

Private Equity's Inflection Point: How Wall Street's Dry Powder Can Power Main Street's Revival



By [Azure Erickson](#), Forbes Councils Member.

for [Forbes Finance Council](#) **COUNCIL POST** | Membership (fee-based)

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The past several years have reshaped financial realities for millions. Rising interest rates, tightening credit conditions and persistently high inflation are directly impacting the day-to-day operations of households and business alike. As the central banks continue tempering liquidity, they amplify the volatility in public markets and heighten caution in commercial lending.

This hits Main Street's entrepreneurs and small businesses the hardest, as they remain starved for accessible capital to realize their ambitions. Meanwhile, according to PitchBook, a record [\\$2.51 trillion in global private equity dry powder](#) remains on the sidelines, signaling a striking paradox in capital supply versus utilization.

Private Equity's Strategic Crossroads

The stark contrast of abundant yet idle capital alongside acute financial need marks a profound shift in private market dynamics. The widening gap is more than a market anomaly; it signals an urgent mandate for private equity to fully engage.

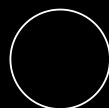
Traditional strategies centered on leveraged buyouts and conventional exits no longer serve the needs of today's capital constraints and economic fragmentation. Private equity should decisively pivot toward more flexible structures, prioritizing those markets and businesses increasingly overlooked by traditional finance. Leading industry figures like [BlackRock's CEO Larry Fink](#) recognize that the shift to private markets is a critical frontier for investment innovation, essential not merely for opportunities, but for meaningful economic transformation.

We're witnessing this shift right now. Global private credit has grown significantly, exceeding [\\$1.6 trillion in assets under management](#) with estimates suggesting it could reach [\\$3.5 trillion by 2028](#). Private equity firms are increasingly deploying innovative strategies, including NAV-based credit lines, structured leasing arrangements and merchant financing to bridge the credit void left by traditional banks.

Nevertheless, despite these offerings, growth-ready firms in sectors such as healthcare, industrials and services frequently require capital significantly below traditional private equity thresholds. And Main Street's entrepreneurs and small businesses, such as local bakeries, repair shops, boutiques, etc., also remain excluded from essential financing. In fact, [more than half of small businesses report needing capital, and 30% highlight barriers to accessing it](#). As of late 2024, [major U.S. banks approved only 13.2% of small-business loan applications](#), leaving an estimated financing gap of [between \\$80 billion and \\$120 billion](#).

The Rise Of Revenue-Based Funding

To effectively close the economic divide, private equity must shift its attention from mega-deals to micro-opportunities with potential for outsized impact to both businesses and investors.

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To meet this demand, managers are bringing forth innovative solutions like revenue-based funding. By offering accessible, quick funding solutions with repayment structures directly linked to business revenues, [revenue-based funding uniquely addresses this threshold gap](#). This model provides non-dilutive liquidity, ensuring that smaller, stable, growth-oriented businesses can gain essential access to capital. Alternative structures like this serve as powerful engines of economic mobility, while also providing investors with an income-focused solution at a time when other alternative investments are less liquid.

A New Mandate For Market Leadership

Private equity now stands at a transformative inflection point. Industry leaders have the opportunity to not just react to market shifts, but to proactively shape the trajectory of capital deployment. By emphasizing micro-opportunities with significant potential impacts and embracing adaptive, innovative capital solutions, private equity can unlock substantial untapped value, bridging the economic divide facing today's market.

And the evolution is rapidly gaining momentum.

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