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**Work from home amenability and venture capital financing during  
COVID-19**

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# Work from home amenability and venture capital financing during COVID-19\*

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## Abstract

This paper examines the impact of COVID-19 on venture capital financing of firms. We find a significant shift in the profile of firms that obtain venture capital financing during the pandemic-induced economic crisis. Firms in industries that are more amenable to work from home obtain greater amounts of financing. Growth-stage firms operating in amenable industries are able to obtain higher financing than early-stage firms. The higher financing obtained by firms in amenable industries is driven by venture capital funds focused on the domestic market. Additionally, the higher financing is obtained from a single venture capital investor rather than a consortia of investors. Taken together, the preference of venture capital funds indicate a less risk-averse behaviour in financing firms amenable to remote working. The findings of our study using monthly firm-level data provide insights on venture capital financing during the pandemic.

*Keywords:* COVID-19; Venture capital; financing; work from home

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# 1. Introduction

COVID-19 pandemic increased the economic uncertainty and caused a rapid economic contraction across countries (Baker, Bloom, Davis, & Terry, 2020).<sup>1</sup> Stringent lockdowns and social distancing measures were imposed in most of the countries to curtail the spread of the virus (Hale, Petherick, Phillips, & Webster, 2020; Kuckertz et al., 2020; Moosa, 2020). Given the disruptions to the conventional mode of working in firms, remote working emerged as a dominant alternative to ensure business continuity (Dingel & Neiman, 2020). The pivot in the mode of working due to the pandemic created a disproportionate opportunity for firms amenable to remote working (see for instance Bartik, Cullen, Glaeser, Luca, and Stanton (2020)).

While the pandemic-induced disruptions affected most of the firms, relatively young and small firms, which are mostly reliant on venture capital (VC) funding, are the most vulnerable during such a crisis (Howell, Lerner, Nanda, & Townsend, 2020; Mason, 2020). Against this backdrop, we examine how the COVID-19-induced changes in firm operations have affected the VC financing. Specifically, we study whether firms amenable to ‘work from home’ (henceforth WFH) have obtained a greater amount of VC financing compared to other firms during the pandemic.

VC financing involves a high degree of uncertainty due to management quality, acceptance of new technology, and the development of product markets (Gompers, Gornall, Kaplan, & Strebulaev, 2020). Moreover, the lockdown measures during the pandemic had a significant adverse impact on the operations of start-ups, and consequently, the VC financing (Arundale & Mason, 2020). It resulted in reduced sales and a threat for the survival for the start-ups (Kuckertz et al., 2020). According to Howell et al. (2020), there has been a sudden decline in the volume of VC financing in the weeks subsequent to the COVID-19 crisis. However, the extent of the decline in VC investments activities is expected to be moderate relative to previous crises as the pandemic is expected to present opportunities in technology-related sectors (Gompers et al., 2020). In our study,

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<sup>1</sup>Zhu et al. (2020) is credited with naming the novel coronavirus.

we posit that WFH amenable firms are better able to deal with the challenges posed by the pandemic and, hence, are able to obtain greater amounts of VC financing.

The objective of our study is two-fold. First, we examine how the COVID-19 related factors, such as WFH amenability of firms, have affected the VC financing landscape in India. We employ a difference-in-differences (DiD) methodology using a monthly panel of 715 firm-month observations to analyse the impact of WFH characteristics on the amount of VC financing during the pandemic. We ask whether industry-level factors such as amenability to WFH and physical presence requirement of an industry affected the amount of VC financing obtained by firms in that industry during the pandemic.

Second, we examine whether the amount of VC financing obtained by WFH amenable firms in the post-COVID-19 period can be explained due to heterogeneous firm characteristics and VC fund characteristics. We use stage of firms (early versus growth) and firm profitability (low profitability versus high profitability) as the firm characteristics for the heterogeneity test. The VC fund-level characteristics employed are investor types (India-dedicated VC funds versus other types of VC funds) and the number of VC investors (single versus multiple).

Growth-stage firms have a lower level of risk in comparison to early-stage firms (Coad, Daunfeldt, Hözl, Johansson, & Nightingale, 2014). Accordingly, we expect the growth-stage firms to be in a better position to obtain VC financing. Furthermore, profitable firms with lower burn rate would be preferred in riskier periods such as the pandemic. Similarly, the VC fund-level characteristics are also identified to capture the risk preferences of the funds. A substantial increase in the number of India-dedicated VC funds participating in financing deals would indicate a higher risk appetite of VC funds with relatively more knowledge of the domestic market. While we do not have details on exhaustive deal terms, the number of deals that are undertaken with co-investment and multiple investors is an indicator of the relative risk aversion during the pandemic. One would expect the VC funds to diversify their risk by co-investing with other funds in relatively riskier industries and to go solo in industries with more prospects.

In this study, we classify each industry as amenable or not amenable to WFH based

on the classification identified by [Dingel and Neiman \(2020\)](#) and [Koren and Pető \(2020\)](#). [Dingel and Neiman \(2020\)](#) calculate the feasibility of WFH for all occupations and then merge it with the occupational counts. Furthermore, the authors assess the economic impact of social distancing measures taken to reduce the spread of COVID-19 on each of these industries. Similarly, [Koren and Pető \(2020\)](#) developed industry-level WFH measures based on the amenability of each industry to social distancing. These measures are based on the degree of human interaction required to perform a job in an industry. We employ the industry-level measures of [Dingel and Neiman \(2020\)](#) to examine the impact of the COVID-19 pandemic on VC financing and the measures developed by [Koren and Pető \(2020\)](#) as a robustness test in our study.

The key findings of our study are as follows. We find that firms in industries that are more amenable to WFH obtain higher amounts of VC funding in the post-COVID-19 period compared to the pre-COVID-19 period. Firms operating in WFH amenable industries obtain 51.2% higher VC financing than firms in industries that are not amenable to WFH. These firms face relatively lesser operational disruptions compared to firms that are not amenable to WFH. Consequently, these firms are likely to be viewed to have high growth potential. Our finding is complemented by the analysis of industries with more reliance on digital technologies such as Information Technology (IT) and industries with lower reliance on physical presence. Our findings corroborate the findings of [Hellmann and Puri \(2000\)](#) that innovator firms are more likely to obtain VC financing.

Furthermore, we find that VC financing increased for both the early and growth-stage WFH amenable firms during the pandemic. However, our results show that the growth firms obtain more financing relative to early-stage firms. The VC financing increased by 61.3% for the early-stage WFH amenable firms whereas it increased by 82% for the growth-stage WFH amenable firms. The finding on the higher financing obtained by the growth-stage firms compared to early-stage firms is consistent with various proxies of WFH measures. It is likely that the VC funds help their existing portfolio companies with more potential in high-risk situations. We also find that profitable WFH amenable firms obtain 68.3% higher VC financing in the post-COVID-19 period. The observed

reduction in VC financing for firms with higher profit but with higher customer interaction also strengthens the argument that WFH amenable firms are preferred despite the past operating performance.

Next, we test whether the financing obtained by WFH amenable firms are affected by the heterogeneity in the VC fund characteristics such as the focus of the VC funds and co-investment. We examine whether home bias by India-dedicated VC funds impacts the amount of VC financing obtained by the WFH amenable firms. We find that VC financing has significantly increased for WFH amenable firms that have a relationship with India-dedicated VC funds. Our results show that it increased by 69.5% for the firms supported by India-dedicated VC funds. However, it does not have any significant impact on the firms having a relationship with other types of VC investors (foreign VC funds and co-investment).

Interestingly, we find that a single investor is willing to invest in WFH amenable firms in the post-COVID-19 period, suggesting a higher risk appetite in industries with better prospects. The VC financing increases by 232.3% and 70.1% for firms with single investor and multiple investors respectively. This is further corroborated in our results that employ teamwork as a measure of amenability. We find an increase in the VC financing by single investors for firms with that rely on more teamwork. It is likely that VC funds are willing to take higher risks individually in firms that have a higher potential in the post-COVID-19 period. The results suggest that VC financing to riskier industries are done collectively and less risky industries are done individually in the post-COVID-19 period compared to the pre-COVID-19 period.

Our study contributes to various strands of the VC literature in the following ways. First, in an emerging market context, we study the impact of remote working on VC financing in a socially distanced world during the pandemic. The findings of our study complement those by [Gompers et al. \(2020\)](#) as the financing in technology-related sectors has increased. Second, we are able to provide insights into the source of heterogeneity in the observed impact both at the firm-level and at the VC fund-level. These insights corroborate earlier studies on VC financing ([De Vries & Block, 2011](#)).

Finally, we contribute to the emerging literature on the impact of COVID-19 on firm financing. [Arundale and Mason \(2020\)](#) show that the pandemic has the greatest effect on start-ups and VC financing. There has been a sudden decrease in the volume of venture financing in the weeks subsequent to the COVID-19 crisis ([Howell et al., 2020](#)). However, the extent of the decline in VC investment activities is expected to be moderate relative to the previous crisis. This is because the pandemic is expected to boost earnings in technology-related sectors ([Gompers et al., 2020](#)). We show that firms that are able to adopt the remote working culture during the pandemic period are able to get VC financing as they are likely to have more growth potential.

