IJAER/July- August- 2021/Volume-10/Issue-1 ISSN: 2278-9677

International Journal of Arts & Education Research

AN ANALYSIS OF VENTURE CAPITAL INVESTMENT IN INDIA

Mr. Rahul Kumar
scholar
Department of Commerce
Malwancha University, Indore(M.P.)

Dr. Gulab Singh Parmar
supervisor
Department of Commerce
Malwancha University, Indore(M.P.)

ABSTRACT

"Limited partnerships, limited liability partnerships, and limited liability corporations, among other business forms", should be included in the definition of VCF in the SEB1. Amendments to either the Partnership Act or the Indian Companies Act will be necessary in order to give effect to the aforementioned revisions. Additionally, revisions to the SEBl's Regulations will be necessary in order to cover the new kinds of organisations that have been created.

As a result, liquidation and tax pass-through will be far easier to accomplish. It should also be broadened to include initiatives that are creative but low-tech as well as projects in the service sector, as well as projects in other sectors.

However, as long as the general economic interests of the nation are kept into consideration, the negative list, which restricts or prohibits VCls from participating in certain projects, may be retained. As soon as the SEBI approves approval for a VCF to engage in a certain project, the VCF should be eligible for any tax advantages and other concessions that are available to other investors in the project. No other authority, such as the Ministry of Finance or the Central Board of Direct Taxes, should maintain separate lists prohibiting VC£s from investing and benefiting from tax exemptions and incentives.

It is essential for VCFs to have a well-functioning financial structure in place to support their operations if they are to be successful. The overall efficacy of policy is more important than the competence of policy formulation when it comes to policy implementation.

The investor should be convinced to place their faith in the system via the implementation of confidence-building measures across the system. People who break the rules and those who spread misinformation should be dealt with harshly and without respect for their political affiliations or personal feelings.

Keywords:- , Revisions, financial and VCF etc.

INTRODUCTION

Venture capital may be characterized as a big investment in a firm that has the potential to expand significantly and provide considerable financial returns over time. Except for conditioned loans and traditional loans, equity is often delivered in the form of a loan. As a result, venture capitalists are more than just financiers; they are also risk-takers. The degree to which the company is successful determines the amount of money it will get from it. Among the most distinctive characteristics of Venture Funding are that it is designed to address the demands of businesses in which the risk of loss is fairly high due to inherent uncertainties in the industry, but where the projected profits are considerably larger than average. The businessman aspires to enter a field that has not yet been explored. As a result, the Venture Capitalist invests in a firm whose uncertainties have not yet been converted into risks. As a result, venture capital is referred to as high-risk, high-return money.

Because of its unique properties, venture capital may be separated from other kinds of funding. These features are as follows:

1) Among the most distinctive characteristics of Venture Funding is that it should be supplied mostly in the form of grants, which is necessary when the shareholder firm has been unable to issue its equity shares on its own or via other sources during the first stages of development. Consequently, risk money is supplied, which would not otherwise be accessible owing to the high level of risk associated with the enterprise.

2) even though the venture capitalist owns a portion of the stock, the venture capitalist doesn't seek to operate as the company's current owner. However, although the venture capitalist doesn't engage in the daily operations of the company, he assists and leads the management by bringing his skills, experience, and knowledge to bear on the situation. He maintains the fledgling firm until it reaches the point where it begins to generate profits.

3) The Entrepreneurial Venture Capitalist has no intention of maintaining his or her participation in the investee firm indefinitely. He plans to sell his shares as soon as the firm becomes a viable enterprise and the profits from the enterprise are as great as he anticipates. When he reaches this point, he retracts himself from the enterprise and invests the proceeds in another.

STAGES OF VENTURE CAPITAL FINANCING

Venture capital offers financing to a venture capital enterprise at various points of its life span, depending on the needs of the venture capital endeavor. These phases may be divided into two main categories: early-stage funding; and (ii) later-stage financing, respectively. Each of these phases is further split into several sub-phases.

Early Stage Financing includes: (i) Seed capital stage, (ii) Start-up stage, and (iii) Second round financing:

Seed Capital Stage: This is the first and most important step in the process of r&d. It is necessary to test the theory, idea, or procedure related to a high technological product in a lab size before it can be implemented. It is customary to test concepts created by the Research and Development departments of firms and scientific research organizations. A concept new products are carried out on the basis of the results of a laboratory experiment. Following that, the product's potential for commercial manufacturing is investigated. Only a small number of venture capital firms engage in the seed money product design stage since the perceived risk of investing is so high at this point in the process.

