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VENTURE CAPITAL FINANCING IN INDIA

- THE FINANCIAL PERFORMANCE EVALUATION STUDY OF SELECTED COMPANIES.

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Abstract

Venture Capital is a financial intermediary which provides funds to new entrepreneurs having some innovative and new technology-based business ideas, expansion, modernization and upgradation of technology in business. Venture capital is an investment in the form of equity and debt and sometime both – straight or conditional, made in new or untried concepts, ideas promoted by a technically professionally qualified entrepreneur. Entrepreneurs may be small to medium level enterprises. The venture capitalists arrange funds from investors and invest them in various companies or in a portfolio of companies. As the projects in which a venture capitalist invests the funds are of high risk and accordingly the venture capitalist continuously monitors the business model of these projects and suggests various measures to improve profitability and return on investment from the venture.

Keywords: Need of Venture Capital, Stages of Venture Capital Investments, etc.

INTRODUCTION:

To start a business the main requirement is capital and raising capital is the toughest job for an entrepreneur. Entrepreneurs come across great difficulties in procuring capital for the newly floated enterprises as at the initial stages of business, risk is very high and the return is quite uncertain, hence common investors hesitate to invest in such companies as compared to entrepreneurs engaged in the traditional line of business who can easily procure the necessary capital from conventional capital market. To help overcome this financing obstacle the concept of venture capital came into existence in mid-fifties in USA. Similarly, venture capital industry was developed in UK, Europe, Israel and after that across the world, the emergence of venture capital industry was found.

Venture Capital is a financial intermediary which provides funds to new entrepreneurs having some innovative and new technology-based business ideas, expansion, modernization and upgradation of technology in business. Venture capital is an investment in the form of equity and debt and sometime both – straight or conditional, made in new or untried concepts, ideas promoted by a technically professionally qualified entrepreneur. Entrepreneurs may be small to medium level enterprises. The venture capitalists arrange funds from investors and invest them in various companies or in a portfolio of companies. As the projects in which a venture capitalist invests the funds are of high risk and accordingly the venture capitalist continuously monitors the business model of these projects and suggests various measures to improve profitability and return on investment from the venture.

Venture Capital is the money provided by an outside investor to finance a new, growing business. Capital is invested in exchange for equity stake in the business rather than given as loan, and the investor hopes the investment will yield a better than average return. Venture capital is an important source of funding for start-ups and other companies that have limited operating history and don't have access to capital markets.

The concept of venture capital has been evolved as a method of seed capital or start-up financing. In Practice, venture capital provides finance to budding entrepreneurs, having skills to attain their cherished goals. These new breed of entrepreneurs come forward with a new technology or idea, products or processes and approach a venture capital company for financial assistance for the implementation of their ideas. These entrepreneurs being new cannot meet the rigid requirements of the traditional financial institutions. In such cases, venture capitalists come with all kinds of resources needed e.g. financial and managerial assistance for proper implementation of these projects. Once these projects reach the stage of profitability, the venture capitalists sell their equity holding at higher price to yield maximum capital gains as a reward for taking higher risks for supplying seed capital. (T. Satyanarayana chary book pg.no.2)

The growth of venture capital in India passed through various stages. In India, the need for Venture Capital was recognized in the 7th Five Year plan and long-term fiscal policy of GOI. In 1973 a committee on Development of small and medium enterprises highlighted the need to VC as a source of funding for new entrepreneurs and technology. VC financing really started in India in 1988 with the formation of Technology Development and Information Company of India Ltd. (TDICI) - promoted by ICICI and UTI. The first private VC fund was sponsored by Credit Capital Finance Corporation (CFC) and promoted by Bank of India, Asian Development Bank and the Commonwealth Development Corporation Viz Credit Capital Venture Fund. At the same time Gujarat Venture Finance Ltd. and APIDC Venture Capital Ltd. were started by state level financial institutions. Sources of these funds were the financial institutions, foreign institutional investors or pension funds and high net-worth individuals. Venture funds in India can be classified on the basis of the type of promoters.

