

## Big Data in Finance and the Growth of Large Firms

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# Big Data in Finance and the Growth of Large Firms

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## Abstract

Two modern economic trends are the increase in firm size and advances in information technology. We explore the hypothesis that big data disproportionately benefits big firms. Because they have more economic activity and a longer firm history, large firms have produced more data. As processor speed rises, abundant data attracts more financial analysis. Data analysis improves investors' forecasts and reduces equity uncertainty, reducing the firm's cost of capital. When investors can process more data, large firm investment costs fall by more, enabling large firms to grow larger.

**JEL Codes:** E2, G1, D8.

**Keywords:** Big data, Fintech, Firm size

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