduce the costs and complexity of going public (Carney, 2016).

Therefore, understanding the impact of financial regulation on EGCs is crucial for policymakers, investors, and market participants. This research will add valuable information to the available body of literature and provide recommendations to facilitate informed decision-making by different stakeholders and advocate for a supportive economic environment for EGCs since these companies play an integral role in driving innovation and economic growth in the US economy. The research will also examine how the regulatory environment either facilitates or hinders capital-raising efforts by EGCs. The research will fill the gaps in available studies by consolidating three key areas, i.e., how different financial regulations affect the funding landscape for EGCs, the role of financial intermediaries such as investment banks, and the long-term impact of the different regulations on EGCs, stepping away from previous studies which have focused on the short-term impact.

1.1 Research Topic

The Impact of Financial Regulation on the Ability of Emerging Growth Companies (EGCs) to raise Capital in the United States

1.2 Research Aim

To examine the impact of financial regulation on EGCs' ability to raise capital in the United States.

1.3 Research Objectives

i. Review the existing literature on the impact of financial regulation on EGCs and identify key regulatory measures that affect their funding landscape.

ii. To examine how the Sarbanes-Oxley Act, the Jumpstart Our Business Startups (JOBS) Act, and the Dodd-Frank Wall Street Reform and Consumer Protect Act impacted the ability of EGCs to access capital through the public markets.

iii. Identify the challenges that EGCs face in accessing funding and explore the role of financial regulation in exacerbating or mitigating these challenges.

iv. Examine the potential benefits and drawbacks of financial regulation for EGCs and provide recommendations for policymakers, investors, and market participants to support the growth of EGCs in the United States.

v. To examine the role of the SEC and other regulatory bodies in financing EGCs in the US.

vi. To analyze the impact of financial regulations on access to funding for EGCs from different sources such as venture capital, private equity, and institutional investors.

2. Literature Review

This section provides a comprehensive analysis of the literature on the impact of financial regulation on the ability of EGCs to raise capital in the US, organized into four main themes. The first theme examines the challenges faced by EGCs in raising capital; the second theme explores the role of financial regulation in addressing these challenges; the third theme assesses the impact of financial regulation on EGCs' access to capital; and, finally, the fourth theme reviews the effectiveness of regulatory interventions promoting EGCs' access to capital. Critical issues related to the impact of financial regulation on EGCs will be analyzed, focusing on the challenges faced by these companies and the effectiveness of regulatory interventions in addressing these challenges.

2.1 Theoretical Background of EGCs

EGCs are a unique class of enterprises that exhibit strong growth potential and are poised for rapid expansion. These firms are characterized by innovative business models, new products or services, and disruptive technologies (Brau & Fawcett, 2006). The concept of EGCs gained momentum after the Jumpstart Our Business Startups (JOBS) Act was signed into law in 2012, with the purpose of easing regulatory requirements and promoting capital formation for smaller, growing businesses. The challenges faced by EGCs in accessing capital have been well documented, including limited access to financing sources and high compliance costs associated with regulatory requirements (Mason & Harrison, 2015; Schaefer & Schwartz, 2016). The JOBS Act aimed to address these challenges by creating a new category of issuers, known as "Emerging Growth Companies," which are subject to reduced disclosure requirements in the IPO process (Cumming & Johan, 2013).

2.2 Challenges Faced by EGCs in Raising Capital

Mason & Harrison (2015) examined the challenges that EGCs (EGCs) face when raising capital. These challenges arise from various factors, including limited access to financing sources, high compliance costs associated with regulatory requirements, and difficulties attracting investment from institutional investors (Schaefer & Schwartz, 2016).

Limited access to financing sources is a significant challenge faced by EGCs. Financing is often difficult for companies without an established track record or significant collateral, as Berger & Udell (2006) studied. EGCs frequently rely on alternative sources of financing such as Venture capital (VC) firms, and angel investors (Gompers & Lerner, 2001). However, these investors typically require a significant equity stake in the company in exchange for their investment, which may dilute ownership for existing shareholders (Ibrahim, 2008). Furthermore, many EGCs may not meet the investment criteria of VC firms and angel investors, such as having a proven revenue or profitability track record (Mason & Harrison, 2015). This creates a financing gap that leaves many EGCs struggling to secure the capital they need to grow.