Start-up Stage : Venture capital financing is made accessible to initiatives that have been chosen for mass production during the start-up level of the project's development. In business, a start-up relates to the procedure of starting or initiating a new activity that may be derived from the R and D phase of a firm or institution, or it may be founded on the technological transfer from another country. It is possible that the product in question is an import alternative or an invention that has not yet been tested. However, the product must be in growing market and control a significant share of the country's marketplace.

Second Round Financing: Furthermore, after launching the product available, further cash will be required due to the fact that the firm has not yet achieved profitability and as a result, new investors will be difficult to recruit. Venture capital firms offer financing at this level, which is considered to be less hazardous than the previous two phases. At this point, financial assistance is given in the form of debt, from which they get a monthly revenue stream.

LITERATURE REVIEW

(Conference, Druid, 2006) studied Moreover, since it brings together cash and expertise, financial sector is sometimes considered to be a particularly significant source of funding for creative and entrepreneurial businesses. It is often accepted that venture capital consists of more than simply passive investment. In reality, the term private equity is often used to refer to private equity firms (VCFs) that are heavily involved in the operations of their target firms. This engagement is a means of assisting the growth of the stock corporation, which is something that is often required in the case of new, tiny businesses. Such businesses are in more need external competences to supplement their in-house capabilities, and private equity firms might well be the one external source of such talents and even a conduit to network connections.

(Andersson & Napier, 2007) the According to the findings of the research, the degree to which significant and potentially quick businesses are able to acquire sufficient financing will be essential. There are many different types of relevant investment. Late 1990s witnessed a boom in formal enterprise financial system, which resulted in the emergence of vibrant new businesses, both in excessive behavior and expensive blunders on the part of certain investors. In connection with the worldwide economic slump that began in 2001, the private capital markets saw a significant pullback that entered a phase of intense concentration. The comeback has been sluggish, and the behavior of the many actors that are involved in these exchanges has changed as a result of changes.

(Cherif & Elouaer, 2008) focussed That private equity is always a form of financing throughout the critical periods of a company's early growth, particularly in the technology sector The essential need for finance in start-up businesses stems from the investor's limited financial resources. One essential element of many beginning is really the high level of risk they face as a consequence of the large degree of uncertainty around their financial returns, the absence of significant physical assets, and also the dearth of either a history of success operations. For several new businesses, it may take years and years of poor profitability before they begin to realize profits.

(Deva, 2008) suggested It is understood that private equity is a word used to describe money that is put by an external in a tiny or failing company endeavor. Normal commercial ventures include a significant degree of risk, but they also involve a high degree of expectation of return on investment. According to standard practice, a ventured capitalist would participate in a firm over a four- to five-year term and depart after it had received its payoff. However, the overall development and seamless operation of the nation 's culture and business are dependent on the expansion and smooth operation of the equities market. ' As a result, in order to comprehend the evolution of the venture banking sector in Indian, and in every other nation for that purpose, it is important to first examine the court system and indeed the economics of the countries.

(Jain & Manna, 2009) concluded that the tremendous expansion of the property investment business in recent years has sparked questions about the sector's regulatory framework The secrecy surrounding investment company activity, research focuses, and a lack of regulatory oversight over the industry have raised concerns about the reliability of amount consumed into the industry, this same activities of venture capital firms, this same influence on the foundations of the companies, and the prospect of institutional risks arising from the processes of venture capital firms, among other things. Due to policy differences among investment firms and leveraged buyout sponsors, the conclusions of such investigation cannot be totally extrapolated to evaluate the influence of equity investment on the foundations of a company's earnings.

(Centre, 2009) stated That Private Investment is developing as a significant source of financing for businesses, particularly for the purposes of beginning a company and expanding an existing business. One entrepreneur often begins his or her firm of his or her own capital as well as cash borrowed from institutions. It is at the period of growth that they have difficulty raising financing. Small and medium-sized enterprises (SMEs) have historically relied on bank financing for growth and operating capital needs. Angel investors is a kind of equity funding for quickly expanding small and medium-sized enterprises (SMEs). Angel investors contribute funding after doing extensive due diligence on potential ventures.

