The Journal of Entrepreneurial Finance

Volume 11
Issue 2 *Summer 2006*

Article 1

December 2006

Letter from the Editor-in-Chief

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Recommended Citation
Young, Allan (2006) "Letter from the Editor-in-Chief," *Journal of Entrepreneurial Finance and Business Ventures*: Vol. 11: Iss. 2, pp. i-i.
DOI: https://doi.org/10.57229/2373-1761.1043
Available at: https://digitalcommons.pepperdine.edu/jef/vol11/iss2/1

Letter from the Editor-in-Chief

The study of entrepreneurial theory and practice has now reached a significant stage at many schools of management and business. However, it appears as though even at those schools which are supposedly highly ranked, the financial aspects of entrepreneurial pursuits seem to be given rather short shrift in comparison with other aspects of entrepreneurial concerns. Nevertheless, for some time now research into IPOs, the activities of venture capitalists (so-called reputable vis-à-vis non-reputable), liquidity concerns of fledgling enterprises, venture capital arms of banks, financial aspects of business angel activities, and other such aspects of financial entrepreneurship have been well within the mainstream of academic research in finance as can be seen by a brief perusal of the offerings of the better journals in the field. It is time now that entrepreneurship programs begin to take full note of the core relevance of financial entrepreneurial activities and integrate these concerns at both the teaching and research levels. A review of the offerings of the present journal over the past five and half years or so should prove enlightening in this respect.

The lead article in the current issue of this journal, by Kolari, Ou and Shin, features an analysis of two alternative research hypotheses bearing upon the effects of small business lending upon bank profitability. The specialization and diversification hypotheses are each developed and analyzed using the rate of return on assets as the profit measure. Their evidence and support of the specialization hypothesis is instructive. Our next offering by Sohl looks at angel investing, particularly during times of economic volatility centering upon the years 2000 and 2001. As the leading source for seed capital, angel investing represents a source of financing well worthy of exacting scrutiny. Following this, Bathala, Bowlin and Dukes examine the structure of debt covenants with respect to the financing of small firms, looking to differentiate between firms in this respect according to private versus public ownership, debt level, borrowing costs, and the source of financing. Their findings ultimately bear upon the issue of stockholder/bondholder agency cost conflicts. Country specific information, yet conditions which may well be extrapolatable internationally, are dealt with next by Cardone and Cazorla in their study of the factors determining the capital structure of Spanish SMEs. Again, agency, signaling, and pecking order theories come into play in their survey of 410 firms which are analyzed through an ANOVA test. Finally, Schmidt, Dowling and Lechner further the study of IPOs for young entrepreneurial firms by using multivariate methods in order to analyze post-IPO investment behavior.

I hope that the offerings in this issue will add to the body of accepted academic literature in the field of entrepreneurial finance and that this literature will eventually become a key aspect of our classroom offerings. Research has long had a significant influence on course offerings in business and management generally. As noted, it is time now that entrepreneurial financial research begins to take its rightful place in the classroom and in our academic programs.

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