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AN ECONOMIC ANALYSIS OF VENTURE INVESTMENT DECISIONS IN INDIA AND THEIR IMPACT ON INFLATION

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ABSTRACT
The growth of venture capital in India has pursued a progressive succession of occasions. Venture capital financing was received at the occurrence of the focal government and government – supported organizations. The requirement for venture capital financing was first featured in 1972 by the Committee on Development of little and medium entrepreneurs under the chairmanship of R.S. Bhatt (famously known as the Bhatt Committee) which caused to notice the issues of new entrepreneurs and technologists in setting up industries. Venture capital is long haul stable capital gave to beginning time, high-potential, and growth new businesses. Venture capital assets for the most part put resources into novel and adaptable innovation or plans of action in innovation industries, for example, programming building, buyer web, biotechnology and different industries. Venture capital assets as a rule require confirmation of idea preceding their speculation. Venture capital assets bring area information and skill.

KEYWORD: Growth, Government, Capital Financing, Programming, Speculation, Information

INTRODUCTION

Organizations that have a large number of speculators are considered free venture capital associations. It makes its possession of many financial experts weaker. These experts in finance serve as the main source of capital funding. These organizations are arranged by the parent organizations in captive venture capital associations, and the essential organizations supply the assets. Semi-hostage groups are established by a single corporation, but other financial experts provide a sizable portion of the funds. Three subgroups of private value—Informal Venture Capital, Formal Venture Capital, and Other Private Value—can be found in figure 1.1. When wealthy individuals invest in venture capital firms, this is known as casual venture capital, and these financial experts are referred to as the holy messengers of business. Formal venture capital involves a business pooling cash from various investors to invest in venture firms. This firm works with a vast network of business messengers who are blessed. Generally speaking, when business-inclined messengers invest their own money in venture enterprises,

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they are throwing away their early years. The business economy benefits greatly from these fortunate messengers for business.

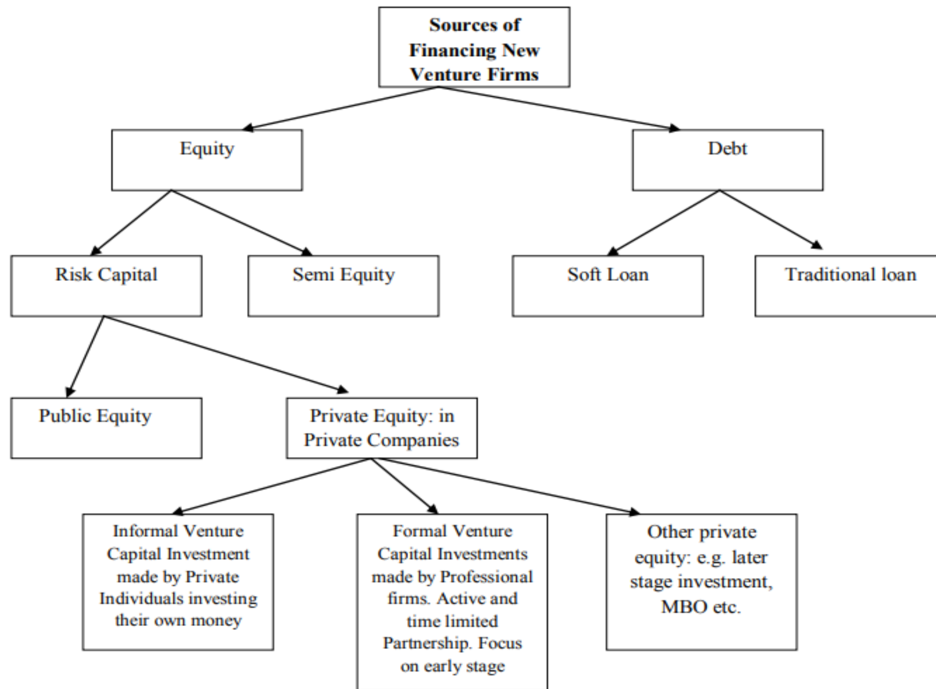

Figure 1.1: Classification of Financial Resources for Start-up Enterprises

Figure 1.1 illustrates all the hotspots accessible for funding another startup firm. The subsequent sources are presented:

1. Equity: Equity refers to the transfer of a share of the business's ownership in return for a financial investment in the company. The financial professional can get advantages from the ownership interest derived from equity investments. An ongoing investment in a corporation that is not returned in the near term is classified as equity. Equity capital is categorised into two classifications:

a. Risk Capital (Public Equity and Private Equity): In comparison to public equity, independent venture capital firms may represent the predominant source of risk capital. They typically seek enterprises capable of achieving a yearly profit margin of no less than thirty percent. They possess significant capital reserves to invest at all stages, up to $500 million, and prefer to engage actively in the design and management of the entities they finance.

