# VENTURE CAPITAL FINANCE: ONE OF THE STEP TOWARDS DEVELOPED INDIA

*An Analytical Study of Impact of Government Venture Capital Finance On Promotion of Start –Ups*

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***Abstract: Startup India is an initiative of the Government of India. The finance provided to start ups is considered as venture capital finance. Reason being high risk and uncertainty involved in it.***

***India is a developing country. Number of difficulties like educated unemployment, migration of people towards foreign country in search of high salaried jobs etc. are faced by the country which hinders the growth of the country. Many people who want to start their own business are not aware about the channels available for finance. Government is taking various steps to overcome these difficulties faced by the country. The Five Year Plans also have an objective of growth of the country. One of the step towards growth of India i.e. Developed India is providing Venture Capital Finance for promoting Start-Ups.***

***Venture Capital is the money provided by an outside investor to finance a business which involves a high risk as well as uncertainty. The venture capitalist knows that there's a significant risk associated with the company's future profits and cash flow. Venture Capitalist and entrepreneur will act as partners. Thus venture capital injects funds in the new firms as well as the skills needed to set up the firm, design for its marketing strategy, organization and management skills for the venture etc. are also provided.***

***Government of India has taken initiative for Start Ups and provides venture capital finance to start ups. In all there are thirteen government venture capital firms which includes certain state government firms too. There are three important concepts in this regard which needs attention:***

***1)Venture Capital Firms: These are fund providers.***
***2)Venture Capital Undertaking: These are startups in which venture capitalists invest their fund.***
***3)Venture Capital Fund: The money provided is called as Venture Capital Fund.***

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## I. INTRODUCTION:

**Various steps for development of India:**

Since long back Government of India has taken various steps for development of the country. The first Indian Prime Minister, Jawaharlal Nehru presented the First Five-Year Plan to the Parliament of India. The First Five-year Plan was launched in 1951 which mainly focused on development of the primary sector. Similarly, various objectives were included in the subsequent Five Year Plans for overall development of the country. Increase in Gross Domestic Product has been given first preference in all the Five-year Plans. Apart from that availability of credit and other facilities to rural sectors, development of agricultural sector, reforms in banking and insurance sector were also paid attention.

The Working Prime Minister of India Mr. Narendra Modi has introduced various schemes like, Jan Dhan Yojana, Insurance Linked Saving Accounts, Swachch Bharat, Make in India and many more such fruitful schemes for overall development of the country. One of such schemes is Start Up India.

**Start Up India:**

**Startup India** is an initiative of the Government of India. The event was inaugurated on 16 January 2016 by finance minister Arun Jaitley. Among the attendees were CEOs, startup founders and venture capitalists.

The campaign was first announced by Indian Prime Minister, Narendra Modi during his 15 August 2015 address from the Red Fort, in New Delhi. This is based on the following three pillars:

1)Simplification and Handholding.
2)Funding Support and Incentives.
3)Industry-Academia Partnership and Incubation.

Additional area of focus relating to this initiative, is to discard restrictive States Government policies, such as , Land Permissions, Foreign Investment Proposals, and Environmental Clearances. It was organized by The Department of Industrial Policy and Promotion (DIPP).

A startup defined as an entity that is headquartered in India, which was opened less than seven years ago, and has an annual turnover less than □25 crores. Under this initiative, the government has already launched the I-MADE program, to help Indian entrepreneurs build 1 million mobile app start-ups, and the MUDRA Banks scheme (Pradhan Mantri Mudra Yojana), an initiative which aims to provide micro-finance, low-interest rate loans to entrepreneurs from low socioeconomic backgrounds. Initial capital of □200 billion has been allocated for this scheme.

Key points of the Start Up India scheme:
>10,000 crore startup funding pool.
>Reduction in patent registration fees.

