

A STUDY ON IMPACT OF IT IN VENTURE CAPITAL SECTOR WITH SPECIAL REFERENCE TO WOMEN INVESTORS IN COIMBATORE DISTRICT

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ABSTRACT

Venture capital is long-term risk capital to finance high technology project which involve higher risk investors and, in accepting these risks, they desire a higher return on their investment. The venture capitalist manages the risk/reward ratio by only investing in businesses which fit their investment criteria and after having completed extensive due diligence. Venture capitalists have differing operating approaches. These differences may relate to location of the business, the size of the investment, the stage of the company, industry specialization, structure of the investment and involvement of the venture capitalists in the companies activities.

Keywords: Intellectual property, private equity, Quality and Depth of management, mergers and acquisitions

1.1 Introduction

Venture capital is a broad subcategory of private equity that refers to equity investments made, typically in less mature companies, for the launch, early development, or expansion of a business. Venture investment is most often found in the application of new technology, new marketing concepts and new products that have yet to be proven. Venture capitalists look for companies with superior products or services targeted at large, fast growing or untapped markets with a defensible strategic position such as intellectual property or patents, Quality and Depth of Management. Venture capitalists must be confident that the firm has the quality and depth in the management team to achieve its aspirations. Venture capitalists seldom seek managerial control; rather they want to add value to the investment where they have particular skills including fund raising, mergers and acquisitions, international marketing, product development, and networks.

1.2 Growth of venture capital

Venture capital has rapidly ascended as a major source of start-up financing in the last twenty years. This column summarizes research that takes an in-depth look at firms financed by venture capital. Such financing significantly increases firms' chances of survival in their early years and speeds their investment and growth. The venture capital (VC) industry has been growing at a very fast pace for the last twenty years. In 1980 the total amount of money newly invested by venture capitalists in the US was estimated at \$610 million. By 20015 this had increased to around \$42.6 billion.

1.3 Statement of the Problem

Venture capital has rapidly ascended as a major source of start-up financing in the last twenty years. This column summarizes research that takes an in-depth look at firms financed by venture capital. Such financing significantly increases firms' chances of survival in their early years and speeds their investment and growth. The venture capital (VC) industry has been growing at a very fast pace for the last twenty years. In 1980 the total amount of money newly invested by venture capitalists in the US was estimated at \$610 million. By 2005 this had increased to around \$22.6 billion

1.4 Objectives of the Study

- To study High Growth in Technology and Knowledge based Industries (KBI)
- To check the KBI growing fast and mostly global, less affected by domestic issues.
- To study the emerging centers of innovation
- Ability to build market leading companies in India that serve both global and domestic markets.

1.5 Scope of the Study

Venture capital is a broad subcategory of private equity that refers to equity investments made, typically in less mature companies, for the launch, early development, or expansion of a business. Venture investment is most often found in the application of new technology, new marketing concepts and new products that have yet to be proven. Venture capitalists look for companies with superior products or services targeted at large, fast growing or untapped markets with a defensible strategic position such as intellectual property or patents, quality and depth of management.

1.6 Research Methodology

The researcher has to used interview schedule method to gather the information for the study Research methodology is a way to systematically solve the research problem. It may be understood as a

science of studying how research is done scientifically. In we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them

Sampling

Sampling may be defined as the selection of some part of an aggregate or totality on the basis of which a convenience about the aggregate or totality is made. In other words, it is the process of obtaining information about an entire population by examining only a part of it. The task of data collection begins after a research problem has been defined and research design. The researcher has taken primary data from the women investors for the study with 120 respondents.

Tools for analysis:

1. Percentage analysis
2. Chi-square analysis

Chi-square analysis

The Chi- square test is one of the simplest and most wickedly used non-parametric tests in statistical work. The quantity χ^2 describes the magnitude at the discrepancy between theory and observation.

Chi – square test

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

O = Observed Frequency

E = Expected Frequency

In generated expected frequency for any cell can be calculated from the following equation.

$$E = \frac{RT * CT}{N}$$

1.7 LIMITATION OF THE STUDY

- Venture capitalists invest in firms with ideas and no immediate revenues that require large initial investments.
- The firms born with no commercial revenues disproportionately financed by venture capital
- In fact, over 50% of new firms in the latter part of our sample which received VC financing were started without any commercial revenues
- There were chances of biased answers from the respondents.

1.8 Venture Capital in India

India is flushed with investment commitments from the giants of technology. Microsoft, Cisco, IBM, SAP, Intel, and AMD have each committed over a billion to further develop their India presence. Yahoo has

started investing in Consumer Internet startups, the first of which was announced recently (Bharatmatrimony.com), playing the corporate venture capital game. Together, the committed capital chasing India is abundant. Business Week writes cover stories on how the new billion dollar companies will emerge from India. Some have, already. Infosys, Wipro, TCS. No doubt, the lure of India for VCs is legitimate. The natural instinct for Indian entrepreneurs is to build outsourcing services companies. BPO Software Development. Chip Design.

The next step for VCs, the most recent wave, has been Consumer Internet and Mobile offerings. India's growing mass of connected consumer population is the target wallet. Travel, Matrimonial, Jobs, Games, Mobile Payments are all segments getting substantial capital infusion.. The engineering required in building these sites is marginal, marketing being the big differentiator. But it will still not consume the available capital. Those who understand the subtleties of these dynamics have started diversifying their portfolios with Retail, Bio Tech, and Real Estate.