1. VCFs promoted by the Central Govt.- Controlled by development financial institutions such as TDICI, by ICICI, Risk Capital and Technology Finance Corporation Limited (RCTFC) by the Industrial Finance Corporation of India (IFCI) and Risk Fund by IDBI

2. VCFs promoted by the State Govt. – controlled by development finance institutions such as Andhra Pradesh Venture capital Limited (APVCL) by Andhra Pradesh State Finance Corporation (APSFC) and Gujarat Venture Finance Company Limited (GVCFL) by Gujarat Industrial Investment Corporation (GIIC)

3. VCFs promoted by Public Sector Banks such as Canfina by Canara Bank and SBI-Cap by State Bank of India, Indian Investment Fund by Grindlays Bank, Infrastructure Leasing by Central Bank of India, etc.

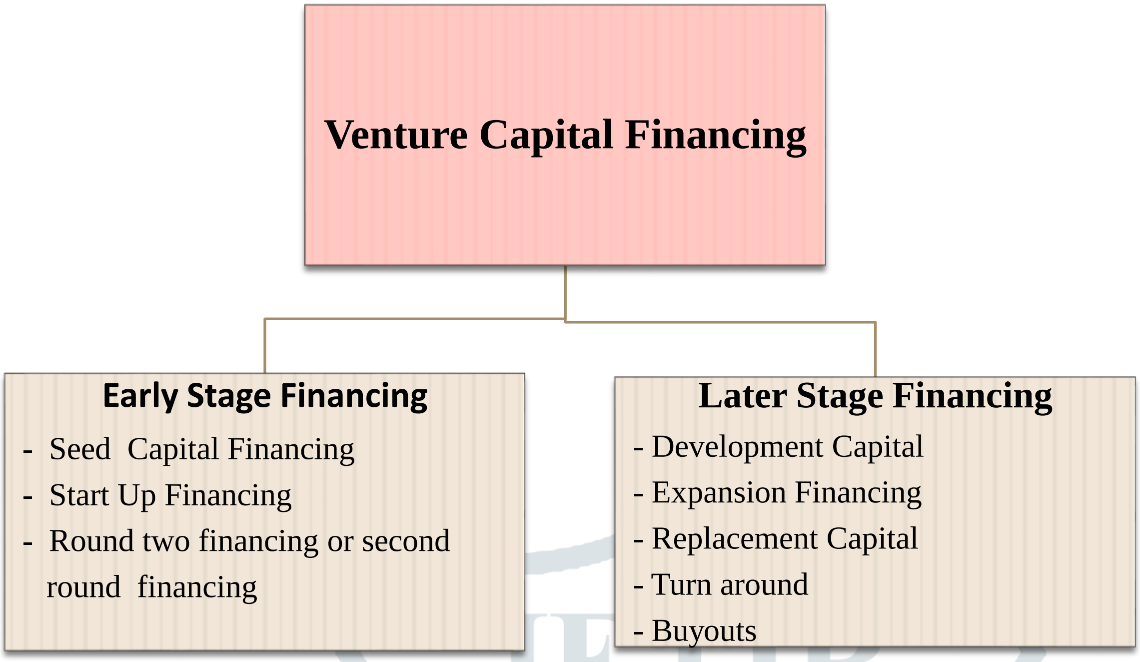
4. VCFs promoted by the foreign banks or private sector companies and financial institutions such as Indus Venture Fund, Credit Capital Venture Fund and Grindlay's Indian Development Fund.

NEED OF VENTURE CAPITAL:

Entrepreneurs are frequently thought of as national assets to be cultivated, motivated and remunerated to the greatest possible extent. Entrepreneurs can change the way we live and work. If successful, their innovations may improve our standard of living and in addition to creating wealth with their entrepreneurial ventures, they also create job opportunities and the conditions for prosperous society.