Overall, we conclude that firms that are able to adapt to the remote working culture amidst disruptions to the conventional modes of operations obtain higher financing during the pandemic. The disparity in the financing obtained by WFH amenable firms are likely due to their higher growth opportunities and operational resilience. Consistent with the previous crises, the growth-stage firms that are amenable to WFH continue to get higher VC financing during the pandemic-induced crisis. We also find that India-dedicated VC funds, which are focused on the domestic market, increased the VC financing during this period. Interestingly, solo investments by the VC funds in WFH amenable firms are higher compared to the investments by a consortia of investors.

The rest of the paper is organised as follows. Section 2 describes the VC landscape in India, Section 3 discusses the methodology and data employed in the study and Section 4 discusses the findings of the study. Finally, in Section 5, we conclude with the insights of the study.

## **2. VC landscape in India**

The entrepreneurship culture in India has been prevalent for centuries in the form of self-employment and family-owned businesses. India is one of the countries with the highest confidence to start a business ([Veena Iyer, 2020](#)). The growth of VC financing in India can be traced back to the late 1980s when the government took measures to establish risk

capital corporations for VC investments (Verma, 1997; Wright, Lockett, & Pruthi, 2002). The impetus by the Indian government along with the World Bank's push to encourage economic liberalization in India provided a conducive environment for entrepreneurial activity (Dossani & Kenney, 2002).

In due course, the VC industry experienced substantial growth in the number and pool of funds for the investments with the formation of VC funds, which were predominantly supported by the World Bank. Eventually, the success of Indian entrepreneurs attracted foreign funds (Dossani & Kenney, 2002), which marked the 'internationalisation' of VC funds in India. The increase in the supply of VC funds in India also signals an increase in the managerial capacity in the country (Dossani & Desai, 2009). Gonzalo and Kantis (2017) show that there has been a steady increase in the amount of VC deals since 2004. They also show that the VC funds in India are mostly dominated by foreign funds.

According to the Bain & Company (2020) report, the VC industry in India evolved in three different phases in the last decade. In the first phase (2011-2015), the industry experienced rapid growth with multiple VC funds entering the industry for the first time. It was followed by the second phase (2015-2017), in which the VC investors became more cautious and focused more on high-quality investments. However, in the third phase (2017-2020), the focus of the VC industry is to renew growth. The impetus has shifted to start-ups focused on innovative sectors such as Fintech with both early-stage and late-stage deals.

Figure 1 shows the VC financing trend in India for the last two decades. The top panel of Figure 1 shows that VC financing has increased over the past years. It remains robust and is rapidly growing. The sudden increase in the VC financing over the previous 5 years could be attributed to the initiatives taken by the Indian government to boost the start-up ecosystem in India. Some of these initiatives are Startup India and Digital India which continue to improve the entrepreneurial ecosystem. As shown in the middle panel of Figure 1, the number of VC deals has also increased during this period, except in the pandemic year. The VC financing has seen a drop in 2020 (Mint, June 2020). According to Nath (2020), VC funds in Indian start-ups fell by 50% in the first quarter of 2020 due



to the uncertainty caused by the pandemic. [Panda and Gopaldaswamy \(2020\)](#) show that VC financing is generally delayed during high levels of uncertainty in the market.

However, it is important to note that the economic consequences of the pandemic may vary according to the geography, industry and investment development stage ([Mason, 2020](#)). The bottom panel of [Figure 1](#) shows that the amount of VC financing has increased in the pandemic year also. This shows the continued interest of investors in Indian startups, despite the disruptions induced by the pandemic. The lockdown imposed to reduce the spread of COVID-19 has impacted business activity across sectors. The deals in sectors such as offline retail and consumer mobility declined strongly ([Shah, December 2020](#)). The pandemic has shifted the focus of investment to segments such as edtech and Software as a Service (SaaS) where the operations can be performed remotely while maintaining social distancing. Given the prevalence of a heterogeneous mix of start-up firms in India, it offers a rich context to examine the impact of the COVID-19 pandemic on VC financing.

### 3. Methodology and Data

#### 3.1. Methodology

In this section, we describe the methodology used to study the impact of WFH amenability of firms on VC financing in the post-COVID-19 period. We use a difference-in-differences (DiD) method to study the impact of COVID-19 on VC financing decisions ([Goodman-Bacon, Marcus, et al., 2020](#)). To test the hypothesis, we employ the following equation:

$$\text{LogVCamount}_{i,t} = \beta_0 + \beta_1 X_j * \text{COVID} - 19_t + \beta_3 Y_{i,y-1} + \delta_i + \gamma_t + \alpha_{jy} + \epsilon_{it} \quad (1)$$

where *Log VC amount*, which is the dependent variable employed in our study, represents the logarithm of the total venture capital financing obtained by a firm in a month. The main explanatory variable is  $X_j \times \text{COVID-19}$  where  $X$  represents variables that capture

the industry-level amenability to WFH (described in the next section) and COVID-19 takes the value of 1 for the post-COVID-19 months and 0 otherwise. The World Health Organisation (WHO) declared COVID-19 as the pandemic on March 11, 2020. In this study, we refer to the months after March 2020 i.e. April 2020-September 2020 as post-pandemic period.  $Y$  represents a vector of yearly firm-level control variables that include age of the firm, liquidity, profitability and size of the firm represented by *Age*, *Liquidity*, *Profitability* and *Size* respectively. [Table 1](#) presents the definition of all the variables used in the study.  $\delta_i$  represents the firm fixed effects and  $\gamma_t$  captures the month fixed effects. These dummies would control for any firm-level time-invariant heterogeneity as well as any month-specific seasonality in VC financing. We also include  $Industry_j \times Year_y$  fixed effects represented by  $\alpha_{j,y}$  to control for any time-variant industry specific changes at the yearly level. Interactive fixed effects help in saturating the estimation model to control for any unobserved time-varying heterogeneity in the net demand for VC financing (see [Gormley and Matsa \(2014\)](#) for a description of interactive fixed effects). Given that we control for fixed effects at various levels of aggregation, the concerns related to omitted variables and the associated endogeneity are limited. Standard errors of all estimates are clustered at the firm-level and controls for heteroscedasticity.

We also conduct several heterogeneity tests based on subsamples. First, we conduct the baseline estimation shown in [Equation 1](#) based on firm-level heterogeneity. We subdivide the sample on the basis of firm characteristics: (1) business life-cycle of the firm and (2) profitability of firms. For the life-cycle of the firm, we divide the sample into two groups- early-stage firms and growth-stage firms. Furthermore, we classify the sample into two groups based on firms profitability- low profitability and high profitability. The firms lying below-median profitability are classified as low profitability and those lying above-median are classified as high profitability firms. We extend the heterogeneity test based on VC fund-level characteristics. The characteristics include (1) types of VC investors (India-dedicated VC funds or other types of VC funds) and (2) number of VC investors (single or multiple). Again, we divide the sample into two groups based on each of these characteristics.

### 3.2. *Data*

In our study, we employ a monthly panel consisting of 715 observations from January 2018 to September 2020. Our sample includes privately held companies in India. We use the Venture Intelligence Service (VIS) for gathering data for our study. It is one of the oldest data providers on VC funds in India (Sabarinathan, Muralidhar, & Shetty, 2017). Specifically, we use two databases maintained by VIS: Private Equity/Venture Capital (PE/VC) database and Company Financials Search (CFS) database. VC deals data is obtained from PE/VC database, which has been employed in prior studies on VC deals in India (see for instance Kumar Rai & Shaikh, 2020; Veena Iyer, 2020). We obtain a total of 1,565 VC deals for the sample period.

Next, we collect the financials of Indian private firms from the CFS database and obtain data for 35,872 firms for the above mentioned period. We match the VC deals by firms to their respective financial data, following which, we obtain 949 firm observations. After considering the availability of all the control variables, the final sample results in 715 firm-month observations with 520 unique firms.

The VC deals related variables obtained from PE/VC database include the stage of firms (early/growth), information regarding the types of VC investors- India-dedicated VC funds or other types of VC funds, and the number of VC investors participating in the funding round. The financial variables are obtained from CFS database which include *Age*, *Liquidity*, *Profitability* and *Size* of the firm. A description of these variables are shown in Table 1. We winsorize all the financial variables at 1<sup>st</sup> and 99<sup>th</sup> percentile to control for outliers in the sample.