Another challenge is the high compliance costs associated with regulatory requirements for EGCs that wish to raise capital through an initial public offering (IPO). Hossain, Prevost, & Rao (2001) examined the compliance requirements that EGCs are subjected to, including extensive disclosure requirements and the need to comply with accounting and financial reporting standards. Compliance costs can be particularly burdensome for EGCs with limited financial resources (Ritter, 2011). Additionally, the ongoing costs of being a publicly traded company, such as periodic reporting and compliance with corporate governance standards, can be significant and may deter EGCs from pursuing this financing option (Engel, Fischer, & Maksimovic, 2007).

EGCs also find it challenging to attract investment from institutional investors. Institutional investors, such as pension funds and endowments, have high levels of capital to invest but require a high level of due diligence before investing (Mason & Harrison, 2015). EGCs may struggle to meet the due diligence requirements of institutional investors, particularly if they lack a track record of revenue or profitability (Schaefer & Schwartz, 2016). Furthermore, institutional investors often have strict investment mandates that may exclude specific industries or risk profiles, limiting the pool of potential investors for EGCs (Geczy, Jeffers, Musto, & Tucker, 2013).

Market uncertainty also poses a challenge for EGCs seeking capital. Many of these companies operate in highly uncertain industries subject to rapid changes in market conditions, making it difficult for potential investors to assess their prospects (Mason & Harrison, 2015). For example, technology startups often face rapidly evolving competitive landscapes and shifting consumer preferences, creating significant uncertainty regarding their prospects (Lee, Pollock, & Jin, 2011). This uncertainty can deter potential investors, as they may be unwilling to assume the risk of investing in an EGC operating in a volatile market.

In addition to the challenges identified by Mason & Harrison (2015), EGCs may also face challenges related to human capital. Attracting and retaining skilled employees is critical for EGCs to succeed, yet these companies often struggle to offer competitive compensation packages due to their limited financial resources (Wright & Stigliani, 2013). This can make it difficult for EGCs to attract top talent, which may limit their ability to secure financing from investors who view human capital as a key determinant of a company's success (Baron, Hannan, & Burton, 1999). Furthermore, EGCs may face challenges in developing effective management teams with the experience and expertise to guide the company through its growth stages (Wasserman, 2006). Investors often place a premium on experienced management when evaluating investment opportunities, which can disadvantage EGCs with less seasoned leadership (Boeker & Karichalil, 2002).

To overcome these challenges, some EGCs are exploring alternative financing options, such as crowdfunding and peer-to-peer lending (Ahlstrom, Cumming, & Vismara, 2018). These alternative financing methods may provide EGCs with access to capital without giving up significant equity stakes or complying with the regulatory requirements associated with IPOs (Mollick, 2014). However, these alternative financing options also come with their own challenges, such as the potential for fraud and the limited amount of capital that can be raised through these methods (Belleflamme, Lambert, & Schwienbacher, 2014).

In conclusion, many scholars have highlighted the challenges EGCs face when raising capital, including limited access to financing sources, high compliance costs associated with regulatory requirements, difficulties attracting investment from institutional investors, and market uncertainty. I will build on this knowledge to frame possible solutions for policymakers and industry stakeholders to utilize to develop strategies to address these issues and support the growth of EGCs.

2.3 Role of Financial Regulation in Addressing the Challenges faced by EGCs.

The financing of EGCs in the US has been impacted by several capital market regulations, including the Sarbanes-Oxley Act (SOX) of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), and the Jumpstart Our Business Startups (JOBS) Act of 2012. Ritter and Welch (2004) examined the impact of the SOX Act on smaller companies and found that the Act significantly increased compliance costs and reduced liquidity in the market, thereby reducing the ability of EGCs to raise capital. EGCs were further discouraged from going public due to the increased costs related to the process (Roberts & Berger, 2007; Ketz & Barton, 2010).

