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**“Role And Growth of Venture Capital in India with Availability of Funds
for Small and Medium Enterprises and Start-Up for Bringing
Sustainability in Economic Development”**

Dr. Ankita Jain

HOD,

Monark University

Abstract

The growth of venture capital in India has definitely followed a creeping progression of occurrence. It is envisioning the concept of your innovative idea and our money as life blood support for the growing small-scale business for today’s industrial storyline. The concept has actually taken off in. venture capitalist not only provides money, also assist upcoming entrepreneurs enlightening to the risky, sizeable venture with high growth potential business idea and articulate the way to transmute the thought into achievable business venture. In the history of India’s development, the area of MSME has shown that there is a colossal capability if the ideas get correlated with innovative, scientific technology and knowledge-based industry, it can pullulate to the maximum. Main purpose of the paper is to contour notion and current scenario of venture funds and impact on MSME, with the recommendation of various committees.

Key Words: Venture capital, Small and Medium Enterprise, Start-ups, high growth potential.



Introduction

Corporate and government are nowadays paying attention for the development of small-scale enterprises because small scale industries and innovative start-ups are the ground source of economic development. This sector not only provide good and services to the domestic customers but also key drivers to promote innovation, ideas, creativity, competition and overall enhancement of enterprise and also enhances the culture which is necessary for development and industrialization.

These industries should productively response to the problem of creating sustainable and constructive employment opportunity. SMEs including start-ups play an important and crucial role in contributing the national goal of wealth creation and making India a developed industrialized country. There are many issues and problems like lack of access to funds, lack of tangible security, inappropriate legal and regulatory framework, non-recognition of innovative strategies and credit is the major constraint hampering the growth of such firms.

SMEs and start-ups are from a very longer period are assumed to be high risk and commercially unviable entity. Therefore, only few have access toward the credit from financial intermediaries in the country. Diversify assistance have been furnished to them to boost their growth plan and development strategies to turn them profitable.

Venture capital is the financial support provided by professional along with management in energetic, juvenile, swiftly growing business enterprise, contributing toward the economic growth by providing ample employment opportunity to youth of the country and as a whole to the whole development of India's economy. Venture capital is the subset of the Private Equity, and it has been adopted by the central government and apex institutes and begins to introduce in the year 1972 with the suggestion of R.S Bhatt committee for benefit of development of small and medium entrepreneurs, to put an emphasis on the hurdles and limitation of technological set up of their enterprise.

Venture capitalist is an individual entity works as professional investors specialised in providing funds for the early bird entrepreneurs with unique and innovative idea and zeal to



convert their idea into a successful business enterprise. They usually invest for longer time period, with special take care to the progress on the projects they have invested and are associated with, always participate vigorously in the management and entrepreneurs to build great profit-making company and high potential to develop themselves as economic contributors. Venture capitalist is intermediary who pool their funds and financial resources to invest in high-risk high return ventures that are in requirement and unable source it from common channels like bank and capital markets from high-net-worth individuals, Corporate, Insurance companies and Pension Fund.

A series of regulatory innovations further sequenced familiarise for venture capital as a funding avenue to the fund seeker. Venture Capital is generally the funds carries longer stability and provides funds for the benefit of initial development of the firm got comparative high growth perspective and innovative Start-ups firms. The main aim behind the investment is to assist novel, scalable technology and idea model in belonging software, consumer internet, biotechnology and other related industries with a prior authentication to the investment. Venture capital is an important source of equity for innovative companies as it provides domain knowledge and prowess.

Robbie and Wright (1998) define as, “this is the investment for long term by a number of investors in risky equity where their prime aim is eventual going and they are not interested in any periodical income or dividends.”

Macintosh & Cumming (2003) said “Venture Capital is a “financial intermediaries who get capital investment from various institutional investors, high net worth people from the various 2 economic sectors and make investment of these pooled deposits in small and private business which have high technology and have a lot of potential for high growth.”

With the above-mentioned definitions, we can say that the venture capital firms mainly classified into following bracket:

- Independent Firms
- Captive firms



- Semi- captive firms

Hence funding from venture capital is now days considered to be one of the vivacious provenances for the firms aged less than two years who are seeking to get capital assistance. When newly established businesses cannot get fiscal support from banks, money markets, money lenders, debt instruments and other finance providers, they opt for the private funders.

When a private funding firm or venture capitalist is funding money in the firm in exchange of equity it allows them to become limited partners. With this authority they can advise on financial decision making including their expertise to the portfolio of the particular firm's ventures.