>Improved Bankruptcy Code, to ensure 90-day exit window.
>Freedom from mystifying inspections for first 3 years of operation.
>Freedom from Capital Gain Tax during first 3 years of operation.
>Freedom from tax for first 3 years of operation.
>Self-certification compliance.
>Create an Innovation hub, under the Atal Innovation Mission.
>To target 500,000 schools, and involve 1million children in innovation related programs.
>New schemes to provide IPR (Intellectual Property Rights) protection to startup firms.
>Encourage entrepreneurship within the country.
>Promote India across the world as a start-up hub.

GOVERNMENT'S ROLE IN THE SCHEME:

The Ministry of Human Resource Development and the Department of Science and Technology have agreed to partner in an initiative to set up over 75 such start-up support hubs in the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs), the Indian Institutes of Science Education and Research (IISERs) and National Institutes of Pharmaceutical Education and Research (NIPERs).

The Reserve Bank of India said it will take steps to help improve the ‘ease of doing business’ in the country and contribute to an ecosystem that is conducive for the growth of start-up businesses. The Government venture capital firms for Start Ups in India includes:
A) Promoted by Public Banks-
1)SBI Capital Markets Ltd(SBICAP)
2)Can bank Venture Capital Fund Ltd(CVCFL)
B) Promoted by the Central Government controlled development finance institutions–
1)IFCI Venture Capital Funds Ltd (IFCI Venture)
2)SIDBI Venture Capital Ltd(SVCL)
C) Promoted by State Government Controlled development finance Institutions –
1)Hyderabad Information Technology Venture Enterprises Ltd(HITVEL)
2)Kerala venture Capital Fund Private Ltd.
3)Gujarat Venture Finance Ltd(GVFL)
4)Punjab InfoTech venture Fund
Also includes certain privately promoted firms.

INVESTMENTS FROM VARIOUS SECTORS INCLUDING FOREIGN COUNTRIES:

Soft Bank, which is headquartered in Japan, has invested US$2 billion into Indian start-ups. The Japanese firm has pledged to investment US$10 billion. Google declared to launch a start-up, based on the highest votes in which the top three start-ups will be allowed to join the next Google Launchpad Week, and the final winner could win an amount of US$100,000 in Google cloud credits. Oracle on 12 February 2016 announced that it will establish nine incubation centers in Bengaluru, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune, Trivandrum and Vijayawada.

STATE INITIATIVES TOWARDS THE SCEME:

Kerala has initiated a government start-up policy called "Kerala IT Mission" which focusses on fetching □50 billion (US$770 million) in investments for the state's start-up ecosystem. It also founded India's first telecom incubator Start-up village in 2012.The state also matches the funding raised by its incubator from Central government with 1:1. Telangana has launched the largest incubation center in India as "T-Hub". Andhra Pradesh has allocated a 17,000-sq.ft. Technological Research and Innovation Park as a Research and Development laboratory. It has also created a fund called "Initial Innovation Fund" of □100 crores (US$15 million) for entrepreneurs. The government of Madhya Pradesh has collaborated with the Small Industries Development Bank of India (SIDBI) to create a fund of □200 crore (US$31 million). Rajasthan has also launched a "Start-up Oasis" scheme. In order to promote start-ups in Odisha, the state government organised a two-day Start-up Conclave in Bhubaneswar on November 28, 2016.

HIGHER EDUCATION ALLIANCES:

As per the "Industry-Academia Partnership and Incubation" focus of the Startup India initiative, the Union Ministry of Human Resource Development has announced plans for the development of "Research Parks" to be created in partnership with higher education providers across India. An initial investment of Rs.100 crores, has been set aside for the program, which aims to provide students with access to funds and mentorship for startups.

The Innovation in Mobile App Development Ecosystem (I-MADE) program was also rolled-out in February 2016. An initiative developed in partnership with The Department of Telecommunications (Government of India), Telecom Centers of Excellence (TCOE), EVC Ventures, and Unifyed, it aims to help Indian entrepreneurs create mobile app startups. The program is scheduled to last for 5 years, and has collaborated with 11 Indian universities.

