

Abstract

The thesis aims to examine the impact of introduction of Cloud Computing on Venture Capital (VC) financing in the United States. In the first part we review features of Cloud Computing and their impact on startup costs in context of VC. In this thesis we consider Amazon Web Services (AWS), introduced in 2006, a pioneer of widely accessible Cloud Computing. In the second part we quantify the cost reduction associated with utilization of AWS against owning IT infrastructure. Results show 529 fold decrease in startup costs in 3-month time frame. In the third part we analyze the impact of introduction of AWS on seed and later-stage investments in context of selected macroeconomic and technological factors. We perform analysis on a comprehensive dataset from National Venture Capital Association using Autoregressive Distributed Lag (ARDL) model to account for a change in lagged values of dependent and independent variables. Main finding of our analysis suggests that seed investments are significantly influenced by the introduction of AWS and subsequent drop in startup costs. Specifically, the decline in cost of startup induced 29.67% increase in seed investments. Further findings indicate insignificant relationship between seed investments and macroeconomic factors. Moreover, according to our results, later-stage investments show no significant relationship with introduction of AWS and associated cost reduction. The outcome of the thesis is that introduction of AWS and subsequent startup cost reduction in 2006 significantly increased seed investments but did not influence later-stage investments. Moreover, seed investments are not significantly affected by macroeconomic factors.