1. Entrepreneurs and many other people who come up with bright ideas but lack of capital. What these venture capitalists do is to facilitate and enable the start-up phase.
2. When there is an owner relation between the venture capital providers and receivers, their mutual interest for returns will increase the firm's motivation to increase profits.
3. Venture capitalists have invested in similar firms and projects before and therefore, have more knowledge and experience. This knowledge and experience are the outcomes of the experiments through the successes and failures from previous ventures, so they know what works and what does not, and how it works. Therefore, through venture capital involvement, a portfolio firm can initiate growth, identity problems and find recipes to overcome them.
4. Further venture capitalist along with financial assistance, they help in efficiency of business processes, opens up new business opportunities for entrepreneurs, access to further capital, enhanced visibility, helps scale up business rapidly.

STAGES OF VENTURE CAPITAL INVESTMENTS



REVIEW OF LITERATURE

Brown D. J. and Stowe C. R. B. (1991)1 have made a study on promises and performance of venture capital networks. The study revealed lack of funding as the limiting factor on venture capital networks; it was observed that because of small operating budgets, most of the venture capital networks are facing the scarcity of funds for marketing and promotion. The study was concluded with remark that, until the venture capital networks adequately funded, their high promotion will not be matched by the performance.

Keeley R. H. and Turki L. A. (1993)2 have explained the risk-return profiles of new ventures and a continuous variation of prices within a stage was found. The analysis provides evidence on the return on venture capital investments separated by stage.

Lerner J. (1994)3 in his article, entitled "Venture capitalists and the decision to go public" has made a detailed evaluation of the timing of initial public offerings and private financings by venture capitalist. He has found that the venture capital firms go public when equity valuations are high and employ private financings when the values are lower.

Lumme A et al. (1996)6 have examined the exits of business angels and found that the investors achieved a positive return on only about one-third of their investment. Investments by private individuals in unquoted companies can be profitable. They have also pointed out that the exit success of business angels was similar to that for professional venture capital funds.

Mitra and Devashis (2000)8 studied the Indian venture capital industry and its historical development in India. The researchers have also explained the sources and regulatory aspects relating to venture capital fund in India and concluded the study with a view that the growth of venture capital is restricted with many limits.

Cumming D. J. and MacIntosh J .G. (2001)9 has made a detailed study on Venture capital investment duration of Canada and the United States. The factors influencing venture capital investment duration were empirically analyzed and it was found that the investment duration in Canada and the U. S. is shorter for early stage firms.

Vinay Kumar A. (2002)10 in his article entitled "Venture capital finance in India: practices, perspectives and issues", has suggested the venture capital industry to concentrate more on early stage enterprises rather than later stage companies. He has found that the venture capital firms have opted to invest money low risk involved projects and also suggested the firms to have a special care in monitoring deal to maximize the returns.

Dossani R. and Kenney M. (2002)11 in their article entitled "Creating an environment for venture capital in India" have made an attempt to portray the status of venture capital industry in India. It was found that the industry was facing from the major constraints like policy intervention with unstable macroeconomic environment, state involvement in the use of national capital and in composition of production, etc. Despite of these constraints the industry is emerging as a result of internal and external factors.

Vinay Kumar A. and Kaura M.N. (2003)15 in their article made a detailed study on screening criteria's used by venture capital firms; which helps the firms to identify successful venture teams and assessing the attributes that distinguish the successful ventures from the unsuccessful. They have found that successful venture teams put sustained efforts on identified target market and are meticulous while attending to the details. They have also found four important variables namely ability to evaluate and react to risk, attention to details, market share and profit and these variables are highly unique to successful ventures in India.

Mishra, A.K. (2004)19 has made a detailed study on investment criteria's of venture capitalist in his article. The researcher has identified 42 evaluation criteria's and 24 investment criteria's that Indian venture capitalist consider while placing investment. It was found that the criteria's followed by Indian venture capitalist are different than other countries. The results have confirmed that the entrepreneur's personality and experience are seen primary indicators of the venture's potential.

Kirankumar Momaya and Kapil Bardeja (2005)26 investigated the need, reality and challenges of financing venture in India and found that funding for early stages such as seed and start-up is very limited. They have was also found that the quality of ideas, loose networking venture fund and low risk taking attitude of entrepreneurs are the major problems of financing ventures in India.