VENTURE CAPITAL FINANCE:

Venture capital financing is a type of financing by venture capital.It is private equity capital provided as seed funding to early-stage, high-potential, growth companies (start-up companies) or more often it is after the seed funding round as a growth funding round (also referred to as series A round). It is provided in the interest of generating a return on investment through an eventual realization event such as an IPO or trade sale of the company.

To start a new start-up company or to bring a new product to the market, the venture needs to attract funding. There are several categories of financing possibilities. Smaller ventures sometimes rely on family funding, loans from friends, personal bank loans or crowd funding.

Some ventures have access to rare funding resources called angel investors. These are private investors who are using their own capital to finance a venture's need.

Angel-funded start-up companies are less likely to fail than companies that rely on other forms of initial financing. Apart from these investors, there are also venture capital firms (VC firms) who are specialized in financing new ventures against a lucrative returns. Venture capital firms may also provide expertise the venture is lacking, such as legal or marketing knowledge. This is particularly the case in the Corporate venture capital context where a startup can benefit from a corporation, for instance by capitalizing on the corporations brand name.

**Key Words:**

**Start Ups:**A startup company (startup or start-up) is an entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing a viable business model around an innovative product, service, process or a platform.

**Venture Capital Finance:** Venture capital financing is a type of financing by venture capital. Venture Capital is money provided by professionals who invest and manage young rapidly increasing companies that have the probable to develop into significant economic contributors.

**Venture Capitalist:** A venture capitalist is an investor who either provides capital to start-up ventures or supports small companies that wish to expand but do not have access to equities markets.

**Seed financing:** Seed financing is defined as a small amount that an entrepreneur receives for the purpose of being eligible for a start-up loan.

**Equity Participation Venture financing:** Equity Participation Venture financing is actual or potential equity participation through direct purchase of shares, options or convertible securities.

**Conditional Loan:** It is a type of loan repayable in the form of royalty. For venture undertakings it is repayable only after venture generates the sales.

**Five Year Plans:** It is a national governmental program of planned, coordinated, and cumulative economic and social development over a period of five years.

**Industry-Academia Partnership:** The Industry-Academia Partnership (IAP) fosters R&D and innovation by bringing together industry and university partners in pursuit of some common purpose.

**Incubation:** Incubators assist emerging ventures by providing support services and assistance in developing their business.

## II. REVIEW OF LITERATURE:

**1) Prof. Viren Chavda, (September 2014), An Overview on "Venture Capital Financing" in India, *Research Hub – International Multidisciplinary Research Journal, Volume 1, No.2*:** Venture Capital is money provided by professionals who invest in rapidly growing companies that have the potential to develop into significant economic contributors. A Venture Capitalist is an individual or a company who provides Investment Capital, Intellectual management expertise while funding and running highly innovative & prospective areas of products as well as services.

**2) Shefali Chopra (January-April 2017) Venture capital: Emerging source for funding start- ups in India, *Volume 4 (1-4),18-24*:** Venture capital is the most vibrant industry in the financial market and is an important source of equity for start-up companies. Venture capital bridges the gap where traditional funding sources cannot actively participate in funding new ventures. Venture Capital not only acts as a financing agency but also a tool and provides a mentoring platform for the growth of start-ups.

**3) Prof. B. Vijayalakshmi - Head of the department, Sri Padmavathi Mahila Viswavidyalaya, Tirupati & Dr. K. Tirumalaiah - Associate Professor, SV Colleges, Tirupati Mrs. R. Sony - Assistant Professor, SV Colleges, Tirupati, (August 2015) "A Study on Venture Capital Financing for Micro Small & Medium Enterprises (MSME) in India", *Volume 4, No. 8*:** The venture capital (VC) finance focuses on companies, which are not listed in a stock exchange. Venture capital financier has a target to bring with capital also the know- how which investor supplies to the company in a form of consulting or advising the company. The venture capital investment is based on the shareholder's agreement between investor and the company. The agreement includes of the pricing principles of the shares from the start phase to the exit stage.