Similarly, the Dodd-Frank Act, enacted following the 2007-2008 financial crisis, increased the costs and regulatory burdens of EGCs, making it more difficult for them to raise capital and grow their businesses (Carter, 2012). According to Viral et al. (2016), the Volcker Rule introduced by the Dodd-Frank Act led to reduced proprietary trading by banks, especially in speculative activities, while increasing trading by non-banking financial institutions. This gave EGCs alternative sources of funds, such as private equity firms and venture capitalists.

The JOBS Act was introduced to encourage the growth and development of EGCs by making it easier for them to access capital through capital markets. One study by Deakin (2013) found that the JOBS Act increased EGCs going public and raised capital through IPOs. The study analyzed the data of EGCs before and after the JOBS Act and found that the number of EGCs that went public increased significantly after the act was passed. However, the study also found that the reduced regulatory requirements for EGCs under the JOBS Act may also increase the risk of market fraud and manipulation. This was because the reduced reporting and disclosure requirements make it more difficult for investors to make informed decisions about whether to invest in EGCs.

Another study by Jain and Kini (2017) examined the impact of the JOBS Act on the quality of financial reporting by EGCs. The study found that while the Act's reduced reporting requirements have made it easier and less costly for EGCs to go public, they may also have led to a decline in the quality of financial reporting by these companies, which means less investor protection.

Cox (2013) also suggests that the JOBS Act has improved access to capital for EGCs but increased the risk for investors in the market. This is because the reduced reporting and disclosure requirements make it more difficult for investors to accurately assess the financial health of EGCs, which increases the risk of fraud and manipulation in the markets.

I will use these studies to synthesize and propose a balance between investor protection and ensuring EGCs have access to capital.

2.4 Impact of Financial Regulation on EGCs' Access to Capital.

The impact of financial regulation on EGCs'' access to capital in the United States has been a subject of research for many years. According to a study by Cai and Walkling (2011), the regulatory environment in the US affects the ability of EGCs to raise capital, and this impact is felt differently depending on the regulatory requirements in place. They argue that the type and stringency of regulation can influence the availability of financing, the cost of capital, and the choice of financing instruments used by EGCs.

In recent years, several key pieces of legislation have been implemented, which have significantly impacted the ability of EGCs to access capital. These include the Dodd-Frank Act, the Sarbanes-Oxley Act (SOX), and the Jumpstart Our Business Startups (JOBS) Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in 2010, introduced several regulations that have affected the ability of EGCs to access capital. A study by Cumming and Johan (2013) found that the Dodd-Frank Act has reduced the availability of venture capital financing to EGCs, particularly those operating in high-risk industries. For example, EGCs in the biotechnology and clean technology sectors experienced reduced access to venture capital financing (Cumming & Johan, 2013). Additionally, the study found that the Act has made it more difficult for EGCs to access public markets due to increased compliance costs and disclosure requirements.

The Sarbanes-Oxley Act (SOX) of 2002 also significantly impacted EGCs' access to capital. According to a study by Suh and Sundaram (2013), the SOX Act led to decreased activity by EGCs due to the increased costs associated with compliance and reporting requirements. The study found that the Act increased the cost of going public for EGCs by an average of 35%, making it more difficult for these companies to access public markets and raise capital. In particular, implementing Section 404 of the SOX Act, which requires companies to establish and maintain internal control systems, was especially burdensome for EGCs (Suh & Sundaram, 2013).

On the other hand, the Jumpstart Our Business Startups (JOBS) Act, enacted in 2012, has been lauded as a game-changer for EGCs' access to capital. A study by Bradtke and Weir (2014) found that the JOBS Act has made it easier for EGCs to access public markets by reducing the regulatory burden associated with going public. The study found that the Act has increased the number of EGCs going public, making it easier for them to access private capital. For example, the JOBS Act has relaxed the requirements for companies to qualify as an EGC, allowing them to take advantage of reduced disclosure requirements and a streamlined registration process (Bradtke & Weir, 2014).

Another study by Ding et al. (2018) examined the impact of the JOBS Act on crowdfunding as a source of financing for EGCs. The study found that the Act has led to an increase in the use of crowdfunding by EGCs, particularly those in industries that are difficult to finance through traditional channels. For instance, EGCs in the renewable energy sector have increasingly relied on crowdfunding platforms to raise capital (Ding et al., 2018). The JOBS Act has also fostered the development of new crowdfunding platforms, which have contributed to the increased adoption of this financing method by EGCs (Ding et al., 2018).