(Mason, 2009) examined the fact that venture new investments are often especially in early businesses They are sometimes referred to be high-risk, greater investments because of their large returns. Capital investment is required for the growth and development of slightly earlier organizations and corporations. It is the point of the piece to identify particular structures and mechanisms for such partnerships, while taking into consideration the perspectives of donors and entrepreneurs who have mutually agreed to engage on a commercial endeavor. Ordinary common stockholders, common stock with variance voting rights (Digital tv Shares), preferred stock, equity-linked devices (including convertible debt), and marketable securities are all examples of investing, as that is to provide financial support of a money borrowed or subscriptions to semi debentures or other similar instruments.

(Centre, Leibniz, 2009) stated that capital investment is a kind of bank financing that is highly specialized Its achievement in assisting creative enterprises via the supply of financing and professional assistance, as well as the imposition of severe performance bonuses, has sparked a significant interest inside the field of research. Founders may concentrate on how much they are greatest at: technological development, thanks to the experience of venture capital firms and their extensive network of relationships with prospective suppliers and clients.

(Bushra, 2010) examined It is important to note that Risk Capital businesses are constantly inundated with company concepts, and they must conduct risk assessments on a continual basis. Concerns are expressed on both sides of the aisle in this routine risk assessment procedure. In the pool of investors, it is sometimes said that acquiring a competent ventured capitalist for something like an excellent potential idea is very tough; yet, finding an excellent prospective initiative is an extremely challenging endeavor in the angel investors business. With in field of capital investment, the fear of duplicating the Microsoft experience is still very real, which underscores the significance of striking a delicate balance other than not loosing the right work and not picking the wrong one. The necessity of pre-investment attributable cannot be overstated. From before the thorough research is a scientific review, verification, and appraisal of a proposed project that takes place before any money are invested.

RELIABILITY AND VALIDITY

RELIABILITY

The dependability of a measuring instrument is an essential characteristic of any high-quality equipment. The meaning of test reliability, different techniques of determining test reliability, variables impacting test reliability, and strategies of boosting test reliability have all been explored in the sub-unit that has been provided.

Meaning of Reliability

When it comes to the dependability of the test, the variable mistakes of measurement play a role. It is the degree to which the test is devoid of variable mistakes that is referred to as the reliability of the test. As a result, to believe is the exact definition of the term credibility. As a result, a reliable test is a test that can be relied on to be accurate. It is stated to be dependable when a test is administered frequently to the same group of students and the results of those pupils are consistent. As a result, the reliability of the test is correlated with the consistency of the results obtained. If the results of the test remain steady over time, the test is considered to be a trustworthy test. The consistency of ratings obtained by members of a group is referred to as reliability.

We may examine the definitions of dependability that follow in order to better understand what is meant by the term.

The reliability of a group of persons may be described as the correlation between two or more sets of results on comparable tests for a group of individuals, according to Stodola and Stordal.

According to Guilford, reliability is defined as the ratio of real variation in test results to the total variance.

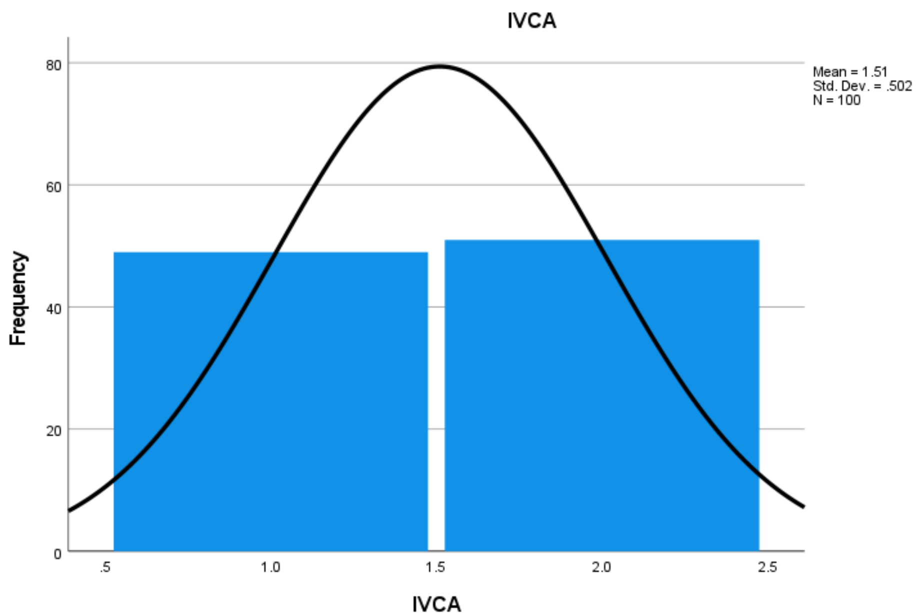
The reliability of a person's specific quality, according to Ghisli, is the measure of uneven distinction between scores obtained by regularly assessing that particular characteristic.