**4) Aastha Chaudhary, Abhay Prakash Dubey, Venture Capital Financing (15/IMB/001 and 15/IMB/002):** Venture Capital is the money provided by an outside investor to finance a new, growing, or troubled business. Capital is invested in exchange for an equity stake in the business rather than given as a loan. Venture Capital is the most suitable option for funding a costly capital source for companies and most for businesses having large up-front capital requirements which have no other cheap alternatives.

**5) Prashant Jadhav, (2009-10) "Study of Venture Capital in India"**: The asset backed lending instruments adopted for hard core manufacturing industries are provided to be inadequate for knowledge based industries that often start with just Idea. The only way to finish such industries is through venture capital. Venture capital is instrumental in bringing about industrial development for it exploits the vast and untapped potentialities and promote the growth of the knowledge based industries worldwide. In India too it has become popular in different parts of the country. Thus the role of the venture capitalist is very crucial, different and distinguishable to the role of traditional finance as it deals with others money. In view of globalization, venture capital has turned out to be boon to both business and industry.

## III. HYPOTHESIS OF THE STUDY

$H_0$: Government venture capital finance has a positive impact on start –up India scheme for the development of India.

## IV. OBJECTIVES:

1)To understand concept of venture capital finance.
2)To study steps taken towards development of India.
3)To understand Start Up India.
4)To study role of venture capitalists.
5)To analyse the venture capital finance provided by various Government Firms.
6)To study and analyse impact of Government venture capital finance on
promotion of start –ups.

## V. RESEARCH METHODOLOGY

The research paper is based on secondary data. Various books, search engines, websites etc. were used to collect secondary data.

## VI.LIMITATIONS:

The Researchers faced certain limitations while conducting the study:
**1)** One of the major constraints was time as only few days were available for conducting the research.
**2)**Using only secondary data was another limitation of the study.

## VII. DATA ANALYSIS AND INTERPRETATION:

Venture Capital is the most suitable option for funding a costly capital source for companies and mostly for businesses having large up-front capital requirements which have no other cheap alternatives.

Venture Capital is money provided by professionals who invest and manage young rapidly growing companies that have the potential to develop into significant economic contributors. According to SEBI regulations, venture capital fund means a fund established in the form of a company or trust, which raises money through loans, donations, issue of securities or units and makes or proposes, to make investments in accordance with these regulations. The funds so collected are available for investment in potentially highly profitable enterprises at a high risk of loss.

The growth of South East Asian economies especially Hong Kong, Singapore, South Korea, Malaysia along with India has been due to the large pool of Venture Capital investment from domestic or offshore avenues. India's economic future lies in encouraging start-ups which will bring dynamism, new thinking and create jobs to the Indian economy. Venture Capitalists draw their investment funds from a pool of money raised from public as well as private capitalists. These funds are deployed collectively as equity capital (ordinary and preference shares capital) and sometimes as subordinated debt which is a semi secured investment in the company (through debenture) ranking below the secured lenders that often requires periodic repayment. Today, a venture capital deal can involve common equity, convertible preferred equity and subordinated debt in variable proportions. The Venture Capital funding varies across the different stages of growth of a firm.

The Government of India in an attempt to bring the nation at par and above the developed nations has been promoting venture capital financing to new, innovative concepts & ideas i.e. Start-ups.

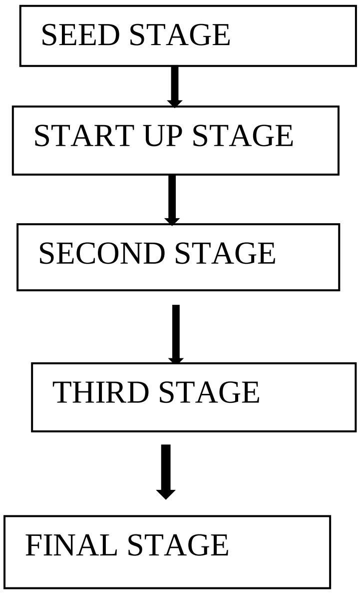
Start-ups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner.