Darek Klonowski (2006)28 in this paper examined the venture capital as a method of financing enterprise development in Central and Eastern Europe (CEE). The researcher has observed that, the coverage of venture capital industry is weak and not well understood by individuals, businesses, and academics. It was found that the venture capital is major source of capital to developing firms in the region.

Elisabete Gomes Santana Felix, et al. (2007)30 has studied the determinants of venture capital in Europe. The researchers have tested where the unemployment rate, the trade sale divestment and the price ratio are explaining European venture capital or not. And they found that the unemployment rate and trade sale divestment important determinants of European venture capital market.

A. Amrutha Prasad Reddy (2007) Venture Capital: A study of Andhra Pradesh Industrial Development corporation venture capital limited (APIDC VCL) reviewed the origin, growth and development of venture capital in India and focused on the performance and process of APIDC VCL and also the financial performance of the portfolio enterprises and found that, since 2000 India emerged as the second largest venture capital market among ten major Asia-Pacific economies. In case of APIDC VCL, it has been investing in companies in southern and western India with main focus on the state of Andhra Pradesh. The study concludes that AIPDC VCL has excellent management team with a distinctive feature like good returns, performance managing multiple funds, etc.

Mrs. Vijaya Krishna (2010) in her thesis "Venture Capital in India- Emerging Trends and Challenges" focused on emerging trends in the sectors and regions in India attracting venture capital investments, the areas in which venture capitalists support and mentor their portfolio firms and also the problems faced by them. The study reveals that venture capital investments in India have grown over a period of time, venture capitalists in India support their portfolio firms by offering added services such as managerial support, finding human resources, implementing corporate governance measures and also mentor entrepreneurs who approach them for funding by sharpening their business proposal.

M. Haritha et.al. (2012), in paper "Role of Venture Capital in Indian Economy" suggested that high performing manufacturers can build their market position by prioritizing investments in strategic initiatives that support and strengthen their core differentiation. Our framework identifies the innovative and distinctive capabilities that organizations must build to differentiate them from the competition: smart shop floor, market-driven innovation infrastructure, data-based decision making and responsive relationships.

Srinivas K T (2013) in his article "Venture Capital Investments in India" studied the investments of SEBI registered venture capital funds and foreign venture capital funds in India. The study reveals that apart from China, no other country has as high as an economic growth rate as India. There are several fiscally feasible advantages offered to domestic and foreign venture capitalist, in spite of this the growth of venture capital industry is slow compared to some advanced countries like USA and UK, because of multiplicity of regulations, tax policy, IPO Norms, lack of flexibility in investment ceiling, etc. The study concludes that most of the domestic funds are invested in real estate sector whereas foreign funds in Information Technology and communication sectors other sectors being ignored, in order to get balanced regional development, government should take appropriate measures for the growth of venture capital industry to attract good investments for different sectors of the economy.

Srinivas K T (2013) in his thesis "Performance of Venture Capital in Karnataka focused on the origin, development, functioning, regulatory mechanism, the criteria adopted to finance new generation entrepreneurs and industry wise investments made by venture capital firms in Karnataka. The study concludes that the growth of venture capital fund witnessed a phenomenal trend as there were only two venture capital companies in 1998 whereas in 2008 it has increased to fourteen. Over a period of one decade more than a dozen companies started its operation and investments in IT and ITES and BSFI enjoys a major share i.e. almost 1/4th of the total investments of venture capital investments in Karnataka. The study also reveals that venture capitalists consider some criteria before lending the fund, such as entrepreneur honesty and integrity, long term vision, high tech product, urge to grow, high growth rate, etc.

Pallavi Rani et. al. (2013) in their Research Paper, "Venture Capital: Growth and Obstacles in India focused on the process, types, present status, problems and also discussed the measure for the growth for venture capital financing in India. According to their findings venture capitalists have developed various tools in order to optimize their financing arrangements. The Authors suggested that research and development activities, Fiscal Incentives, Promotion Efforts, better education and training to the venture capital managers are some of the elements needed for the more success of venture capital in India. According to their findings venture capitalists have developed various tools in order to optimize their financing arrangements.