In conclusion, the impact of financial regulation on EGCs' access to capital in the United States has been a mixed bag. While the Dodd-Frank Act and the Sarbanes-Oxley Act have introduced regulatory burdens that have made it more difficult for EGCs to raise capital, the JOBS Act has provided some relief by easing regulatory requirements for accessing public markets and promoting crowdfunding as a viable financing alternative. In the study, I will carefully consider the consequences of these financial regulations as laid down by different scholars to help me strike the right balance between safeguarding investors and promoting the growth of EGCs when suggesting a way forward.

2.5 Effectiveness of Regulatory Interventions.

The effectiveness of regulatory interventions on the ability of EGCs to raise capital in the US remains a highly debated issue among scholars and policymakers. Regulatory interventions such as the Jumpstart Our Business Startups (JOBS) Act of 2012 have significantly impacted the regulatory environment for EGCs (Bertoni & Tykvova, 2015). The JOBS Act was implemented to reduce regulatory burdens on EGCs, facilitating access to public capital markets and making the Initial Public Offering (IPO) process more appealing (Doidge et al., 2018). One of the key provisions of the JOBS Act was the introduction of confidential draft registration statements. A study by Wagner (2018) shows how this provision allowed EGCs to submit IPO filings without public disclosure, offering them a chance to test the waters and receive feedback from the Securities and Exchange Commission (SEC) before fully committing to the IPO process. As a result, EGCs have had the opportunity to fine-tune their business plans, financial projections, and other aspects of their registration statements before making them public, which could potentially increase investor confidence and enhance their ability to raise capital (Dambra et al., 2014).

Another significant aspect of the JOBS Act was providing a five-year phase-in period for EGCs to adopt specific accounting and disclosure requirements (Gao et al., 2013). This regulatory relief has been instrumental in allowing EGCs to allocate more resources toward growth and innovation, rather than compliance. Consequently, the reduced regulatory burden has made EGCs attractive to potential investors seeking high-growth opportunities (Ritter et al., 2019).

A study by Ivanov & Bauguess, (2013), shows how the JOBS Act relaxed restrictions on general solicitation and advertising, allowing EGCs to reach a broader pool of investors more efficiently, hence contributing to a more successful capital-raising process by making it easier for EGCs to attract investors who may not have otherwise been aware of their offerings.

Despite the potential benefits of the JOBS Act, several studies have argued that the legislation has had mixed results regarding its impact on EGCs' ability to raise capital. For example, Chaplinsky and Haushalter (2013) contend that the JOBS Act has not significantly increased the number of IPOs, suggesting that its provisions have not been as effective in promoting capital formation as initially hoped. Additionally, they point out that the average deal size of IPOs has not increased, implying that the capital raised per IPO has not substantially improved since the introduction of the JOBS Act.

Furthermore, some critics argue that the reduced regulatory requirements for EGCs may result in lower-quality financial reporting, ultimately undermining investor confidence and making it more difficult for these companies to raise capital (Coates, 2015). For instance, EGCs are exempt from the requirement to obtain an external audit of their internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (SOX) (Gao et al., 2013). This exemption could potentially compromise the reliability of EGCs' financial statements, deterring investors from committing capital to these companies due to perceived higher risks (Coates, 2015).

Moreover, the relaxation of general solicitation and advertising rules under the JOBS Act has raised concerns about the potential for fraudulent activities and the exploitation of less sophisticated investors (Ivanov & Bauguess, 2013). These concerns could dampen investor enthusiasm for EGCs and increase scrutiny or skepticism, ultimately making it more challenging for these companies to raise capital.

A study by Ewens and Farre-Mensa (2021) examined the potential impact of broader market conditions and investor sentiment on the effectiveness of regulatory interventions. They argue that during periods of high market uncertainty or negative investor sentiment, even well-intentioned regulatory interventions may not have the desired impact on EGCs' ability to raise capital. In such situations, investors may be more risk-averse and less willing to allocate capital to EGCs, regardless of the regulatory environment.

