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The Consequences of Entrepreneurial Finance: Evidence from Angel Financings

by William R. Kerr, Josh Lerner and Antoinette Schoar

Abstract

This paper documents that ventures that are funded by two successful angel groups experience superior outcomes to rejected ventures: they have improved survival, exits, employment, patenting, web traffic, and financing. We use strong discontinuities in angel funding behavior over small changes in their collective interest levels to implement a regression discontinuity approach. We confirm the positive effects for venture operations, with qualitative support for a higher likelihood of successful exits. On the other hand, there is no difference in access to additional financing around the discontinuity. This might suggest that financing is not a central input of angel groups.

Keywords: Business Ventures; Financing and Loans; Interests; Employment; Patents; Web; Operations; Entrepreneurship; Business Exit or Shutdown;

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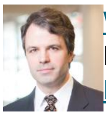

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