Srinivas K T (2013) in his paper "A Study of Venture Capitalist's Funding in different sectors of Karnataka" reviewed Venture Capital Funding and sector wise venture capital funding in Karnataka. The Author also made an effort to find out which sectors are receiving highest funding and offered suggestions based on the findings of the study. The researcher from his study found that the services sector which are knowledge intensive in nature like BFSI, IT and ITES, Media and entertainment, Health Care, etc. are attracting highest fund of venture capital in the state of Karnataka. The Author after using appropriate statistical tools draws a conclusion that sectors have a strong influence for Venture Capital Funding. At the last of his study, the researcher suggests that venture capitalists should also focus on others sectors to achieve balanced regional development in all sectors of the economy.

Vallala Veera Kumar (2014) in his thesis "Venture Capital and Entrepreneurship Development in Andhra Pradesh – A Case Study of AIPDC – Venture Capital Limited" highlighted the concept of venture capital and entrepreneurship and reviewed the state of global and Indian venture capital industry. The study also covers the contribution of APIDC venture capital in promotion of entrepreneurs in Andhra Pradesh and found that entrepreneurship is the dynamic process of creating incremental wealth and the venture capital is the key to it, as it promotes technocrat entrepreneurs having new and innovative business proposals. The study also reveals that most of the investee companies of APIDCVCL have not faced any difficulty such as delays in disbursement, extending managerial services, other problems in getting finance and are at an expansion stage which shows the contribution of APIDC VCL in promotion of entrepreneurs in Andhra Pradesh.

Dr. Jaya Manglani (2014) in the article "Venture Capital Financing & Innovative Skills of Indian Entrepreneurs" explained the concept, evolution, growth and exit strategies of Venture Capital Financing in India. The researcher also focussed on the impact of venture capital in Entrepreneurship projects in India and found that the venture capital industry had shown a good progress in terms of participation as an investment and number of deals.

Prof. Viren Chavda (2014) in his article "An Overview on "Venture Capital Financing" in India" discussed procedure of Venture Capital Financing. He also highlighted Venture capital funding. The focus of the paper was to find key issues and problems in venture capital funding. The author suggests that there is an urgent need for encouragement of venture capital in India, as this will widen the industrial base of high-tech industries and promote the growth of technology.

Pallavi Rani & Dr. Hitesh Katyal (2015) in their article "Venture Capital in India: Sector-wise Analysis" compared the important industrial sectors on the basis of venture capital investment, number of deals and number of companies and found that in India venture capitalists are biased as 68% of the total investment is made in technology companies where as investment made in healthcare and education accounting is 9.0% and 7.0% of the total investment respectively. The authors also discussed the status of venture capital in India in 2013 and found that there was a fall of about 18 percent in respect of no. of deals compared to 2012.

Poonam Sood (2015) in her article "Benefits of venture capital in Modern Era" studied the meaning, objectives, methods, strategies, financing stages, structure of venture capital and the types and roles of venture capitalists. Venture Capital is one of the riskiest investment as it is invested in new and untired projects. Seed funding, start up, growth, expansion and exit are the various stages of venture capital funding. Venture Capitalists usually takes active management roles and board seat in the investee companies and also provide managerial and technical expertise for the growth of investee companies whenever required.

Jayeeta Paul (2015) in the research article"An Insight of Venture Capital Financing in India", highlighted the emergence, evolution and future prospects of venture capital financing in India. The study views that presence of creativity, the economic environment with the opportunity for creation of high technology, the existence of liquid share market to meet the demand of the small and medium entrepreneurs and other factors are essential for venture capital to succeed in developing countries like India. The study concludes that, the present scenario in India is such that many investments of venture capitalists remain on paper due to absence of other means of exit. Thus, it calls for making of appropriate changes in the existing system, making it easier for the venture capitalists to realise their investments after holding on to them for a certain period of time.