In conclusion, the effectiveness of regulatory interventions on the ability of EGCs to raise capital in the US is a complex and multifaceted issue. The JOBS Act, as an example, has provided regulatory relief for EGCs and has the potential to increase their ability to access public capital markets. However, the mixed results from empirical studies and the concerns raised by critics regarding the potential negative consequences of the Act, such as lower-quality financial reporting and the risk of fraud, suggest that further research is needed to determine the optimal regulatory framework for EGCs. While looking out for EGCs to raise capital and promote economic growth, the interests of investors must be safeguarded, and the integrity of the financial markets upheld.

3. Proposed Methodology

The research will utilize a qualitative approach, focusing on secondary data from academic journals, government reports, and industry publications (Creswell & Poth, 2018). The purpose of this section is to describe the research design, data collection, sampling, data analysis, limitations, and ethical considerations for the study.

31. Research Design

The study will utilize a non-experimental research design, which involves observing and analyzing variables in their natural setting without manipulating them (Creswell, 2014). This research design is appropriate since the study examines the impact of financial regulation on EGCs' ability to raise capital in a real-world setting, without manipulating the regulatory environment or any other factors.

A non-experimental research design allows for collecting and analyzing secondary data from various sources, such as academic journals, government reports, and industry publications, to draw conclusions (Saunders et al., 2016). This approach is particularly suitable for this study because it enables the researcher to gain a comprehensive understanding of the complex relationships between financial regulation and EGCs' access to capital by exploring multiple perspectives and synthesizing the findings from existing research (Creswell & Poth, 2018).

Using this research design, the study will conduct a systematic literature review to identify relevant studies that have investigated the impact of financial regulation on EGCs' access to capital (Kuada, 2012). The literature review process will involve searching various databases and other sources using specific keywords and inclusion criteria to ensure the selection of relevant and high-quality studies (Creswell, 2014).

Once the relevant studies have been identified, the data will be extracted and analyzed using thematic analysis to identify key themes, trends, and patterns in the findings (Braun & Clarke, 2006). This approach will enable the researcher to better understand the complex relationships between financial regulation and EGCs' access to capital while identifying areas that may require further research (Creswell & Poth, 2018).

Overall, the non-experimental research design is well-suited to the study's aim of examining the impact of financial regulation on EGCs' access to capital, as it allows for exploring this topic in a real-world context without manipulating any variables.

The study will utilize a non-experimental research design. This research design involves observing and analyzing variables in their natural setting without manipulating them. (Creswell, 2014). This research design is appropriate since the study examines the impact of financial regulation on EGCs' ability to raise money in a real-world setting, without manipulating the regulatory environment or any other factors.

3.2 Data Collection

To conduct an in-depth analysis of the impact of financial regulation in the United States on EGCs' ability to raise funds, a comprehensive data collection strategy will be employed. This strategy will involve the utilization of various secondary sources, such as academic journals, government reports, and industry publications. By incorporating data from a diverse range of sources, the study aims to generate a robust and comprehensive understanding of the subject matter (Bryman, 2016).

Academic journals will serve as the primary source of data for this research. These peer-reviewed publications are considered reliable and valid sources of information due to the rigorous review process they undergo by subject matter experts (Saunders et al., 2016). The articles published in these journals are typically well-founded and contribute significantly to the existing body of knowledge on a given topic (Creswell, 2014). This study will focus on examining articles that specifically discuss the implications of financial regulation for EGCs in the United States.

To supplement the data gathered from academic journals, government reports and industry publications will also be consulted. Government reports, such as those published by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), can provide valuable insights into the regulatory environment and its impact on EGCs (Doidge, Karolyi, & Stulz, 2017). These reports often contain primary data and expert analysis that can help contextualize academic journal findings.

Similarly, industry publications can offer practical perspectives on the challenges faced by EGCs in raising funds under the existing regulatory framework (Demirgüç-Kunt, Detragiache, & Tressel, 2021). By incorporating data from these sources, the study will be able to develop a more nuanced understanding of the relationship between financial regulation and the fundraising capabilities of EGCs.

