



Editorial

Entrepreneurial Finance: Research, Practice, and Policy for Post-Covid-19 Economic Recovery

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This issue comprises nine highly downloaded and cited articles in the *Journal of Risk and Financial Management*. Taken together these original and novel empirical studies offer practical policy contributions to a myriad of challenges faced by firms all over the world. This article summarizes the main contributions of these articles, all of which were developed and published in a pre-COVID-19 era, and then offers further reflections on their implications for research, practice, and policy to guide economic recovery in a post-COVID-19 world.

Building on the growing cross-country venture capital (VC) literature (Mäkelä and Maula 2005), Bradley et al. (2019) present descriptive evidence of trends in cross-border investments in Europe, Israel, and Canada. Their findings highlight “transaction-level” policies designed to attract foreign investment, as well as “ecosystem-level” policies designed to foster a domestic VC market. Among the many important implications is that policy makers should focus on both policies in tandem to grow a healthy, sustainable VC ecosystem. Despite early narratives of a potential decline in VC activity due to COVID-19’s economic slowdown, VC activity has not significantly dropped (Hathaway 2020). Given the importance of VC activity to national and regional economic development, and considering that VC databases have systematic reporting lags, future research should examine COVID-19 trends such as: How did the COVID-19 pandemic reshape VC investment criteria and priorities, and national government policies? Which transaction and ecosystem policies effectively stimulate cross-country VC investment in a post-COVID-19 economy?

A new venture’s performance reflects founder resources, strategy, and environmental factors (Debrulle et al. 2020). Khan et al.’s (2019) study extends this literature by examining 196 registered firms in Pakistan. They find that entrepreneurial strategy, network ties, and financial capital positively affect new venture performance, but human capital showed an insignificant effect on new venture performance. Given COVID-19’s dramatic and disparate impacts on firms’ performances across industries and countries (Fernandes 2020), future research should consider: How does the COVID-19 pandemic affect entrepreneurs’ abilities to access financial capital, social capital, and human capital? What specific activities can entrepreneurs undertake to better ensure their ventures’ survival and growth during and after the COVID-19 pandemic?

Eastern European and Central Asian countries are on the road to industrialization. Koilo (2019) adds to the extensive literature testing the Environmental Kuznets Curve (see, e.g., Yandle et al. 2002). Since Simon Kuznets’ (1955) original work describing how, as economies develop, market forces first increase and later decrease economic inequalities, researchers have suggested that as per capita income increases, environmental decay accelerates, and then after some turning point, the environment is then improved. Koilo’s study finds evidence of the Environmental Kuznets Curve in a longitudinal (1990–2014) analysis of carbon emissions and economic growth in eleven Eastern European and Central Asian countries, with the most sensitive countries being Ukraine and Kazakhstan. Taken together, Koilo’s analyses reveal that some of these emerging economies are at the turning point at which overall environmental sustainability can be improved. The economic



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outcomes vary across economies (Fernandes 2020), and early studies report declines in carbon emissions due to shutdowns (Lal et al. 2020), suggesting that future research must take a more nuanced view, ideally at more local levels. Potential research includes the following: How has the COVID-19 pandemic changed developing, transitioning, and emerging countries' government priorities for economic, social, and environmental goals? Considering entrepreneurship in the public and non-profit sectors (e.g., Audretsch et al. 2020), which post-COVID-19 government policies are most effective in generating economic growth, while not sacrificing environmental sustainability?

One of the most exciting new entrepreneurship research areas is well-being, including the potential for sleep issues to affect entrepreneurial outcomes such as business founding (Gunia et al. 2020). Levasseur et al. (2019) contributed to this literature with a study of 152 Iranian entrepreneurs' sleep habits and their effects on stress. They report that entrepreneurs' insomnia and sleep deprivation are directly linked to greater levels of stress and negative affect. These findings suggest that entrepreneurs should prioritize good sleep hygiene as a key component of well-being. The COVID-19 pandemic has unleashed widespread emotional distress due to the infection, imposition of public health decrees that infringe on personal freedoms, and financial losses, which have all led to greater insomnia, fear, and stress (Pfefferbaum and North 2020). Individual well-being is an increasingly critical focus for entrepreneurs and the general population, highlighting the need for greater research on improving underlying health as one of many conditions for productive entrepreneurial activity. Promising future research directions include the following: How do the various COVID-19-era infections, restrictions on personal freedoms, and financial losses affect entrepreneurs' insomnia and stress? What stress-relieving activities help entrepreneurs to manage their personal well-being and venture success?

A cornerstone investor (CI) makes an advanced commitment to invest a fixed amount of money or shares in an initial public offering (IPO), and this is often considered a signal of value. For example, in the recent JD Health IPO, CIs included Blackrock, Tiger Global Singapore, and Hillhouse Capital Management (Chiu 2020). McGuinness (2019) shows that greater CI participation is associated with long-term loan positions, younger CEOs, and a larger share of family-connected board officers, but there is a generally limited association with independent or female directors. One exception is family-centric firms, in which the presence of independent directors leads to greater CI participation. Taken together, this study highlights the centrality of family resources and political connections in CI involvement. McGuinness' findings are particularly insightful given the year-on-year doubling of IPOs in the US stock market (Stock Analysis 2020), and significant IPO activity overseas. This line of inquiry could explore questions such as: Are there cross-country differences in the desired attributes of CIs and their signaled value? In a post-COVID-19 economy, what are CIs' investment priorities and due diligence strategies?

With a current market capitalization of USD 128 billion, the Ho Chi Minh City Stock Exchange (HSX; USD 128 billion) is an emerging global player, as is the Hanoi Stock Exchange (HNX), which now trades only bonds. Phan Tran Trung and Quang (2019) explored the efficiency of these markets with a test of the automatic variance ratio (AVR), automatic portmanteau (AP), generalized spectral (GS), and time-varying autoregressive (TV-AR). Their findings support behavioral finance theories of an "adaptive market hypothesis" that considers environmental factors, such as market competition, available profits, and market participant adoptability, with evidence of growing investor rationality. COVID-19 led to unprecedented volatility levels in the world's stock markets, with the VIX index spiking (Ciner 2020), suggesting the need to investigate topics such as the following: Are there differences across the world's stock markets in post-COVID-19-era market efficiency and investor rationality? How has COVID-19 pandemic shaped investors' thinking on other investments, such as cryptocurrency?

A large and growing section of the literature examines the relationship between various firm and leadership characteristics and firm performance. For example, Terjesen et al. (2016) report that firms with more female directors have higher market and accounting

performance. Vu et al. (2019) extend this literature through a study of 693 publicly traded Vietnamese companies in 2015, finding no link between CEO or Chair gender and firm performance, but a negative effect of firm age and employee average wage on all types of firm performance, as well as capital intensity on firm performance, and a positive effect of firm size on firm performance. Vu et al.'s findings highlight the very low costs, labor intensity and low technology production that characterize much of Vietnam's economy, and the need for better innovation and technology. Early evidence of the COVID-19 pandemic's dramatic effect on firm performance (Shen et al. 2020) highlights the importance of looking at industries and sectors, and points to the need for further research. Particularly promising angles include: How have government shutdowns paralyzed and destroyed whole business sectors? In a post-COVID-19 era, which government policies lead to faster economic development?

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