

The role of public support in the private equity market for SMEs and midcaps: the case of the EIBG

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This paper aims at investigating the impact of public support in the private equity market on the economic performance of final beneficiaries, including innovation activity. We look at the case of EIB and EIF indirect operations in the 27 member countries of the European Union and in the United Kingdom between 2010 and 2020. We employ Matching-Difference-in-Differences techniques, combining exact matching with propensity score matching to estimate the net causal impact of public indirect equity and quasi-equity support on small and medium-sized enterprises (SMEs) and midcaps performance using firm-level data. Our control group is composed by companies that received equity from fully private funds, which allows us to draw conclusions on the value added of public intervention in the private equity market. We find that EIBG equity and quasi-equity support had a positive effect on turnover, cost of personnel, total assets, and capital. However, this positive impact disappears when it is disaggregated by moderating factors such as year, sector, age, and geographical area. Overall, our results suggest that intermediated public-backed equity support help companies grow and develop in the same way as fully private equity investors do.