

**Capital Supply Channel through Venture Capitals:
Evidence from Matched Data***

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Abstract

This paper examines the impact of venture capital firms' (VCs) characteristics on VCs' capital (i.e., fund) supply and how such an impact is interacted with aggregate shocks. To this end, we use a unique venture company and multiple VCs match-level dataset covering a large number of unlisted companies in Japan that allows us to control for companies' time-varying unobservable capital demand and endogenous company-VC matching, so that we can identify the effects of VCs' characteristics including investment experiences and their scope of collaboration with other VCs on their capital supply and how such effects are affected by the change in stock market environment. The estimation results indicate that VCs with larger past investment experiences tend to supply more capital to their portfolio companies. Furthermore, such an impact of VCs' experience on the capital supply became larger when stock market was in its downturn. Overall, these results imply that past investment experience is one important measure of VCs' ability to provide capital.

Key words: Venture Capital Firms; Stock Market; Time-Variant Venture Company Individual Effects

JEL Classification: E44, G24

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