Impact of venture capital in IT sector

Venture capital/private equity (VC/PE) funds are investing in India in multiple sectors through countries such as Mauritius, Cyprus, Cayman Islands, and Singapore. However, they face the challenge of achieving the targeted return of investments (ROI) due to skepticism of Indian Tax Authorities about their operations, in spite of double taxation avoidance agreement treaties which India has entered with various countries, including Singapore, Cyprus, and Mauritius. In addition, location of servers and communication management system within the VC/PE firms and their India administrative offices play a key role for tax related purposes. To ensure ROIs are not affected by tax-related issues, VC/PE firms need to put in place an effective communication management system and select the right server location. In addition, VC/PE firms can achieve operational efficiency through the deployment of IT solutions, and ensuring security of data in the host country.

Data Marts

VC/PE firms employing data marts can benefit in data monitoring, compliance reporting, investment management, and due diligence.

Digital Dash boards

Executives pressed with the challenge of monitoring business Performance in real time can benefit from digital dashboards

Knowledge Management (KM) Tools

Executives can leverage the existing organizational information and can effectively manage the ever increasing amount of data through KM tools.

Mobile-Enabled Tools

With more and more workers spending more time away from their desks, mobile-enabled devices can assist VC/PE firms to keep employees informed, responsive, and constantly connected.

Effective Communication Management

For faster communication with employees, firms rely on e-mails. Successful e-mail management is the key to effective communication management.

IT Security

As part of IT security, VC/PE firms need to put in place data governance Plan, which includes designing a security policy and deployment of IT security systems.

SI's Role

VC/PE firms are typically small in size, and lack a large IT function. SIs can fulfill the IT needs of such firms—from IT advisory to assisting them in improving features of their product offerings in India.

1.9 DATA ANALYSIS AND INTERPRETATION

TABLE No. 1.1
MONTHLY INCOME AND REASON FOR INVESTMENT
CHI-SQUARE TEST

The table shows the analysis of the relationship between Monthly Income and Reason for Investment in Venture Capital

Monthly Income / Reason for Investment	Up to Rs.10,000	Rs.10,001 – Rs.20000	Rs.20,001 – Rs.30000	Above Rs.30001	Total
Company Name	4	5	8	7	24
Convenience	5	6	9	6	26
Proper Returns	7	8	14	9	38
Technical Formalities	6	7	11	8	32
Total	22	26	42	30	120

(Source: Primary Data)

Null Hypothesis

H₀: There is no significance relationship between Monthly Income and Reason for Investment in Venture Capital.

Alternative Hypothesis

H₁: There is a significance relationship between Monthly Income and Reason for Investment in Venture Capital.

TABLE No. 1.2
CALCULATION OF CHI- SQUARE VALUE

Particular	Observed Frequency	Expected Frequency	(O-E) ²	(O-E) ² /E
R ₁ C ₁	4	4.4	0.16	0.036
R ₁ C ₂	5	5.2	0.04	0.007
R ₁ C ₃	8	8.4	0.16	0.019
R ₁ C ₄	6	6	0	0
R ₂ C ₁	5	4.76	0.057	0.012
R ₂ C ₂	6	5.63	0.136	0.024
R ₂ C ₃	9	9.1	0.01	0.001
R ₂ C ₄	6	6.5	0.25	0.038
R ₃ C ₁	7	6.96	0.001	0.002
R ₃ C ₂	8	8.23	0.052	0.006
R ₃ C ₃	13	13.3	0.09	0.006
R ₃ C ₄	9	9.5	0.25	0.026
R ₄ C ₁	6	5.86	0.019	0.003
R ₄ C ₂	7	6.93	0.004	0.007
R ₄ C ₃	11	11.2	0.04	0.003
R ₄ C ₄	8	8	0	0
Calculated value				0.19

Degree of freedom : (r-1) (c-1) (4-1) (4-1) = 9

Level of Significance : 5%

Table value : 16.919

Calculated value : 0.199

RESULT

Since the calculated value is less than the table value, we accept the null hypothesis. There is relationship between Monthly Income and Reason for Investment in Venture Capital.

Family Monthly Income and Interval for Investment in Venture Capital.

The table shows the relationship between Family Monthly Income and interval do the respondents investment in Venture Capital.

**TABLE No. 1.2
CORRELATION**

X	Y	X²	Y²	XY
22	29	484	841	638
26	58	676	3364	1508
42	21	1764	441	882
30	12	900	144	360
$\sum X = 120$	$\sum Y = 120$	$\sum X^2 = 3824$	$\sum Y^2 = 4790$	$\sum XY = 3388$

$$r = \frac{\sum XY}{\sqrt{(\sum X^2)(\sum Y^2)}}$$

$$r = \frac{3388}{\sqrt{3824(4790)}}$$

$$r = \frac{3388}{4279} \quad r = 0.79$$

Result

This is a positive correlation. Hence as per the Family Monthly Income the respondents invest in venture capital with intervals.

1.10 FINDINGS, SUGGESTIONS AND CONCLUSION

Findings

1. Due to is enriched scope more employment scatters in this field.
2. Most of the investors are investing in IT field because of high return
3. Majority of the foreign investment are taken with higher quality deal

Suggestions

- Firms face challenges in extraction and transformations. Hence they can move with easy channels for mobilizing funds
- Loading of data from transactional and external systems into the data marts is quite difficult. Hence multi threading concepts can be implemented for easy access
- Integrating different file types with word processing documents and spreadsheets helps the IT sector to report on time. Hence they can avoid hard softwares for the companies.

Conclusion

Venture capital firms require a successful e-mail management as part of an effective Communication management strategy using for Effective communication style. IT securities prevent costly data breaches helps to governance plan includes designing a security policy and deployment of security systems. Security Investment can assist in designing, advisory solution and mechanism and processes to ensure that VC firms and their Indian investments are complying with the law of the land through central auditing of documents, which are IT automated compliance calendar and reporting.

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