2. Debt: Debt financing involves procuring funds from lenders with the commitment to return the principal amount along with interest at a certain future date. The enthusiasm regarding the sum allocated to the borrower is the loan supervisors' compensation for supplying debt financing. There are two forms of debt financing available:

• **Traditional loan;**

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Venture capital is a form of private equity financing that provides funds to early-stage, high-potential startup companies in exchange for equity ownership or convertible debt. Venture capital denotes a subset of private equity investments and financing that investors designate for start-ups and independent businesses considered to possess substantial long-term growth potential. The principal funding sources for venture capital funding include wealthy individuals, investment banks, and various financial institutions. Nonetheless, it is typically not reliant on a financial structure; it may also be offered as administrative or specialised skills. Venture capital is generally invested in small enterprises with considerable development potential or in firms that have had quick success and are anticipated to maintain such growth. Despite the inherent dangers for shareholders, venture capital funding presents an attractive possibility for substantial returns for startups or companies with limited operating experience (those less than two years). Venture capital financing is a prevalent, if not indispensable, method of funding, particularly when access to bank credit, financial markets, or additional debt instruments is necessary. The principal drawback is that investors typically acquire shares in the firm, so gaining leverage over corporate decisions.

OVERVIEW OF VENTURE CAPITAL

Substantial ownership stakes in a company are generated and offered to a specific group of investors through specialised, restricted entities created by venture capital firms. These organisations can comprise a conglomeration of various comparable activities. Venture capital primarily targets startups requiring substantial funding, whereas private equity typically invests in bigger, established firms seeking equity enhancement or opportunities for founders to offload portions of their ownership interests. This is a significant gap between investment in venture capital and conventional private equity transactions.

EVALUATION AND INVESTMENT

The assessment of the project and the allocation of financing constitute the second phase in the venture funding investment process. The subsequent stream marks the commencement of the review process:

- Research;
- Market characteristics;
- Competition;
- Technology;
- Idea and concept evaluation;

Above all, ideas are assessed during the review process, independent of whether or not funds will be secure or balanced enough to invest in the novel idea. A venture capitalist's second task in this process

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is to conduct extensive research. This study will assess different aspects of the market that affect the investment. It also assesses the competition that exists in the current technological and market environments. When it comes to technology, it is usually assessed to determine whether it will remain relevant for a considerable amount of time or if it will become obsolete very quickly. A venture capitalist assesses the task's financial viability using a valuation model. What should the return on investment be? Venture capitalists also draw comparisons between different investment stages. After the assessment is complete, the project's financing process begins.

CONCLUSION

Findings significantly contribute to the solution of a problem. The main conclusions drawn from the data analysis and interpretation pertaining to the several objectives of the current investigation, "Investment Decisions of Venture Capital Providers in India," are presented in this chapter. Finally, a conclusion is given, along with recommendations and implications based on the investigation's results. The inquiry also provides further research scope.

PRIMARY OBSERVATION AND RESULTS

Entrepreneurs can prepare company proposals based on the investment criteria used by venture capitalists. 42 investment criteria from earlier studies that proved pertinent and significant for investment decisions were discovered during the analysis. The significance of these investment criteria for a sample of venture capitalists is investigated in the context of India. According to the analysis, almost every criterion in this area is significant, although venture capitalists have different opinions. In total, the study identified the top five least important and top ten most important characteristics that Indian venture capital firms (VCs) used as a sample. First, the analysis revealed that the most crucial factor for venture capital providers is "valuation of companies to earn high rate of return." This indicates that since the majority of venture capital organizations are set up to generate large profits, investors would rather put their money into entrepreneurial companies that can offer a high rate of return to their backers. Venture funding providers view this as the most crucial criterion in this context. Secondly, when making investment decisions, venture capital providers require 'adaptability, creativeness and trustworthiness in the senior management' of investee organizations. It implies that senior management should possess the flexibility to make required adjustments as needed and the creativity to identify novel ideas that could provide the company a competitive edge. Additionally, venture capitalists should be able to trust senior management and feel secure in their investment.

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