As a proxy for WFH amenability, we employ *Teleworkable emp* and *Teleworkable wage* based on Dingel and Neiman (2020). *Teleworkable emp* represents the scores for jobs that can plausibly be performed at home. *Teleworkable wage* shows the score for the proportion of wage for the jobs that can be performed at home. These scores are calculated by Dingel and Neiman (2020) based on the survey administered by Occupational Information Network (O\*NET) database. They provide North American Industry Classification System (NAICS) code for the industries in their sample. We match these

scores to the industries in our sample based on the 2-digit NAICS code. All the firms lying in the same industry are given the same score based on [Dingel and Neiman \(2020\)](#). Further, we classify these industries as amenable to WFH based on the median scores as well. The *Teleemp med* and *Telewage med* represent dummy variable which equals 1 for the above-median scores of *Teleworkable emp* and *Teleworkable wage* respectively and 0 otherwise. We also analyse whether the IT industry, which is more amenable to WFH, is immune to shocks provided by COVID-19. *IT dummy* equals 1 for all firms operating in the IT industry according to NAICS classification and 0 otherwise.

In addition to these measures, we refer to [Koren and Petó \(2020\)](#) for the WFH amenability classification. [Koren and Petó \(2020\)](#) use the survey data from O\*NET to measure the occupation characteristics in a given industry. We use *Teamwork share* and *Customer share* based on the analysis of [Koren and Petó \(2020\)](#). *Teamwork share* is defined as the internal communication with co-workers. *Customer share* equals external communication directly with the customers. These scores are matched to the firms in our sample based on 3-digit NAICS code. We also classify these variables based on the median score. *Teamwork med* equals 1 for the above-median teamwork share scores and 0 otherwise. *Customer med* equals 1 for the above-median customer share scores and 0 otherwise. All the WFH amenability measures are obtained from the publicly available data on the Internet based on [Dingel and Neiman \(2020\)](#)<sup>2</sup> and [Koren and Petó \(2020\)](#)<sup>3</sup>.

The summary statistics of the key variables used in the study are presented in [Table 2](#). The average firm in our sample has obtained a financing of INR 13.74 crore. Our sample includes 29% of firms in the growth-stage. The firms in our sample have an average age of 4.35 years. The average size of the firms is 14.08 crore. Our sample is dominated by loss-making companies as the average profitability and 75<sup>th</sup> percentile shows -0.79 and -0.08 respectively. This is because most of the firms are in their early-stage.

As shown in [Table 2](#), our sample consists of 59% India-dedicated VC funds followed by co-investment of 26% and foreign VC funds of 15%. On an average, 49% of firms

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<sup>2</sup><https://github.com/jdingel/DingelNeiman-workathome>

<sup>3</sup><https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0239113>

are more amenable to WFH. These firms have an average wage of 47%. The sample consists of 25% of firms representing the IT industry. The median score of teamwork share is 21% and the maximum score is 50%, which means less than half of the industries require less teamwork. Customer share score shows a large difference between the median score of 21% and the maximum score of 90%, indicating that the sample is dominated by industries that require direct interaction with customers.

### 3.3. *Univariate trends of VC financing*

We show the VC financing trend in the pre-COVID-19 and post-COVID-19 period. [Figure 2](#) presents the univariate plots of VC financing during these periods. As mentioned earlier, the second and third quarter of year 2020 represent post-COVID-19 period in our study. The figure shows that the VC financing for the growth-stage firms, first declined and then eventually increased in the post-pandemic period. However, there is no reduction in VC financing for the early-stage firms. The teleworkable firms were not adversely impacted by COVID-19 as the VC amount increased for these firms during the post-COVID-19 period. One possible explanation of this increase is that these firms were able to continue their operations even with maintaining social distancing and lockdown norms. Consequently, these firms were better able to obtain VC financing.

This can also be seen in the VC financing trend of IT firms. Such firms do not experience any decline in the VC financing. On the other hand, the VC financing declined for the non-teleworkable firms and non-IT firms. From the investors' types view, the VC financing increased from the India-dedicated VC funds, whereas, it declined from the foreign VC funds and from VC funds with co-investment. India had one of the strictest lockdowns which affected the business operations adversely. As a consequence, it is likely that the foreign VC funds were reluctant to invest in Indian startups.

[Table 3](#) shows the industry-wise distribution of firms based on its WFH amenability. We use *teleemp med* for the classification of these firms. As described earlier, *teleemp med* equals 1 for the firms which have above-median score of *teleworkable emp* and 0 otherwise. In [Table 3](#), the *teleemp med* equals 0 for the non-teleworkable firms. [Table 3](#)

shows that firms in the IT industry are teleworkable as their operations can be remotely performed. The education sector has transformed into digital after the declaration of the pandemic. As a consequence, the firms in the education industry are also teleworkable. The firms in industries that require more human interaction to carry out their operations, for instance manufacturing and retail trade, are classified as non-teleworkable firms.

## 4. Findings

In this section, we report the findings based on the estimations related to [Equation 1](#) and discuss their economic impact. The baseline results that estimate the impact of WFH amenability on VC financing are shown in [Table 4](#) and [Table 5](#). In addition, the heterogeneity test based on firm characteristics are reported in [Table 6](#) and [Table 7](#). The results for heterogeneity test based on VC fund-level variables and its impact on obtaining VC financing are presented in [Table 8](#) and [Table 9](#).

### 4.1. *WFH amenability and VC financing*

[Table 4](#) presents the results of the monthly estimation for the WFH amenability analysis. We find that VC financing has significantly increased after the declaration of pandemic for the firms in industries amenable to WFH. The results show that a one-unit increase in the teleworkability in the industry results in 51.2% ( $1.83 \times 0.28$ ) increase in the VC financing for firms in that industry after the declaration of pandemic. Furthermore, a one-unit increase in the proportion of wage of teleworkable jobs results in 52.9% ( $1.96 \times 0.27$ ) increase in the VC financing in such firms in the post-pandemic period.

This increase in VC financing of teleworkable firms may be attributed to the ability to pivot using technology amidst the disruptions brought by the pandemic ([Mitta, April 2020](#)). The lockdown environment has given a strong growth motivation to such industries ([Punit, December 2020](#)). The nationwide lockdown increased the demand for teleworkable jobs and, consequently, the firms operating in such industries are likely to better obtain VC financing during the pandemic. The results of the estimates on *teleemp med* and

*telewage med* also exhibit that VC financing has increased significantly by 84.8% and 92.9% respectively for firms in teleworkable industries after the declaration of pandemic.

This finding is corroborated with the results for the estimations conducted by classifying firms into those in the IT industry and non-IT industry. The VC financing for the firms in IT industry has significantly increased by 105.5% in the post-pandemic period. It strengthens our argument that firms that are able to increase the reliance on technology to continue operations are favoured during the pandemic. Moreover, most of the jobs in this industry can be remotely performed, and hence, are likely to obtain greater amounts of VC financing in the post-COVID-19 period.

As described in the previous section, we repeat the WFH amenability analysis based on [Koren and Petó \(2020\)](#) as a robustness test (see [Table 5](#)). The results are consistent with our findings based on [Dingel and Neiman \(2020\)](#) measures of WFH amenability. The VC financing has increased by 52.8% ( $0.04 \times 12.89$ ) in the post-pandemic period for firms in the industries that require more teamwork. The internal communication, consultation and coordination between workers can be done online while maintaining social distancing, and consequently, prevents such industries from declining productivity. The results of estimation based on *Teamwork med* also supports our results.

Interestingly, our results show that VC financing has significantly declined by 33.1% ( $0.02 \times 12.74$ ) after the declaration of pandemic for firms having high *Customer share*. It means that external communication and direct interaction with customers plays an important role in determining the VC funding. As a result of lockdown restrictions and social distancing, the direct assistance and interpersonal relationship with customers may have been impacted. Consequently, the amount of VC financing for firms in such industries has declined. However, the estimation with *Customer med* is not statistically significant.

Next, we conduct heterogeneity tests for various subsamples based on firm characteristics and VC fund characteristics as described earlier in [subsection 3.1](#).

#### 4.2. *Heterogeneity test based on Firm characteristics*

Table 6 shows monthly results for heterogeneity test based on firm stage. In Table 6, the odd-numbered columns show the results for early-stage firms and even-numbered columns show the results for growth-stage firms. We use *Teleworkable emp*, *Teleworkable wage*, *Teamwork share* and *Customer share* as the WFH variables for the subsample analysis. The results presented in Table 6 indicate that the VC financing during COVID-19 increased for both the early and growth-stage firms. We find that a one-unit increase in the teleworkability in the industry results in 61.3% ( $2.19 \times 0.28$ ) and 82% ( $2.93 \times 0.28$ ) increase in the amount of VC financing for the early-stage firms and growth-stage firms respectively in the post-pandemic period.