Thus, venture capital financing is a long term, illiquid investment; which is not repayable on demand. It requires long-term investment attitude that necessitates the venture capital firms to wait for a long period, say 5-10 years, to make large profits.

In India the Venture Capital plays an important role in the development and growth of innovative entrepreneurships. Venture Capital activity in the past was possibly done by the developmental financial institutions. Funds raised from public were used as a source of Venture Capital. But it was changed with the introduction of Start-up India scheme. Various government firms also entered to provide venture capital.

**The process of venture capital financing**: The venture capital activity is a sequential process involving the following six steps:
**1)Deal origination:** Deal may originate in various ways :(i) Referral System (ii) Active search and (iii) Intermediaries.
**2)Screening:** Venture capitalist first of all undertakes preliminary scrutiny of all projects on the basis of certain broad criteria, such as technology or product, market scope, size of investment, geographical location and stage of financing. Entrepreneurs are also invited for face-to-face discussion.
**3)Evaluation:** After a proposal has passed the preliminary screening a detailed study of project profile, track record of the entrepreneur, market potential, technological feasibility, future turnover, profitability, etc. is undertaken. Venture capitalists in India also undertake thorough risk analysis of the proposal to ascertain product risk, market risk, technological and entrepreneurial risk.
**4)Deal structuring:** Once the venture is found viable, the venture capitalist negotiates the terms of the deal with the entrepreneur. Terms of the deal include amount, form and price of the investment and other relevant conditions.
**5)Post-investment activity:** The venture capitalist associates himself with the enterprise as a partner and collaborator in order to ensure that the enterprise is operating as per the plan. The venture capitalist's participation in the enterprise is generally through a representation in the Board of Directors or informal influence in improving the quality of marketing, finance and other managerial functions.
**6)Exit Plan:** The venture capitalist should make exit plan, determining precise timing of exit that would depend on a number of factors, such as nature of the venture, the extent and type of financial stake, the state of actual and potential competition, market conditions, etc. Venture capitalist may exit through IPOs, acquisition by another company, purchase of the venture capitalist's share by the promoter and purchase of the venture capitalist's share by an outsider.

**Forms of Venture capital financing-**The venture capital finance may be provided in any of the following forms:
**1)Equity Financing**: The venture capital finances up to 49% of the equity capital, so that the ownership remains with the entrepreneur.
**2)Conventional Loan**: A conventional loan is provided at lower interest rate until commercial operations. This is to be repaid as per the agreement.
**3)Conditional Loan**: It is repayable in the form of royalty after the venture is able to generate the sales and no interest is paid on such loans.
**4)Income Notes:** It combines the features of both Conventional and Conditional Loans. The entrepreneur has to pay both the interest and royalty on sales at lower rates.
**Stages of venture capital financing:** The venture finance is provided step by step at different stages of the venture. The following diagram shows the Various stages of Venture Capital Financing-




various stages of venture capital financing

These stages are explained below in detail:

**1)Seed Stage:** It is considered as the setup stage where a person or a venture approaches an angel investor or an investor in a venture capital firm for funding for their idea/product. During this stage, the person or venture has to convince the investor that the idea/product is worthwhile. The investor will investigate into the technical and the economical feasibility of the idea. Because, at this stage, the risk of losing the investment is tremendously high, on account of presence of many uncertain factors.

**2) Start Up Stage:** If the idea/product/process is qualified for further investigation and/or investment, the process will go to the second stage which is called as the start-up stage. At this stage, a business plan is presented to the venture capital firm. A management team is being formed to run the venture. If the company has a board of directors, a person from the venture capital firm will take seat at the board of directors.

While the organization is being set up, the idea/product gets its form. The prototype is being developed and fully tested. In some cases, clients are being attracted for initial sales. The venture capital firm monitors the feasibility of the product and the capability of the management-team from the board of directors.

At this stage, the risk of losing the investment starts shrinking because the nature of any uncertainty becomes clearer.