In conclusion, this data collection strategy aims to harness the complementary strengths of academic journals, government reports, and industry publications to produce a comprehensive and in-depth analysis. By synthesizing data from these various sources, the study will strive to generate a robust understanding of the subject matter, which can potentially inform future policy decisions and contribute to the existing body of knowledge on the topic (Bryman, 2016; Saunders et al., 2016).

3.3 Sampling

This study employs a purposive sampling strategy for selecting secondary data sources, focusing on relevance, validity, timeliness, and diversity. The emphasis is on analyzing available data to generate in-depth insights rather than sample size (Creswell, 2014). Data sources should be relevant to the impact of financial regulation on EGCs, published in reputable outlets such as peer-reviewed journals, government reports, or industry publications, and be relatively recent to capture the current regulatory environment.

Considering diverse perspectives ensures comprehensive understanding of the research topic (Palinkas et al., 2015). The purposive sampling strategy facilitates identifying and selecting the most relevant and reliable data sources, contributing to a robust analysis focused on pertinent aspects of the research question.

3.4 Data Analysis

The data collected from secondary sources in this study will be analyzed using a thematic analysis approach, which is a widely recognized and flexible method for identifying and interpreting patterns in qualitative data (Braun & Clarke, 2019). The thematic analysis involves a systematic process of coding, categorizing, and interpreting data to derive meaningful themes that address the research topic (Nowell, Norris, White, & Moules, 2017).

In this study, the thematic analysis will be conducted in several stages. First, the data will be carefully reviewed to comprehensively understand the content and context (Braun & Clarke, 2019). Next, initial codes will be generated to label significant aspects of the data related to financial regulation's impact on EGCs' ability to raise funds (Vaismoradi, Turunen, & Bondas, 2013).

After coding, the data will be examined for patterns and connections and grouped into potential themes. These themes will be reviewed and refined to ensure they accurately represent the data and address the research questions (Nowell et al., 2017). Finally, the themes will be further analyzed and interpreted to provide in-depth insights (Braun & Clarke, 2019).

Throughout the data analysis process, constant comparison and critical reflection will be employed to ensure the reliability and validity of the identified themes (Lincoln & Guba, 1985). By utilizing thematic analysis, this study aims to generate a nuanced understanding of the research topic, which can contribute to the existing body of knowledge and inform future policy decisions related to financial regulation and EGCs (Braun & Clarke, 2019).

3.5 Ethical Considerations

Since this study uses secondary data sources, there are no ethical considerations related to data collection, such as informed consent or privacy concerns (Saunders, Lewis, & Thornhill, 2016). However, it is crucial to maintain a high level of ethical conduct while conducting the research, particularly in using secondary data.

First and foremost, the study will only use reliable, valid, and credible data sources to ensure the accuracy and trustworthiness of the research findings (Creswell & Poth, 2018). Peer-reviewed academic journals, government reports, and industry publications will be the primary data sources used in the study (Saunders et al., 2016). Using such sources helps ensure the research is based on well-established knowledge and credible data.

Moreover, the study will adhere to ethical guidelines regarding the use of secondary data, such as proper citation and acknowledgment of the sources used (BERA, 2018). This involves crediting the original authors and their contributions to the field, thus promoting transparency and academic integrity.

Furthermore, the study will strive to present a balanced and unbiased literature assessment (Kuada, 2012). This includes considering opposing viewpoints and acknowledging the limitations and gaps in the existing research (Creswell & Poth, 2018). By doing so, the study aims to provide a comprehensive and objective analysis of the impact of financial regulation on EGCs' access to capital.

Lastly, the study will also consider the potential implications of its findings for policymakers, regulators, and EGCs. This involves maintaining an awareness of the ethical implications of the research outcomes and the potential consequences for different stakeholders (Saunders et al., 2016; Creswell & Poth, 2018). By upholding these ethical considerations, the study aims to contribute to the broader knowledge base while respecting the principles of academic integrity and responsible research conduct.

3.6 Limitations

Limitations of this study include relying solely on secondary data, which may be subject to bias and inaccuracies inherent in the data sources (Huang & Chen, 2019; Saunders et al., 2016). Additionally, the study does not include primary data, such as interviews or surveys, which would provide a more in-depth understanding of the impact of financial regulation on EGCs (Chen & Huang, 2021; Creswell & Poth, 2018). This may limit the richness of the findings and hinder the ability to capture nuances in the experiences of individual companies or stakeholders.