Further, a one-unit increase in the proportion of wage of teleworkable jobs results in 63.4% ( $2.35 \times 0.27$ ) and 90.8% ( $3.37 \times 0.27$ ) increment in the VC financing for the early-stage firms and growth-stage firms respectively after the declaration of pandemic. The results of estimation based on *Teamwork share* is significant only for the early-stage firms, for which, a one-unit increase in the teamwork requirement increases the VC financing by 68.3% ( $0.05 \times 12.89$ ) in the post-pandemic period. However, the results based on *Customer share* does not have any significant impact on the early-stage firms. For the growth-stage firms, a one-unit increase in the customer interaction requirement results in 66.2% ( $0.05 \times 12.74$ ) decline in the VC financing in the post-pandemic period.

As shown in Table 6, the VC financing increased for WFH amenable firms for both early and growth-stage firms. However, the increase is larger for the growth firms. A possible explanation is that during risky times, the VC funds help their existing portfolio companies and focus their new deals on the more established growth-stage companies. They may have stricter investment criteria and less resources to deploy.

Despite the pandemic, the VC financing increased for early-stage firms as well. It is likely that the ability of such firms to pivot to the new normal is associated with increased access to VC financing. Another reason for the increase in financing for the early-stage firms is illiquidity of markets induced by the pandemic. Cumming, Fleming, and Schwienbacher (2005) show that VC funds schedule their investments according to



the liquidity conditions of the exit markets. Consequently, VC financing is increased in high-tech and early-stage firms to trade-off the pandemic induced liquidity risk against the technological risk.

The heterogeneity test results based on firm profitability subsamples are shown in [Table 7](#). The odd-numbered columns present the results for low profitability firms and the even-numbered columns present the results for high profitability firms. Our results suggest that WFH amenability during COVID-19 has no significant impact on VC financing for low profitability firms. However, for the high profitability firms, only *Teleworkable wage* and *Customer share* have a significant impact on the VC financing in the post-pandemic period. The results show that a one-unit increase in the proportion of wages of teleworkable firms results in 70.6% ( $2.62 \times 0.27$ ) increase in the VC financing of high profitability firms in the post-pandemic period. Our results also suggest that a one-unit increase in the customer interaction requirement declines the VC financing in high profitability firms by 54.7% ( $0.04 \times 12.74$ ) in the post-COVID-19 era. The results are consistent with our previous findings that direct interaction with customers plays an important role in determining VC financing.

### 4.3. *Heterogeneity test based on VC fund-level characteristics*

We repeat the subsample analysis based on VC fund-level characteristics. [Table 8](#) and [Table 9](#) show the results of the subsample estimation. First, we examine the subsamples based on the types of VC investors. We study whether home bias plays an important role in obtaining VC financing for the WFH amenable firms. [Table 8](#) shows the results based on types of VC funds- India-dedicated VC funds and other types of VC funds (foreign VC funds and co-investment). The odd-numbered columns show the results for India-dedicated VC funds and the even-numbered columns show the results for other types of VC funds. The results suggest that while the VC financing has increased for firms that are amenable to WFH, it is higher for firms obtaining funds from India-dedicated VC funds.

The results show that a one-unit increase in the teleworkability of firms backed by

India-dedicated VC funds increases the VC financing by 69.5% ( $2.48 \times 0.28$ ) in the post-pandemic period. Furthermore, a one-unit increase in the proportion of wages of jobs in teleworkable firms increases the VC financing by 77.8% ( $2.89 \times 0.27$ ) in the post-COVID-19 period. Additionally, a one-unit increase in the teamwork share results in significant increase in the VC financing in the post-pandemic period for the remote working firms supported by India-dedicated VC funds.

It is likely that the relative information advantage of India-dedicated VC funds increase their investment appetite. While the overall risk aversion of VC funds is high, the knowledge of the domestic market renders a higher risk appetite compared to foreign VC funds (Owen & Yawson, 2013). Given the risk aversion, it is likely that funds would prefer to invest more in the home country during the pandemic period. There is less information asymmetry between the India-dedicated VC funds and the startup firms as they are better aware of the prevailing situation in the country. They also have a strong network within the country that helps them to better assess the risk associated with the deals (Cabral-Cardoso, Cortez, & Lopes, 2016).

Our last heterogeneity test is based on the number of VC investors in a firm. We divide the sample into two groups- single investor and multiple investors. Table 9 shows the results of monthly estimation for the heterogeneity test based on the number of VC investors. The odd-numbered columns present the result for firms with single investor and the even-numbered columns show the results for multiple investors.

We find that VC financing during the pandemic significantly increased for both the subsamples. Our results show that a one-unit increase in the teleworkability of firms results in an increase of VC financing by 232.3% ( $8.29 \times 0.28$ ) and 70.1% ( $2.51 \times 0.28$ ) for single VC investor firms and multiple VC investors firms respectively in the post-pandemic period. The increase in wage proportion of teleworkable jobs also results in an increase in VC financing for both the subsamples. The increase in teamwork share requirement also results in an increase in VC financing by 135.3% ( $0.10 \times 12.89$ ) and 65.7% ( $0.05 \times 12.89$ ) for single VC investor firms and multiple VC investors firms respectively in the post-pandemic period. However, the increase in customer interaction requirement is

viewed positively by the single investor firms and negatively by multiple investors firms. It results in 319.7% ( $0.25 \times 12.74$ ) increase in VC funds for firms managed by single investor and 70.1% ( $0.05 \times 12.74$ ) decline in VC financing for multiple investors firms after the declaration of pandemic.

Interestingly, our results show that in the post-pandemic period, the increase in VC financing is more for firms managed by a single VC investor compared to firms managed by multiple VC investors. The results suggest that single VC investor is willing to take more risk relative to multiple VC investors for financing the WFH amenable firms during the pandemic. As discussed earlier, WFH amenable firms are likely to have high growth potential during the pandemic. Interestingly, we notice that an increase in customer interaction requirement is also viewed positively by firms with a single VC investor. On the contrary, it is viewed negatively by firms with multiple VC investors. The positive coefficient of *Customer share* for the single investor firms validates our finding that these investors are willing to take risks during the pandemic if the firms are more amenable to WFH.

#### 4.4. ***Robustness test***

We repeat the estimation shown in [Equation 1](#) at a quarterly level as a robustness test. These results are shown in the appendix. The results presented in [Table A1](#) and [Table A2](#) are also consistent with the baseline analysis. It shows that VC financing increased by 49.4% ( $1.76 \times 0.28$ ) for the WFH amenable firms in the post-pandemic period. Other variables are also consistent with the earlier results. Furthermore, we find that the increase in customer interaction requirement results in a decline in VC financing after the pandemic by 30.5% ( $0.02 \times 12.74$ ) for the quarterly analysis as well.

[Table A3](#) and [Table A4](#) show the quarterly results for the heterogeneity test based on firm stage and firm profitability respectively, as described above. The firm stage results presented in [Table A3](#) are consistent with the results based on monthly estimation. The WFH amenability of early-stage firms results in 59.7% ( $2.13 \times 0.28$ ) increase in the VC financing whereas it results in 54.3% ( $1.94 \times 0.28$ ) increase for the growth-stage firms

in the post-pandemic period. *Customer share* does not have any significant impact on VC financing for both early-stage and growth-stage firms. However, the firm profitability results reported in [Table A4](#) are not significant.

[Table A5](#) and [Table A6](#) show the quarterly results related to VC fund-level characteristics. [Table A5](#) show the results for types of VC investors. Again, our results are consistent with the findings of monthly estimation presented in [Table 8](#). It shows that VC funds significantly increased by 68.4% ( $2.44 \times 0.28$ ) for the WFH amenable firms supported by India-dedicated VC funds in the post-pandemic period. The results related to the number of investors are reported in [Table A6](#). However, these results are significant only for multiple investor firms. The results show that VC financing increased by 61.9% ( $2.21 \times 0.28$ ) for the firms with multiple VC investors in the post-pandemic period.

## 5. Conclusion

Start-up firms, which are in the early-stages of the firm life cycle, are likely to be the worst affected in the pandemic-induced economic crisis. On one hand, such firms struggle to maintain excess cash reserves as a precautionary motive given the demands on investments. On the other hand, the demand contraction would strain their existing burn rate and reduce the runway to wade through the crisis period. In our study, we examine whether start-up firms that are more amenable to work remotely are able to obtain favorable credit terms compared to firms with less amenability to WFH during the crisis period.

We find that firms that are more amenable to WFH obtain greater VC financing during the pandemic. It is likely that the ability of WFH amenable firms to continue operations remotely with minimal disruptions relative to the less amenable firms will have a lower impact on the revenues of such firms during the crisis period relative to the firms that face significant operational disruptions. Given the operational continuity of the amenable firms, VC funds are more likely to provide financing support to such firms.

Next, we find that the growth-stage firms that are amenable to WFH obtain more

VC financing relative to the early-stage firms that are amenable to WFH. This finding corroborates the earlier findings on the preference of VC funds for stabler growth-stage firms during crisis periods. While the early-stage WFH amenable firms obtain lower financing relative to the growth-stage peers, it is interesting to note that such firms also obtain higher financing in the post-COVID-19 period given the amenability to continue the operations.