Prof. B Vijayalakshmi et. al. (2015) in their article "A study on Venture Capital Financing for Micro, Small and Medium Enterprises (MSME's) in India" discussed the notion of venture capital in MSME's in India. They studied the development, benefits, policies, steps and methods of venture capital financing in India. The core benefits of venture capital are that it provides long term equity finance for solid capital base which helps in future growth. The venture capitalist is treated as a partner and shares risk and returns. The venture capitalists provide practical advice, assistance and a network of contacts that adds value to the company. They pointed out that there is a need of strategic approach to venture capital finance in India. Secondly, the need analyzing management team of high technology firms was highlighted. The Authors proposed a theoretical model which combines the elements of strategy performance model and venture capital finance.

P. Sivakami (2016) in his Doctoral Research "A study on the growth and investment pattern of venture capital financing in India" focused on the trends, patterns working and problems faced by the venture capital financing in India and found that for 2 years 1999-2000 and 2000-2001 there was a very high growth in venture capital investments mainly due to boom in the IT sector but declined thereafter due to the general slowdown in the global economy. Investments were largely made in manufacturing companies particularly in industrial products in the early period, but after 1999-2000 above 60% of the investments made in IT sector due to tremendous growth in this sector. Most venture capitalists prefer equity form of investments as Indian investors prefer to be owners than lenders to an institution.

Nilesh Pawar & Gauri Jamdar (2016) in their study "A Descriptive Study of Venture Capital as a Source of Finance" reviewed venture capital as a source of funding and pointed out the need of venture capital for start up's in India. They also focused on the development, current scenario, financing mechanism and methods of venture capital. The study also covers the rules and regulations formulated by SEBI for venture capital investments. The study concludes that, as there are different sectors of economy which requires large investments and traditional mechanism of financing does not take high risk, venture capital is the better option for risk taking entrepreneurs with new ideas and the requirement of unsecured loans can be fulfilled with the help of venture capital as a source of finance and also the increasing share of venture capital financing and start-ups proofs the growth of venture capital.

Kishan Kumar Shetty (2017) in his study "A comparative study on impact of venture capital financing on startups in India" discussed the venture capital activities in India and have also done the comparative analysis of venture capital financing of India with China and USA. The researcher found that though the Indian Venture Capital sector performance is relatively less when compared to USA and China, it is one of the most attractive markets for venture capital investments as there is a substantial growth and rapid investment momentum mainly in the consumer technology. The Author suggests that venture capital industry can be more successful and flourish in India with the help of research and development, better fiscal initiatives and adequate training and motivation to the entrepreneurs.

Syed Samiullah Shah Hussaini (2017) in his research paper "Trends of Indian Venture Capital & Private Equity Firms – A study, highlighted the fund focus of venture capital and private equity for investments in India The study also reveals that Real Estate and Infrastructure Sectors is attracting more VC/PE investments compared to other sectors of economy and found that there is a decline in VC/PE investments in India in the year 2016 compared to 2015 both in terms value and volume i.e., amount invested and no. of deals respectively.

Shefali Chopra (2017) in her research paper "Venture Capital: Emerging Source for funding start-ups in India" highlighted the difficulties faced start-ups in getting funds and the role of venture capital in funding start-ups in India and found that only four start-up companies have received a funding above US$50 Mn during the year which shows the difficulty in getting funds by start-ups. On the other hand, venture capital is playing a major role in developing entrepreneurship in India, as it helps enterprises where conventional financial agencies cannot reach.

Dr. Mamta Jain & Ms. Purva Ranu Jain (2017) in their article "Venture Capital: Global and Indian Perspective"**,** highlighted the worldwide scenario of venture capital industry with special emphasis on India. The paper concludes that there are major challenges and hurdles faced by the venture capitalists in India like cumbersome regulations and legal procedures, entrepreneurs conservative approach to business and unwillingness to accept failures, and other where as many countries have recently adopted new policies to support the provision of seed and venture capital, they suggest that greater efforts are needed in many countries as well as in India to remove such challenges and obstacles to experimented on and risk taking in the economy.