**3) Second Stage:** At this stage, it is presumed that the idea has been transformed into a product and is being produced and sold. The venture tries to get some market share from the competitors. This is one of the main goals at this stage. The venture also tries to minimize their losses in order to reach the break-even. The venture capital firm monitors the managing capability of the team which consists of how the management team manages the development process of the product and how they react to competition. At this stage, the risk decreases because the start-up is no longer developing its product, but is now concentrating on promoting and selling it.

If at this stage the management team proves their capability, the venture capital firm will probably give a go for the next stage. In case the venture is doing tremendously bad, the investor will cut the funding.

**4)Third Stage:** This stage is seen as the expansion/maturity phase of the previous stage. The venture tries to expand the market share by selling more amount of the product and having a good marketing campaign. The venture will also have to see whether it is possible to cut down their production cost or restructure the internal process. Apart from expanding, the venture also starts to investigate follow-up products and services and even how to expand the life cycle of the existing product/service.

The venture capital firm will evaluate if the management team has made the expected cost reduction or not. The new developed follow-up product will be evaluated to see if there is any potential.

At this stage, the risk to the venture capital firm of losing the investment drops down.

**5) Final Stage:** This stage is the Bridge/Pre-public Stage. This is the last stage of the venture capital financing process. The main goal of this stage is for the venture to go public so that investors can exit the venture with a profit commensurate with the risk they have taken. The venture gets opportunities, like:

1)Merger with other companies,

2)Keeping new competitors away from the market,

3)Eliminate competitors etc.

**Governments role in venture financing in India**: In the late 1990s, the Indian government became aware of the potential benefits of a healthy venture capital sector. In April 1999 it allowed banks to invest up to 5 % of their new funds annually in venture capital. Since banks controlled the bulk of discretionary financial savings in the country, there was little internally – generated capital available for venture investing. But after initiating Start Up India Scheme, Government is taking serious steps and paying attention towards the funding of the venture undertakings. Funding of venture undertaking will ultimately result in overall growth of the economy.

Venture Capital Funds(VCFs) in India are classified on the basis of the type of promoters. They are as explained below:

**A) VCFs promoted by the Central government controlled development financial institutions:**

**1)IFCI Venture Capital Funds Ltd (IFCI Venture)-** IFCI Venture Capital Funds Ltd. came into existence as a Venture Capital fund in February 2000. They have an expertise in providing corporate advisory services. These advisory services aim to provide fair, independent and informed assessment for undertaking decisions through the Investment cycle from deal identification to exit planning.

**2)SIDBI Venture Capital Ltd(SVCL**)- It has a mission of catalyzing entrepreneurship by providing capital and other strategic inputs for building growth opportunities and maximizing the returns on investment. SVCL has managed a lot of funds which includes SME Growth Fund, National Venture Fund for Software and Information Technology, Samridhi Funds and India Opportunities Fund.

**B) VCFs promoted by the state government-controlled development finance institutions:**

**1)Hyderabad Information Technology Venture Enterprises Ltd(HITVEL)-** HITVEL is the asset management company under Srei Venture Capital Limited, which is the subsidiary of Srei Infrastructure Finance Limited. HITVEL has successfully completed several early stage investments in various Information Technology companies in the country.

**2)Kerala venture Capital Fund Private Ltd-** The Kerala Venture Capital Fund Pvt. Ltd. is functioning as the asset managing company of the Kerala Venture Capital Fund. Its main function is to manage the venture capital.

**3)Gujarat Venture Finance Ltd(GVFL)-** GVFL is regarded as the pioneer of Venture Capital in India. It works as an independent, autonomous Board managed venture finance company in Gujarat. Founded at the initiative of World Bank, GVFL has encouraged and supported innovative ideas and entrepreneurs in the past. One feature which distinguishes GVFL from all other VCs is its broad spectrum support to its funded entities that ranged from governance support to strategic support. GVFL focuses on providing venture capital to technology oriented startups.