Furthermore, while the WFH amenable firms have obtained greater amounts of VC financing, it is the India-dedicated VC funds that provide higher amounts of financing. It is likely that the relatively better knowledge and understanding of the domestic market give such funds more comfort in financing firms with higher growth opportunities. Interestingly, our analysis also reveals that WFH amenable firms obtain greater VC financing from a single VC investor rather than a consortium. It is likely that a single VC investor is willing to take more risk in amenable industries during the pandemic rather than coattail with other investors to diversify the risk of investments.

Our study provides insights on VC financing as a consequence of the changes in the mode of working during the pandemic. The findings draw attention to the sectors that may need support from other sources of financing to wade over the crisis given the disproportionate access obtained by firms amenable to pandemic-induced changes to business operations. It is imperative for the policymakers to provide support to the firms that are less amenable to the changes and are impacted by the drop in revenues. The support could come in the form of refinancing options, an extended moratorium on repayments, and flexibility to renegotiate contracts. Unless the support is extended to such firms, the disproportionate access to financing source by firms that are able to operate with less disruptions may create a wedge between amenable and less amenable firms and, consequently, force firms that are otherwise healthy to go out of operations.

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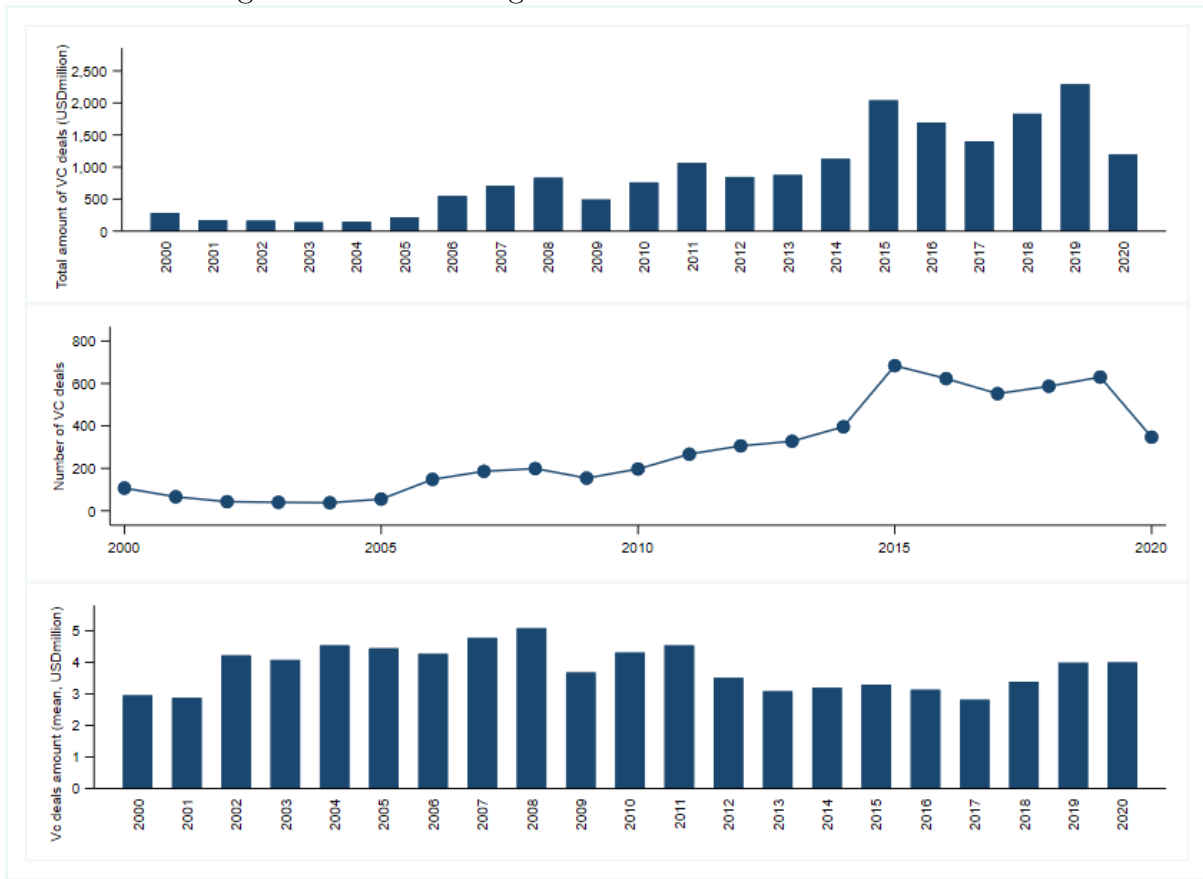
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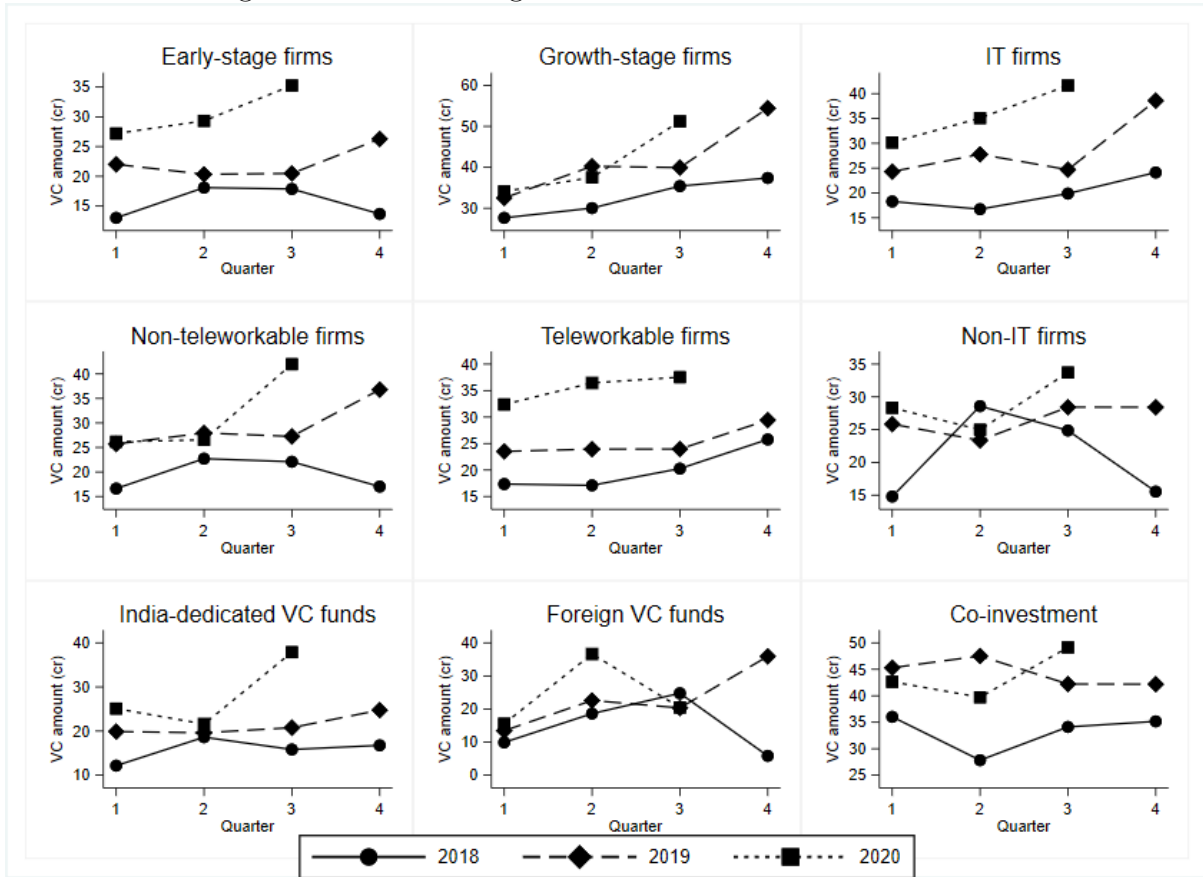


Figure 1: VC financing trend in India for last two decades



The figure shows the VC trend in India for last two decades. The top panel shows the total amount of VC deals in USD million. The middle panel shows the number of VC deals. The bottom panel shows the average amount of VC deals in USD million.

Figure 2: VC financing trend in India for last two decades



The figure shows the quarterly trend of VC amount for last three years. The Y axis for all graphs is VC amount in INR cr. The variables presented in figures are explained in [Table 1](#).