DATA ANALYSIS

TABLE-4.1

IVCA					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Congenial	49	49.0	49.0	49.0
	Restrictive	51	51.0	51.0	100.0
	Total	100	100.0	100.0	

GRAPH-4.1

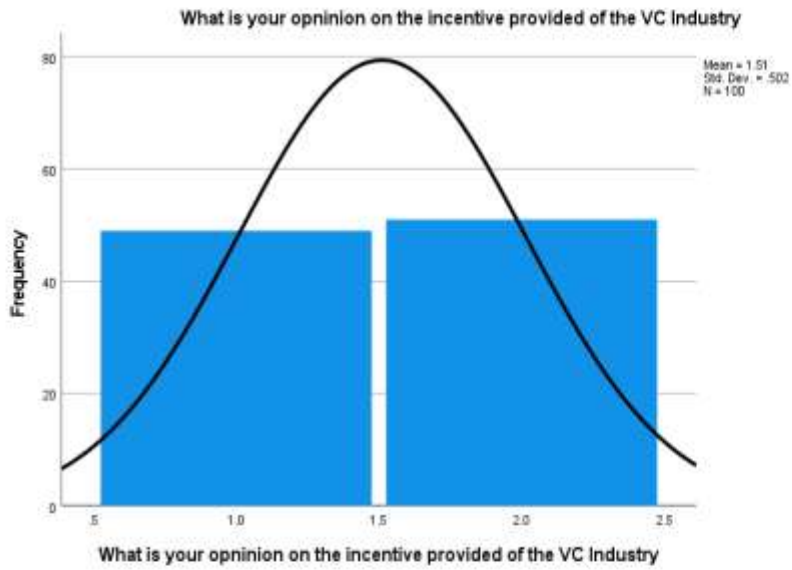


Above table includes the responses of respondent on their view on the IVCA. 49% respondents thought the IVCA is quite congenial while 51% respondents said IVCA is restrictive.

TABLE-4.2

What is your opinion on the incentive provided of the VC Industry					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Satisfactory	49	49.0	49.0	49.0
	Unsatisfactory	51	51.0	51.0	100.0
	Total	100	100.0	100.0	

GRAPH-4.2

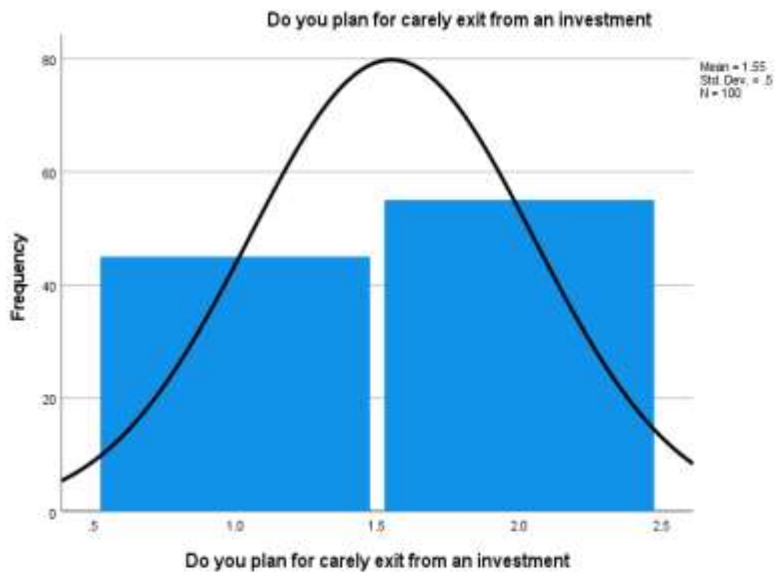


Above table includes the responses of respondent on their view on the incentive provided of the VC industry. 49% respondents said they are satisfied with the inventive while 51% respondents said that they are not really satisfied with the incentive which is provided by the VC industry.