**4)Punjab InfoTech venture Fund-** The fund provides startup, growth and seed capital to startups in India. The fund invests in small and medium enterprises, primarily in the Software and Information Technology Sectors.

**C)VCFs promoted by Public Sector banks**:

**1)SBI Capital Markets Ltd(SBICAP)-** Founded in 1986, SBICAP has an aim of providing professional, credible and customer-focused investment banking services. Headquartered in Mumbai, SBICAP provides diversified financial advisory and investment banking services, innovative ideas and unparalleled execution to their clients across all stages of the business cycle. It is a wholly owned subsidiary and the Investment Banking arm of State Bank of India, which is the largest commercial bank in the country.

**2)Can bank Venture Capital Fund Ltd(CVCFL)-** Founded on 21st October, 1989, CVCFL is a wholly owned subsidiary of Canara Bank. It is a premier domestic Venture Capital Fund. CVCFL'S corpus is contributed by Financial Institutions, Insurance Companies and Public Sector Banks.

**D)VCFs promoted by the foreign banks and financial institutions:**

**1)BTS India private equity fund Ltd.-** This Switzerland based Private Equity fund specializes in buy outs, mid stage, late stage and expansion stage investments. The fund seeks to invest in manufacturing, technology enabled services, telecommunications, packaging, pharmaceuticals and life sciences, textiles, healthcare and services.

**2)Walden International Investment Group-** It focuses its investments on opportunities in early stage and expansion stage companies. The group invests in companies across Emerging Technologies, Semiconductors, Software and IT services and Internet & Digital Media sectors. It helps companies in finding business resources, talent and market beyond their domestic terrain.

**3)SEAF India Investment and Growth Fund-** The fund has invested in a diversified range of India based companies with sustainable competitive advantages and high growth potential. It primarily invests in fast growing and dynamic sectors like media and entertainment, information & technology, life sciences and healthcare etc.

**E) VCFs promoted by private sector companies and financial institutions:**

**1)Infinity Venture India Fund-** The fund seeks to invest in technology and related companies. The Fund follows a research based methodology in order to identify potential investment areas and understand emerging markets/technologies.

**2)IL & FS Trust Company Ltd(ITCL)-** It holds a Debenture Trustee license from SEBI. It is one of the largest Independent Corporate Trustees in the country which offers Fiduciary and Trusteeship services to Governments, Infrastructure and Financial Services Sector, High net worth Individuals and Families. Its clients include Financial Institutions, Governments and their agencies, Corporations and all other entities that access credit markets.

From the above analysis it is clear that Venture Capital Firms in India are providing finance to all the core sectors of economy which will ultimately result in overall development of the country. Some of the world's most influential enterprises, including Google, Intel and Apple, were financed by venture capitalists. Rapidly growing entrepreneurial enterprises are thought to be important sources of innovation, employment, and productivity growth. Thus, many governments have provided financing to entrepreneurial ventures. The public sector's commitment to venture capital is substantial, including forgone taxes, outright subsidies, preferential regulation, and public provision of investment capital. It also includes the following provisions-

1)Research Parks will be set up as per the Start-up India Action Plan
2)Setting up of Start-up Centers and Technology Business Incubators (TBIs)
3)Legal Support and Fast-tracking Patent Examination at Lower Costs
4)Tax Exemption on Capital Gains
5)Removal of Angel Tax

Relaxations for start-ups have also been provided through changes in various rules notified under Companies Act, 2013.These include the following: -

a) Allowing start-ups to issue Employee Stock Options to promoters working as employees.

b) Exemptions under section 462 granted to four classes of companies – Private companies, Government companies, Nidhis and Charitable companies, exempting such companies from various compliances and other requirements of the Companies Act, 2013. This exemption provided to private companies have reduced the compliance burden on start-ups.