Table 1: Variable definitions and data sources

Variable	Definition and construction	Data source
Deal level variables		
<i>Log VC amount</i>	Natural logarithm of the amount of financing obtained from venture capital firms in a month	Venture Intelligence Service
<i>Stage name</i>	A dummy variable that takes the value of 1 for growth-stage firms and 0 for early-stage firms.	Venture Intelligence Service
<i>India-dedicated VC funds</i>	A dummy variable that takes the value of 1 if the VC funds are focused on India-specific investments and 0 otherwise.	Venture Intelligence Service
<i>Foreign VC funds</i>	A dummy variable that takes the value of 1 if the VC funds are focused on both domestic and foreign investments and 0 otherwise.	Venture Intelligence Service
<i>Co-investment</i>	A dummy variable that takes the value of 1 if the financing is obtained from a mix of India-dedicated and foreign VC funds and 0 if the financing is obtained from either of the India-dedicated or foreign funds exclusively.	Venture Intelligence Service
<i>Investor numbers</i>	Total number of VC investors involved in a deal.	Venture Intelligence Service
Firm-level variables		
<i>Age</i>	Age of the firm	Venture Intelligence Service
<i>Size</i>	Total assets of the firm in INR crores.	Venture Intelligence Service
<i>Profitability</i>	Earnings before interest,tax and depreciation (EBITDA) scaled by total assets	Venture Intelligence Service
<i>Liquidity</i>	Cash & Bank balance of the firm scaled by total assets	Venture Intelligence Service
Industry-level variables		
<i>Teleworkable emp</i>	An index based on industry-wise proportion of jobs that can be performed at home	Dingel and Neiman (2020)
<i>Teleemp med</i>	Equals 1 for the industries that have above median Teleworkable_emp score and 0 otherwise	Dingel and Neiman (2020)
<i>Teleworkable wage</i>	An index based on industry-wise proportion of wage for the jobs that can be performed at home	Dingel and Neiman (2020)
<i>Telewage med</i>	Equals 1 for the industries that have above median Teleworkable_wage score and 0 otherwise	Dingel and Neiman (2020)
<i>IT dummy</i>	Equals 1 for the firms in the IT industry and 0 otherwise	Based on NAICS classification
<i>Teamwork share</i>	An index based on the extent of coordinating, consulting and face to face discussion with co-workers	Koren and Pető (2020)

Continued on next page

Table 1 – *Continued from previous page*

Variables	Definition and Construction	Data Source
<i>Teamwork med</i>	Equals 1 for the industries that have above median Teamwork_share score and 0 otherwise	<a href="#">Koren and Petó (2020)</a>
<i>Customer share</i>	An index based on the extent of external communication with customers directly and maintaining interpersonal relationships	<a href="#">Koren and Petó (2020)</a>
<i>Customer med</i>	Equals 1 for the industries that have above median Customer_share score and 0 otherwise	<a href="#">Koren and Petó (2020)</a>

Table 2: Summary statistics of the key variables

Variables	N	Mean	St. Dev.	Min.	Pctl(25)	Median	Pctl(75)	Max.
Deal-level variables								
<i>Log VC amount</i>	715	2.62	1.27	-0.43	1.66	2.65	3.57	4.90
<i>Stage name</i>	715	0.28	0.45	0.00	0.00	0.00	1.00	1.00
<i>India-dedicated VC funds</i>	715	0.59	0.49	0.00	0.00	1.00	1.00	1.00
<i>Foreign VC funds</i>	715	0.15	0.35	0.00	0.00	0.00	0.000	1.00
<i>Co-investment</i>	715	0.26	0.43	0.00	0.00	0.00	1.00	1.00
<i>Investor numbers</i>	715	2.46	1.31	1.00	1.00	2.00	3.00	6.00
Firm-level variables								
<i>Age</i>	715	4.35	2.58	1.00	3.00	4.00	5.00	16.00
<i>Size</i>	715	14.08	26.12	0.01	0.78	3.42	13.92	140.80
<i>Profitability</i>	715	-0.79	1.82	-29.00	-0.85	-0.33	-0.08	4.28
<i>Liquidity</i>	715	0.32	0.31	0.00	0.05	0.20	0.53	1.00
Industry-level variables								
<i>Teleworkable emp</i>	715	0.42	0.28	0.04	0.14	0.22	0.72	0.83
<i>Teleemp med</i>	715	0.49	0.50	0.00	0.00	0.00	1.00	1.00
<i>Teleworkable wage</i>	715	0.51	0.27	0.07	0.22	0.36	0.80	0.86
<i>Telewage med</i>	715	0.47	0.49	0.00	0.00	0.00	1.00	1.00
<i>IT dummy</i>	715	0.25	0.43	0.00	0.00	0.00	1.00	1.00
<i>Teamwork share</i>	715	26.99	12.89	0.00	21.00	21.00	42.00	50.00
<i>Customer share</i>	715	21.12	12.74	0.00	15.00	21.00	27.00	90.00
<i>Teamwork med</i>	715	0.49	0.50	0.00	0.00	0.00	1.00	1.00
<i>Customer med</i>	715	0.78	0.41	0.00	1.00	1.00	1.00	1.00

Notes: The description of all variables are presented in [Table 1](#). N represents the number of observations. St.Dev. and Pct show the standard deviation and percentile respectively. Min. & Max. represents the minimum and maximum value of each variable respectively.

Table 3: Industry-wise firm distribution

Industry	Non-teleworkable firms	Teleworkable firms	Total
Accommodation and Food Services	7	0	7
Administrative and Support & Waste Management	0	3	3
Agriculture, Forestry, Fishing and Hunting	7	0	7
Arts, Entertainment, and Recreation	0	2	2
Educational Services	0	32	32
Finance and Insurance	0	29	29
Health Care and Social Assistance	0	11	11
Information Technology	0	182	182
Manufacturing	119	0	119
Other Services (except Public Administration)	0	18	18
Professional, Scientific, and Technical Services	0	57	57
Real Estate and Rental and Leasing	0	8	8
Retail Trade	218	0	218
Transportation and Warehousing	13	0	13
Utilities	0	5	5
Wholesale Trade	0	4	4
Total	364	351	715

Notes: The classification of firms is based on *teleworkable emp* (see [Table 1](#) for a description of the variable). The firms that have above median *teleworkable emp* score are classified as teleworkable and non-teleworkable otherwise.

Table 4: Monthly regression-WFH amenability and VC financing

	(1)	(2)	(3)	(4)	(5)
<i>Teleworkable emp</i> × <i>COVID-19</i>	1.830** (0.794)				
<i>Teleemp med</i> × <i>COVID-19</i>		0.848* (0.446)			
<i>Teleworkable wage</i> × <i>COVID-19</i>			1.960** (0.840)		
<i>Telewage med</i> × <i>COVID-19</i>				0.929** (0.443)	
<i>IT dummy</i> × <i>COVID-19</i>					1.055** (0.520)
<i>COVID-19</i>	-0.756 (0.490)	-0.493 (0.499)	-0.975* (0.544)	-0.509 (0.471)	-0.254 (0.433)
<i>Age</i> <sub><i>t</i>-1</sub>	0.489 (0.327)	0.373 (0.332)	0.446 (0.322)	0.363 (0.325)	0.651* (0.349)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.084 (0.383)	0.118 (0.391)	0.079 (0.382)	0.118 (0.389)	0.152 (0.403)
<i>Profitability</i> <sub><i>t</i>-1</sub>	0.012 (0.012)	0.008 (0.079)	0.012 (0.077)	0.009 (0.079)	-0.017 (0.087)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.009 (0.009)	-0.010 (0.008)	-0.009 (0.009)	-0.010 (0.008)	-0.008 (0.007)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	715	715	715	715	715
Adjusted R <sup>2</sup>	0.233	0.226	0.234	0.229	0.226

Notes: The dependent variable in all the models is log VC amount. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table 5: Monthly robustness test-WFH amenability and VC financing

	(1)	(2)	(3)	(4)
<i>Teamwork share</i> $\times$ <i>COVID-19</i>	0.041** (0.020)			
<i>Customer share</i> $\times$ <i>COVID-19</i>		-0.026* (0.013)		
<i>Teamwork med</i> $\times$ <i>COVID-19</i>			1.128*** (0.426)	
<i>Customer med</i> $\times$ <i>COVID-19</i>				-0.466 (0.633)
<i>COVID-19</i>	-1.083* (0.577)	0.571 (0.544)	-0.542 (0.438)	0.379 (0.683)
<i>Age</i> <sub><i>t</i>-1</sub>	0.668* (0.353)	0.510 (0.326)	0.710** (0.367)	0.559* (0.335)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.124 (0.387)	0.104 (0.411)	-0.005 (0.388)	0.096 (0.420)
<i>Profitability</i> <sub><i>t</i>-1</sub>	0.006 (0.079)	0.009 (0.082)	0.011 (0.077)	0.010 (0.083)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.009 (0.009)	-0.008 (0.008)	-0.009 (0.008)	-0.008 (0.008)
Firm fixed effects	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes
Observations	715	715	715	715
Adjusted R <sup>2</sup>	0.228	0.218	0.238	0.212

Notes: The dependent variable in all the models is log VC amount. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.