TABLE-4.3

Do you plan for charley exit from an investment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	45.0	45.0	45.0
	No	55	55.0	55.0	100.0
	Total	100	100.0	100.0	

GRAPH-4.3



Above table includes the details of their careful ext plan from an investment. 45% respondents said that they have been carefully planned their exit from an investment while 55% respondents said that they don't make any exit plan from their investment.

CONCLUSION

A combination of primary and secondary data sources has been used in this investigation. Using a well-structured questionnaire, the essential information was acquired, and it was supplemented with information gathered via personal interviews with low-level professionals and VCC executives. But all pertinent publicly accessible information was acquired in this case. The investment activity reports of IVC A served as the major secondary source of information for the research.

The relationship between assisted units and venture capital businesses was assessed using a scale consisting of two and one-half statements. To determine the amount to which they agree or disagree with each item, the promoters/executives were asked to rank each item on a 5-point scale from "Strongly Disagree (DS)" with a weight age of 1 to "Strongly Agree (SA)" with a weight age of 5 on a 5-point scale. A negative statement is represented by the pattern being reversed, and vice versa.

MAJOR FINDINGS

The following are the most significant results of the study:

It was the Indian Framework for Regulation Risk Capital (IFCI) and seed capital that launched the country's first venture capital initiatives (IDRI). It was only a decade later, in 1983, that the National Technology Policy Statement, which encouraged the commercialisation and exploitation of inventions made in India, was developed, that the formal foundation stone for Venture Capital Financing was laid.

With the issuance of a guideline in 1988, the position of controller of capital difficulties was established in a formalised manner. A small number of VCCs/VCFs have been created by public sector financial institutions and financial institutions in the private sector.

Foreign venture capital investors were encouraged to engage in India by the government of India, and SEBI published a new set of guidelines in 199G to help the venture capital business overcome its difficulties and allow the private sector and foreign investors to participate in a meaningful manner.

REFERENCES

1. *Journal, I., & No, S. I. (2014). Examination of venture capitalists role in Indian Economy Deepak Bansal. 4(3), 18–26.*
2. *Journal, I., Viii, V., Iv, I., & No, P. (2011). The study of Venture Capital Financing Page No : 1391. VIII(2236), 1391–1398.*
3. *K.B. Chandrasekhar. (2000). Securities and Exchange Board of India Report of K.B. Chandrasekhar Committee on Venture Capital. Venture Capital, 1, 1–43.*
4. *Khosla, D. D. (2010). Analysis of Venture Capital Funding in India. SSRN Electronic Journal, August. https://doi.org/10.2139/ssrn.3672218*
5. *Kurian, K. M. (1966). Impact of Foreign Capital on Indian Economy. I(Ii), 49–53.*
6. *Lin, L. (2011). NUS Law Working Paper 2011 / 017 NUS Centre for Asian Legal Studies Working Paper 19 / 04 Venture Capital In China And India : Does Business Form Matter ? January 2014.*
7. *Lohwasser, T. S. (2010). Meta-Analyzing the Relative Performance of Venture Capital-Backed Firms. www.econstor.eu*
8. *Lyasnikov, N. V., Frolova, E. E., Mamedov, A. A., Zinkovskii, S. B., & Voikova, N. A. (2017). Venture Capital Financing as a Mechanism for Impelling Innovation Activity. European Research Studies Journal, 20(2), 111–122.*
9. *Malik, S., & Kumar, S. (2010). Determinants of Venture Capital Investments in India: A State Level*

Analysis. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.3753087

10. *Mason, C. (2009). Venture Capital. International Encyclopedia of Human Geography, 131–137. https://doi.org/10.1016/B978-008044910-4.00242-X*
11. *Muralidhar, A., & Shetty, A. (2017). Venture Capital and Private Equity Investing in India – An Exploratory Study. March, 1–33.*
12. *Nitish, M. R., Sunitha, B. K., Anchal, D. V, & Spatika, B. K. (2011). Venture capital trends in India. 5(5), 158–165.*
13. *Pandey, S. (2018). An Study of Metamorphosis of Venture Capital Financing in Indian Financial Market.*
14. *Paper, W. (2000). www.econstor.eu*