Thus, Government Venture Capital may be helpful in providing certain kinds of support, including financial support to the start- ups, but may become less useful when they have actual control over business decisions. A little bit of government support appears to raise investment returns, but too much government support has the opposite effect too. Thus a modest amount of government venture capital finance will improve the performance of entrepreneurial ventures relative to ventures supported purely by private venture capitalists.

It is very clear from the above analysis that the Government of India has taken various positive steps for the boosting of Start Up India scheme. This will surely prove to be one of the important step towards Developed India.

## VIII. FINDINGS:

Above analysis shows an impact of venture capital finance. The various issues and difficulties of venture capital financing found may be explained as below:

a) It is found that Venture requires an experienced managerial team which becomes very difficult task.
b) It is inferred that there is a requirement of high rate of return on investment which is again a cumbersome task.
c)It is clear that the Payback period is normally long, which means the actual earning will be delayed.
d)It is depicted that the uncertainty regarding the success of the product in the market is another constraint.
e) It is also revealed that problems and issues regarding the infrastructure details of production like plant location, accessibility, relationship with the suppliers and creditors, transportation facilities, labour availability etc. are also to be faced by start –ups.
f) The category of potential customers regarding products and service offerings, the size of the market, major rivals and their market share etc. also needs to be paid attention for.
g) Financial considerations like return on capital employed (ROCE), cost of the project, the Internal Rate of Return (IRR) of the project, total amount of funds required, ratio of owner's investment, borrowed capital, mortgage loans etc. in the capital employed etc. are also some of the problems to be faced by the start-ups.

## IX. SUGGESTIONS:

1)A handful of people know about the principal objectives and functions of the existing venture capital funds in the country and thus backing of the media is suggested to bridge the gap between the society and the existing venture capital funds.
2)The government should strive to create a conductive business environment to ensure simplified start up processes, improve corporate governance norms, create an environment that will reduce risk and encourage more seed funds and corporate players to provide start- up funding.
3)It is suggested to have a larger amount of fiscal incentives for investment in the high-risk and perceived high technology sectors. This will encourage industries as well as venture capital agencies to search for innovative investment opportunities in high-tech area for translating ideas into ventures.
4)It is suggestable that the losses of venture capital companies may be treated as business losses and allowed to be carried forward.
5)It is recommended that an orderly and efficient mechanism must be evolved to facilitate liquidation of investments of venture capital funds.
6)Developing recognition and reward systems for venture capital undertakings, at the local, state as well as national levels is also suggested as it will bring some positive changes which will prove beneficial for the start-ups.
7)The setting up of special industrial and management consultancy departments in banks to address functional inadequacies and market gaps, as well as developing multi-dimensional skills and increasing information flows to encourage venture capital funding, will also prove to be a fruitful suggestion.
8)It is highly recommended that specialized commercial courts should be established to deal with all types of commercial disputes regarding start-ups.
9)It is strongly recommended that the government should also support and encourage the participation and management of private sector in such funds.
10)It is suggestable that the venture capital companies should work in close collaboration with the research and development institutions to identify possible ideas/areas for high-tech projects.

## X. CONCLUSION:

Venture capital helps enterprises where conventional financial agencies cannot reach. Above analysis clearly reveals that the Government of India has taken various measures to promote Start-up India by providing venture capital finance to all the core sectors of the economy. Of Course, there are still various issues and problems which needs to be solved. But the overall impact of Government Venture capital finance on promotion of Start –Ups is positive, ultimately resulting into overall development of the country.

The hypothesis of the study, **"**Government venture capital finance has a positive impact on start –up India scheme for the development of India" is thus proved and accepted.

But even then, there is a need for more Venture Capitalists providing funds and support to the start- up companies for their sustenance, and a lot of emphasis needs to be given to creation of infrastructure for mentoring start-ups. Various stakeholders including Government, corporates and funding institutions should join hands to provide better ecosystem to start- up companies.

Thus considering the high risk involved in the venture capital investments complimenting the high returns expected, one should do a thorough study of the project being considered, weighing the risk return ratio expected. An attention needs to be paid to both the Venture Capital being targeted and to the business requirements.

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