Table 6: Heterogeneity test based on Firm Stage

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	2.191** (0.945)	2.929* (1.647)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			2.349** (1.043)	3.366** (1.651)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.053** (0.021)	-0.019 (0.028)		
<i>Customer share</i> × <i>COVID-19</i>							-0.008 (0.026)	-0.052* (0.029)
<i>COVID-19</i>	-1.140 (0.750)	-2.808*** (0.919)	-1.415* (0.852)	-3.212*** (0.989)	-1.504* (0.839)	-1.792* (1.030)	0.151 (0.984)	-0.804 (1.253)
<i>Age</i> <sub><i>t</i>-1</sub>	-5.549** (2.339)	0.698* (0.406)	-5.132** (2.296)	0.979*** (0.310)	-7.170** (2.835)	1.568*** (0.465)	-4.334 (2.811)	1.872*** (0.440)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.416 (0.453)	-0.539 (0.607)	0.413 (0.452)	-0.581 (0.613)	0.486 (0.452)	-0.307 (0.577)	0.507 (0.493)	-0.382 (0.521)
<i>Profitability</i> <sub><i>t</i>-1</sub>	-0.032 (0.073)	1.181** (0.464)	-0.032 (0.073)	1.224*** (0.453)	-0.043 (0.076)	0.667 (0.446)	-0.058 (0.077)	0.865** (0.363)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.034 (0.026)	-0.028** (0.013)	-0.035 (0.026)	-0.029** (0.013)	-0.032 (0.027)	-0.011 (0.013)	-0.024 (0.029)	-0.015 (0.011)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	509	206	509	206	509	206	509	206
Adjusted R <sup>2</sup>	0.355	0.538	0.354	0.547	0.351	0.517	0.326	0.546

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for early-stage firms and the even numbered columns show the results for growth-stage firms. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table 7: Heterogeneity test based on Firm Profitability

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	1.015 (1.310)	2.395 (1.564)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			1.073 (1.344)	2.618* (1.635)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.027 (0.030)	0.025 (0.027)		
<i>Customer share</i> × <i>COVID-19</i>							0.005 (0.031)	-0.043** (0.021)
<i>COVID-19</i>	-0.116 (0.750)	-1.243 (0.842)	-0.236 (0.814)	-1.558* (0.972)	-0.375 (0.955)	-0.797 (0.914)	0.117 (1.233)	0.857 (0.886)
<i>Age</i> <sub><i>t</i>-1</sub>	-0.718 (0.563)	1.830*** (0.538)	-0.617 (0.472)	1.761*** (0.539)	-0.724 (0.478)	1.834*** (0.613)	-0.481 (0.363)	1.604*** (0.584)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.165 (0.685)	0.543 (0.792)	0.167 (0.684)	0.677 (0.784)	0.127 (0.666)	0.651 (0.803)	0.290 (0.730)	0.928 (0.846)
<i>Profitability</i> <sub><i>t</i>-1</sub>	-0.056 (0.091)	2.000 (1.290)	-0.056 (0.091)	1.782 (1.270)	-0.053 (0.089)	1.448 (1.258)	-0.062 (0.104)	0.960 (1.330)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.025* (0.014)	-0.015 (0.020)	-0.025* (0.014)	-0.018 (0.018)	-0.027* (0.015)	-0.025 (0.021)	-0.023* (0.013)	-0.037* (0.019)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	365	350	365	350	365	350	365	350
Adjusted R <sup>2</sup>	0.180	0.542	0.181	0.545	0.179	0.531	0.171	0.539

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for low profitability firms and the even numbered columns show the results for high profitability firms. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table 8: Heterogeneity test based on types of VC funds

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	2.484** (1.226)	2.057 (1.391)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			2.883** (1.340)	1.911 (1.417)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.066*** (0.025)	0.067 (0.065)		
<i>Customer share</i> × <i>COVID-19</i>							-0.033 (0.024)	-0.014 (0.067)
<i>COVID-19</i>	-0.955 (0.809)	-0.581 (0.975)	-1.411 (0.957)	-0.719 (1.092)	-1.843* (0.968)	-1.291 (1.186)	0.877 (0.764)	0.340 (1.341)
<i>Age</i> <sub><i>t</i>-1</sub>	2.218*** (0.553)	0.266 (0.332)	2.204*** (0.549)	0.266 (0.332)	2.267*** (0.544)	0.248 (0.334)	2.222*** (0.582)	0.275 (0.336)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	-0.051 (0.525)	0.899 (0.790)	-0.078 (0.522)	0.882 (0.792)	-0.080 (0.523)	0.953 (0.789)	-0.166 (0.559)	0.905 (0.789)
<i>Profitability</i> <sub><i>t</i>-1</sub>	-0.027 (0.091)	0.203 (0.277)	-0.028 (0.091)	0.205 (0.277)	-0.017 (0.091)	0.208 (0.282)	-0.027 (0.111)	0.209 (0.278)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.012 (0.024)	0.013 (0.011)	-0.011 (0.023)	0.012 (0.011)	-0.016 (0.023)	0.015 (0.012)	-0.018 (0.024)	0.013 (0.011)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	423	292	423	292	423	292	423	292
Adjusted R <sup>2</sup>	0.423	0.353	0.427	0.352	0.436	0.347	0.403	0.343

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for India-dedicated VC funds and the even numbered columns show the results for all other types of VC funds. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table 9: Heterogeneity test based on the number of VC investors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	8.297*** (0.750)	2.505*** (0.868)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			8.191*** (1.588)	2.650*** (0.871)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.105*** (0.017)	0.051** (0.020)		
<i>Customer share</i> × <i>COVID-19</i>							0.251*** (0.017)	-0.055** (0.027)
<i>COVID-19</i>	-3.675*** (0.395)	-1.073* (0.576)	-4.276*** (0.817)	-1.370** (0.621)	-2.038*** (0.390)	-1.375* (0.737)	-4.174*** (0.311)	1.214* (0.686)
<i>Age</i> <sub><i>t</i>-1</sub>	0.430** (0.152)	-0.625 (0.428)	0.801** (0.274)	-0.378 (0.392)	0.650** (0.246)	-0.457 (0.401)	-0.108 (0.095)	0.273 (0.451)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	1.047* (0.480)	0.482 (0.368)	2.903** (0.771)	0.474 (0.365)	2.103** (0.766)	0.611 (0.383)	-1.384** (0.357)	0.631* (0.388)
<i>Profitability</i> <sub><i>t</i>-1</sub>	2.688*** (0.119)	0.024 (0.101)	2.162*** (0.169)	0.024 (0.100)	1.841*** (0.134)	0.014 (0.104)	3.146*** (0.185)	0.044 (0.098)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.061*** (0.012)	-0.009 (0.009)	-0.058* (0.024)	-0.009 (0.009)	-0.045* (0.020)	-0.010 (0.009)	-0.027** (0.007)	-0.010 (0.009)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Month fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	216	499	216	499	216	499	216	499
Adjusted R <sup>2</sup>	0.983	0.333	0.957	0.337	0.964	0.315	0.985	0.311

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for a single investor and the even numbered columns show the results for multiple investors. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

## A. Appendix

Table A1: Quarterly regression-WFH amenability and VC financing

	(1)	(2)	(3)	(4)	(5)
<i>Teleworkable emp</i> $\times$ <i>COVID-19</i>	1.764** (0.788)				
<i>Teleemp med</i> $\times$ <i>COVID-19</i>		0.992** (0.428)			
<i>Teleworkable wage</i> $\times$ <i>COVID-19</i>			1.870** (0.834)		
<i>Telewage med</i> $\times$ <i>COVID-19</i>				0.992** (0.428)	
<i>IT dummy</i> $\times$ <i>COVID-19</i>					1.074** (0.492)
<i>COVID-19</i>	-0.678 (0.495)	-0.337 (0.429)	-0.881 (0.550)	-0.337 (0.429)	-0.198 (0.428)
<i>Age</i> <sub><i>t</i>-1</sub>	0.520** (0.266)	0.423* (0.259)	0.482* (0.262)	0.423* (0.259)	0.643** (0.289)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	-0.011 (0.372)	0.008 (0.374)	-0.014 (0.372)	0.008 (0.374)	0.063 (0.391)
<i>Profitability</i> <sub><i>t</i>-1</sub>	0.011 (0.078)	0.007 (0.079)	0.009 (0.078)	0.007 (0.079)	-0.014 (0.086)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.005 (0.009)	-0.005 (0.008)	-0.005 (0.009)	-0.005 (0.008)	-0.003 (0.007)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes
Quarter fixed effects	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	709	709	709	709	709
Adjusted R <sup>2</sup>	0.254	0.253	0.255	0.253	0.248

Notes: The dependent variable in all the models is log VC amount. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table A2: Quarterly robustness test-WFH amenability and VC financing