Furthermore, the study is limited to the US market, and the findings may not be generalizable to other countries with different regulatory environments and financial systems (Asthana & Boone, 2019; Kuada, 2012). This may constrain the broader applicability of the research and limit its relevance for policymakers and regulators in other jurisdictions.

Another limitation is the potential for omitted variable bias or confounding factors that may influence the relationship between financial regulation and EGCs' access to capital (Craig & Dattels, 2020; Ding et al., 2018). While the study will attempt to account for these factors by conducting a thorough review of the existing literature, it is possible that some variables may not be adequately captured in the available data.

Moreover, the dynamic nature of the regulatory environment and the financial sector may pose challenges in assessing the long-term impact of specific regulations (Cai & Walkling, 2011; Suh & Sundaram, 2013). Market conditions, technological advancements, and evolving regulatory frameworks may affect the outcomes and limit the ability to draw definitive conclusions.

Finally, the study is restricted to the available data and literature, which may only capture some of the factors that influence the impact of financial regulation on EGCs (Creswell & Poth, 2018; Saunders et al., 2016). As a result, the study may not encompass all relevant aspects or recent developments in the field.

Nonetheless, despite these limitations, the study will provide valuable insights into the impact of financial regulation on EGCs and contribute to the existing literature on this topic. By acknowledging and addressing these limitations, the study aims to enhance its credibility and provide a solid foundation for future research in this area.

This research methodology section has outlined the techniques and procedures that I will employ to gather and analyze secondary data to achieve the research objectives. The non-experimental research design, thematic analysis approach, and selection of valid and reliable data sources will provide a comprehensive analysis and using academic journals, government reports, and industry publications as data sources will ensure that the study is based on reliable and valid information, while adherence to ethical guidelines ensures the integrity of the study.

4. Research Schedule

The following research schedule presents a comprehensive 12-week plan for conducting an in-depth study on the impact of financial regulation on the ability of EGCs to raise funds in the United States. This carefully crafted schedule provides a clear and systematic structure for the research process, ensuring that each stage is completed efficiently and within established timeframes. The plan is divided into milestones, each accompanied by relevant comments, offering context and guidance. By adhering to this research schedule, I will navigate the study seamlessly, ultimately delivering a thorough and robust analysis of the research topic.

Week	Milestone	Relevant Comments
1	Define the research topic and objectives	Clearly outline the research topic and develop precise objectives to provide direction for the study

Week	Milestone	Relevant Comments
2	Refine and finalize the literature review	Enhance and complete the existing literature review, ensuring a comprehensive understanding of the research topic and its context
3	Develop a data collection strategy	Identify and select suitable secondary data sources, considering relevance, validity, and timeliness, while ensuring a diverse range of perspectives
4	Collect secondary data	Obtain data from selected academic journals, government reports, and industry publications, ensuring the data is reliable, recent, and pertinent to the research topic
5	Organize and prepare data for analysis	Systematically arrange and categorize the collected data, streamlining it for efficient analysis and subsequent interpretation
6	Perform thematic analysis	Methodically identify and code significant aspects of the data, generate themes, and refine these themes to ensure they accurately represent the data and address the research questions
7	Interpret results and derive insights	Analyze and interpret the themes to provide valuable insights into the impact of financial regulation on EGCs' ability to raise funds
8	Draft research findings	Compose a draft of the research findings, incorporating relevant data, insights, and clear explanations of the identified themes
9	Revise the draft and incorporate feedback	Review the draft, make necessary revisions, and incorporate feedback from supervisors, peers, or other stakeholders to enhance the quality of the research findings
10	Finalize research findings	Carefully finalize the research findings, ensuring clarity, consistency, and coherence, as well as effective integration of data and insights
11	Prepare discussion, conclusion, and references	Discuss the implications of the findings, draw conclusions, and compile references, ensuring all cited sources are appropriately referenced
12	Proofread, edit, and submit the research document	Diligently review the entire document for grammatical, spelling, and formatting errors, make final revisions, and submit the completed research document for evaluation

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