G. Sabrinathan (2017) in paper "Venture Capital and Private Equity Investing in India – An Exploratory Study" concluded that the venture capital industry has grown in terms of breadth, depth as well as sophistication in fund management practices. VC has the capacity to support enterprises across a range of sectors that have the potential and promise by providing funding across their various stages of development. Venture capital industry has evolved into being a source of growth financing for innovative and technology led businesses. The analysis also revealed that the market for managing VC funds is highly competitive with fairly high rates of entry and exit of fund management entities.

Bhanatu Venkateshwara Rao et.al. (2017) in their article "Venture Capital Investments in India – A Bird View" reviewed the concept of venture capital and its importance. They also focused on venture capital inves222tments by region and domestic and foreign venture capital funds recent trends in sector wise investments. The study concludes that the south region accounts more investment made by both domestic and foreign investors, where as in case of sector wise investments foreign venture capital funds are showing increasing trend and domestic venture capital fund is showing decreasing trend. Finally, study suggests that an ideal environment should be created and administered as venture capital has a greater role to play in the post liberalisation era.

Herciu Mihaela (2017) in the research paper "Financing Small Businesses: from Venture Capital to Crowdfunding" examines the financing opportunities for start-ups or SMEs by describing the venture capital cycle, the relationship between the entrepreneurs and investors and the accessibility of good funding. The study concludes that without a real growing potential and good business plan not all ideas become successful businesses and not all successful businesses becomes unicorns or have a great exit by IPO or M&A. On the other hand, companies that are poised for sustainable exist in the business world, like google, Facebook, WhatsApp, etc.

Becsky-Nagy Patricia et.al. (2017) in their research paper "returns of private equity-comparative analyses of the returns of venture capital and buyout funds in Europe and in the US" focused on the return characteristics of venture capital and buyout funds in Europe and US. They found that both Europe and US have higher average returns in buyouts than venture capital funds. They compared the European and US markets for venture capital returns and concluded that US returns are higher than Europe. Similarly, a comparison of buyouts showed that there is no significant difference in returns of the two private equity forms. Another comparison of two asset classes showed that buyouts are more preferable according to average risk return trade-off, whereas venture capital funds have higher risks and higher returns, so are less preferable.

Deepak Bansal (2017) in his thesis "venture capital financing and its impact on Indian Economy on select sectors" had examined the present status of venture capital in India after liberalisation and also focused on financing procedures and instruments used by the venture capital firms and to identify the problems and obstacles related with venture financing in India. The study revealed that the venture capital has an impact on growth of ventures, they finance, as newly set up companies that use venture capital experience improved growth. According to the findings of the study, the venture capital firms have invested more in seed stage, start-up stage and first stage which is a good to encourage young entrepreneurs with innovative ideas and the most preferred sectors of investment by the venture capitalists was IT sector followed by logistics, consumer durables and media.

RESEARCH GAP:

Most of the studies are based on concept, theoretical framework and regulations of venture capital financing and few studies were based on problems and prospects, role of venture capital funding development of small and medium enterprises, sources of finance for venture capital fund, managerial practices of venture capital and sector-wise investment of Venture capital funds and also performance evaluation of units/firms which were assisted by venture capital funds. A very few studies were based on performance evaluation of venture capital funds i.e. Gujarat Venture Capital Fund Limited, APIDCVCL (Andhra Pradesh Industrial Development Corporation Venture Capital Limited) promoted by respective state governments. There is a need to study the growth and performance evaluation of Venture Capital funds in India. Present study made an attempt to know the performance evaluation of Venture capital companies promoted by the central government and public sector banks which are operating throughout the country.

NEED OF THE STUDY:

Now-a- days business models has been changed from conventional business to online or Application based businesses. Therefore, huge investment is required for digitalization, modernization, up gradation of technology in the business. Venture Capital and private equity as new financial instruments emerged in the nineteenth Century to promote new and innovative business proposals which can lead to high economic growth. The role of venture capital finance and private equity is quite different and distinguishable from the traditional type of finance, as a venture capital and private equity not only participate in the capital but also in themanagement.