	(1)	(2)	(3)	(4)
<i>Teamwork share</i> × <i>COVID-19</i>	0.041** (0.018)			
<i>Customer share</i> × <i>COVID-19</i>		-0.024** (0.012)		
<i>Teamwork med</i> × <i>COVID-19</i>			1.107*** (0.412)	
<i>Customer med</i> × <i>COVID-19</i>				-0.423 (0.578)
<i>COVID-19</i>	-1.031* (0.557)	0.580 (0.523)	-0.478 (0.440)	0.397 (0.639)
<i>Age</i> <sub><i>t</i>-1</sub>	0.659** (0.283)	0.521** (0.260)	0.723** (0.308)	0.583** (0.270)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.035 (0.377)	0.023 (0.400)	-0.080 (0.378)	0.022 (0.406)
<i>Profitability</i> <sub><i>t</i>-1</sub>	0.005 (0.079)	0.003 (0.082)	0.004 (0.078)	0.006 (0.083)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.005 (0.009)	-0.003 (0.008)	-0.005 (0.008)	-0.004 (0.007)
Firm fixed effects	Yes	Yes	Yes	Yes
Quarter fixed effects	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes
Observations	709	709	709	709
Adjusted R <sup>2</sup>	0.251	0.238	0.260	0.232

Notes: The dependent variable in all the models is log VC amount. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table A3: Quarterly results for heterogeneity test based on Firm stage

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	2.132** (0.977)	1.941* (1.019)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			2.266** (1.085)	2.152** (1.001)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.048** (0.020)	-0.003 (0.028)		
<i>Customer share</i> × <i>COVID-19</i>							-0.008 (0.025)	-0.032 (0.020)
<i>COVID-19</i>	-1.077 (0.809)	-2.403*** (0.816)	-1.332 (0.918)	-2.653*** (0.862)	-1.327 (0.887)	-1.781* (0.958)	0.188 (0.913)	-1.007 (0.870)
<i>Age</i> <sub><i>t</i>-1</sub>	-4.855** (2.336)	0.556** (0.253)	-4.430** (2.282)	0.733*** (0.210)	-6.327** (2.918)	1.005*** (0.326)	-3.610 (2.855)	1.175*** (0.289)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.235 (0.417)	-0.407 (0.457)	0.234 (0.417)	-0.425 (0.447)	0.330 (0.420)	-0.295 (0.535)	0.333 (0.466)	-0.318 (0.450)
<i>Profitability</i> <sub><i>t</i>-1</sub>	-0.059 (0.067)	1.124*** (0.425)	-0.061 (0.067)	1.138*** (0.412)	-0.069 (0.068)	0.917* (0.480)	-0.072 (0.070)	0.984** (0.400)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.032 (0.026)	-0.026** (0.012)	-0.032 (0.026)	-0.026** (0.011)	-0.029 (0.028)	-0.017 (0.012)	-0.023 (0.029)	-0.018* (0.009)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quarter fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	505	204	505	204	505	204	505	204
Adjusted R <sup>2</sup>	0.395	0.541	0.394	0.546	0.388	0.524	0.364	0.540

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for early-stage firms and the even numbered columns show the results for growth-stage firms. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table A4: Quarterly results for heterogeneity test based on Firm Profitability

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	1.157 (1.235)	1.859 (1.351)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			1.208 (1.262)	1.810 (1.360)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.036 (0.027)	0.016 (0.016)		
<i>Customer share</i> × <i>COVID-19</i>							-0.014 (0.024)	-0.023 (0.016)
<i>COVID-19</i>	-0.041 (0.667)	-0.798 (0.843)	-0.168 (0.728)	-0.924 (0.934)	-0.452 (0.840)	-0.378 (0.629)	0.730 (1.039)	0.564 (0.726)
<i>Age</i> <sub><i>t</i>-1</sub>	-0.689 (0.491)	0.888*** (0.315)	-0.575 (0.398)	0.824*** (0.314)	-0.720* (0.389)	0.874** (0.352)	-0.345 (0.286)	0.742** (0.359)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	0.061 (0.605)	0.216 (0.844)	0.063 (0.605)	0.302 (0.828)	-0.008 (0.585)	0.316 (0.845)	0.173 (0.677)	0.421 (0.884)
<i>Profitability</i> <sub><i>t</i>-1</sub>	-0.022 (0.088)	2.279* (1.178)	-0.023 (0.088)	2.026* (1.204)	-0.019 (0.085)	1.821 (1.331)	-0.030 (1.000)	1.409 (1.382)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.022* (0.013)	-0.015 (0.023)	-0.022* (0.013)	-0.018 (0.022)	-0.025* (0.013)	-0.023 (0.023)	-0.020* (0.012)	-0.029 (0.023)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quarter fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	362	347	362	347	362	347	362	347
Adjusted R <sup>2</sup>	0.208	0.491	0.209	0.490	0.211	0.481	0.196	0.483

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for low profitability firms and the even numbered columns show the results for high profitability firms. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.



Table A5: Quarterly results for heterogeneity test based on type of VC investors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	2.445** (1.228)	2.549 (1.812)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			2.868** (1.369)	2.275 (1.928)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.057** (0.022)	0.101 (0.065)		
<i>Customer share</i> × <i>COVID-19</i>							-0.029 (0.019)	-0.000 (0.077)
<i>COVID-19</i>	-0.809 (0.827)	-0.536 (1.109)	-1.278 (0.985)	-0.671 (1.293)	-1.433 (0.991)	-1.728* (1.001)	0.864 (0.656)	0.229 (1.372)
<i>Age</i> <sub><i>t</i>-1</sub>	1.014*** (0.183)	0.323*** (0.102)	1.010*** (0.182)	0.323*** (0.103)	1.033*** (0.185)	0.334*** (0.107)	1.073*** (0.195)	0.329*** (0.106)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	-0.207 (0.475)	0.286 (0.902)	-0.235 (0.468)	0.286 (0.902)	-0.233 (0.477)	0.350 (0.907)	-0.257 (0.525)	0.343 (0.920)
<i>Profitability</i> <sub><i>t</i>-1</sub>	-0.060 (0.099)	0.145 (0.404)	-0.059 (0.100)	0.145 (0.404)	-0.063 (0.101)	0.129 (0.420)	-0.066 (0.112)	0.136 (0.411)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.001 (0.020)	0.017 (0.013)	-0.000 (0.020)	0.017 (0.013)	-0.004 (0.021)	0.020 (0.015)	-0.007 (0.021)	0.019 (0.014)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quarter fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	418	291	418	291	418	291	418	291
Adjusted R <sup>2</sup>	0.348	0.211	0.353	0.208	0.355	0.205	0.324	0.192

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for India-dedicated VC funds and the even numbered columns show the results for all other types of VC funds. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

Table A6: Quarterly results for heterogeneity test based on number of VC investors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Teleworkable emp</i> × <i>COVID-19</i>	4.320 (3.911)	2.212** (0.952)						
<i>Teleworkable wage</i> × <i>COVID-19</i>			1.873 (3.784)	2.331** (0.969)				
<i>Teamwork share</i> × <i>COVID-19</i>					0.029 (0.054)	0.048** (0.021)		
<i>Customer share</i> × <i>COVID-19</i>							0.127* (0.068)	-0.044* (0.025)
<i>COVID-19</i>	-1.859 (1.441)	-0.880 (0.598)	-0.910 (1.745)	-1.139* (0.660)	-0.518 (0.828)	-1.216* (0.750)	-1.948** (0.855)	1.032 (0.662)
<i>Age</i> <sub><i>t</i>-1</sub>	0.916*** (0.121)	-0.631* (0.384)	0.925*** (0.148)	-0.410 (0.327)	0.908*** (0.132)	-0.518 (0.344)	0.809*** (0.135)	0.104 (0.382)
<i>Liquidity</i> <sub><i>t</i>-1</sub>	-0.967 (1.762)	0.186 (0.386)	-0.191 (1.386)	0.180 (0.373)	-0.373 (1.688)	0.322 (0.399)	-1.205 (1.531)	0.337 (0.408)
<i>Profitability</i> <sub><i>t</i>-1</sub>	1.396* (0.762)	-0.068 (0.104)	0.892 (0.538)	-0.068 (0.104)	0.826* (0.401)	-0.073 (0.108)	1.530** (0.612)	-0.060 (0.105)
<i>Size</i> <sub><i>t</i>-1</sub>	-0.061 (0.055)	-0.003 (0.009)	-0.046 (0.056)	-0.003 (0.009)	-0.044 (0.054)	-0.003 (0.009)	-0.040 (0.041)	-0.002 (0.008)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quarter fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	212	497	212	497	212	497	212	497
Adjusted R <sup>2</sup>	0.689	0.319	0.662	0.322	0.664	0.308	0.714	0.296

Notes: The dependent variable in all the models is log VC amount. The odd numbered columns show the results for a single investor and the even numbered columns show the results for multiple investors. The description of all variables is presented in [Table 1](#). The standard errors are shown in parenthesis which are clustered at the firm level. \*\*\*, \*\*, \* denotes significance level at 1%, 5% and 10% respectively.

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