

The effect of (Corporate) Venture Capital on firm's financial constraints

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Abstract: This work studies the different effect of two sources of Private Equity (PE), namely Venture Capital (VC) and Corporate Venture Capital (CVC), on firm's investment policy in a sample of Italian New Technology Based Firms (NTBFs). We show that, on average, NTBFs are severely affected by financial constraints and their investment rate is strongly correlated with their current cash-flows. We also find that, after receiving external financing by PE NTBFs increase their investment rate. However the impact of VC is more significant and makes firm's investment policy nearly independent by short-run liquidity.

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