As per the estimates provided by the Indian Private Equity and Venture capital Association (IVCA), Over USD 150 billion has been invested in the market by PE/VC funds during the past 15 years thereby making our industry an extremely important source of long term and large investments in Indian Companies. So, there is a need to evaluate the performance of venture capital organizations and private equity firms in the development and promotion of business ventures of various entrepreneurs who came from the first generation and technocrats having sound knowledge and creativity.

OBJECTIVES OF THE STUDY:

1. To know the growth of Venture Capital Financing in India.
2. To understand the profile of selected Venture Capital Financing companies.
3. To review the growth trends of selected Venture Capital financing companies.
4. To evaluate the financial performance with regard to liquidity, profitability, solvency and turnover positions of the Venture Capital Financing Companies under the study.

HYPOTHESIS:

1. **Ho1-** There is no significant difference in growth trends of selected Venture Capital Financing Companies (VCFC).
2. **Ho2-** There is no significant difference in performance of select Venture Capital Financing companies

STUDY PERIOD:

5 years financial statements of selected companies for the study (2016-17 - 2020-21).

SCOPE OF THE STUDY:

The present study throws the light on the performance of selected Venture Capital Financing Companies viz.. IFCI Venture Capital Funds Limited, SBI Capital Markets Ltd. (SBICAP) and Canbank Venture Capital fund Limited. The performance is to be evaluated on the basis their Liquidity, Profitability, fund position and operational efficiency.

LIMITATIONS OF THE STUDY:

The study has the following limitations

1. It is due to financial constraints that the study was limited to only 4 select venture capital companies in India.
2. The findings of case analysis cannot be generalized to other venture capital funds.
3. This study is based on the published data
4. Financial information related to the venture capital institutions under the study will be rounded off to the nearest crores of rupees which have led to minor variations in the ratios.

RESEARCH METHODOLOGY: The study is exclusively based on secondary data since the study is in descriptive and analytical in its nature. The secondary data will be collected from the financial statements of Venture Capital Financial Companies selected for the study. Further it will also be collected by means of Journals, Magazines, books, Websites etc.

COMPANIES SELECTED FOR STUDY:

1. IFCI Venture Capital Funds Limited
2. SBI Capital Markets Ltd. (SBICAP)
3. Canbank Venture Capital fund Limited.

RATIONALE FOR SELECTION OF VENTURE CAPITAL COMPANIES:

There are 30 Public area Financial Institutions working in the field of Venture capital financing in India at as of now. Out of these 30 Public area Venture capital financing organizations, 3 funding financing organizations are chosen for study. IFCI Venture Capital Funds Limited both the organizations are advanced by Central Government and constrained by the Developmental Financial Institutions and other 2 Venture Capital organizations are SBI Cap Ventures Limited and Canbank Venture Capital Fund Limited both the organizations advanced by open area banks, State Bank of India and Canara Bank. Since, these three organizations are worked in Venture Capital Financing and all are public areas or Government undertaking organizations and working for an extensive stretch of time which makes important examination conceivable. The leftover Venture industrialist is either privately owned businesses or unfamiliar organizations.

PERFORMANCE INDICATORS

1. Total Income
2. Revenue from operations
3. Other Incomes
4. Operating profit
5. Reserve and Surplus
6. Profit after Tax
7. Net worth
8. Total Assets
9. Earnings per Share
10. Dividend per Share.

DATA ANALYSIS TECHNIQUES: The data will be analyzed by using the following analytical techniques:

1. Tabular Analysis
2. Trend Percentages
3. Ratio Analysis
4. ANOVA

CHAPTERIZATION:

1. Introduction, Review of the Literature & Research Design
2. Growth and Development of Venture Capital Industry in India
3. Profile of the Selected Companies
4. Analysis of Growth Trends of select companies
5. Financial performance evaluation
6. Findings, suggestions and conclusion.

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