Furthermore, the process of venture capital encircles different stages in overall firm's development and growth. They are:

1. Inception of Idea
2. Start – up
3. Jumping Up
4. Leave taking or Exit.

Venture funding has mainly six stages of development life cycle, which is also termed as financing rounds. These stages are determined by the episode of the firm is in. these stages are further divided into the broader category known as early and expansion financing.



Stages of Venture Capital

Stage	Business Activity	Funding Sources
Pre-Seed	<ul style="list-style-type: none"> Developing a business concept Working on any partnership agreements Getting any patents or copyrights Creating a pitch deck 	<ul style="list-style-type: none"> Self, family and friends Micro VCs
Seed	<ul style="list-style-type: none"> Creating a product or prototype Getting business running Fundraising 	<ul style="list-style-type: none"> Self, family and friends Angel investors Early VCs
Series A	<ul style="list-style-type: none"> Researching industry and markets Writing a business plan Marketing and advertising Generating revenue Planning to scale into new markets 	<ul style="list-style-type: none"> Accelerators Super angel investors Venture capitalists
Series B	<ul style="list-style-type: none"> Expanding consumer interest Establishing a commercially viable product or service Scaling production, marketing and sales 	<ul style="list-style-type: none"> Venture capitalists Late-stage venture capitalists
Series C & beyond	<ul style="list-style-type: none"> Building new products and markets Establishing a strong customer base Acquiring other companies 	<ul style="list-style-type: none"> Late-stage venture capitalists Private equity firms Hedge funds Banks
Mezzanine	<ul style="list-style-type: none"> Being acquired by another company or SPAC Remaining private using VC funds to grow Making an initial public offering 	<ul style="list-style-type: none"> Private equity firms Hedge funds
Exit	<ul style="list-style-type: none"> Making an initial public offering 	<ul style="list-style-type: none"> Sale VCs SPAC Public stock

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Source: <https://www.svb.com/startup-insights/vc-relations/stages-of-venture-capital>, Silicon Valley bank.

Independent Venture capital firms generally have huge number of investors and accordingly the ownership and risk get divided into many capitalists. As they are the individual with huge funds and are the direct source of funding. Captive Venture capital firms are originally set up by parent firm and all other related and required resources are supplied by single entity or parent investor only. Whereas in the semi – captive firm the originator are the parent firm only but the amount is invested by the third party investor.



Review of Literature

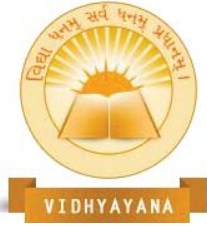
The potential review of literature presumes that for any of the firm whether it is an SME or an Innovative start-up the most important criteria are the availability and accessibility of fund. Nature of firm like assets, business model, operating domain, growth perspective and the stage of firm affects the cost associated with the fund generation and ultimately it unlocks slot for venture capital firms to invest.

As said by Mackling and Jensen (1976), small firms always have an opportunity of replacing investments with low risk to that of investment carrying high amount risk, that in return will enhances the probability to get insolvent. Alternate to this problem is well suggested by Petersen and Carpenter (2002) as per their thought as the firm has a smaller number of tangible assets cost of finance may be more, hence finance funds from financial bank are not workable.

R. Giovannini, V. Capizzi and V. Pesic (2011) said that in their analysis found that small firms having innovative ideas as compared to the big one, extract more benefit from venture fund and their results are better in many perspective like expenses, net sale, and future employment generation. they also evidence that venture capital firm supports new innovative start-ups.

Sonawane (2016) in his study of Venture capital perspective reveals that as in India economic environment and business conditions are supportive for entrepreneurs having innovative idea, unique product or service, sustainable and competitive market, expected by the venture capitalist.

Dr. V Santhil and Dr. Nanda Gopal (2017) from the study convey their view that there are lots of hurdles and expectations for the venture firms, still entrepreneurs are in fear about such funds as they might not have the high earnings and cannot guarantee huge returns, which generally venture firms are looking for. Moreover, with proper awareness to SMEs and Start-ups, venture funds in India can articulate a big difference especially for the revival of tiny



needy start-up and businesses, with their expertise on skills, strategies, turnaround ideas and management techniques.

P. Bikoji and Dr. Rambabu Gopiseti (2023) in their study found that in India Venture capital has spot an essential growth phase in laying the foundation for the entrepreneurs and their small and innovative ventures for reconnoitre unfolded opportunities. And with the support of venture capital, they set new conventions win for the embryonic entrepreneurs. He has also put a focus on the fact increase in the number of venture capital deals also increasing more and more demand of venture capital funds in India. He also mentioned that the most favourite sector of venture capital investment are IT and pharmacy sector, and the government needs be proactive as far as the young entrepreneurs and their growing ideas are concerned which ultimately leads to the overall development in the economic soundness of our country.

The ex-post analysis indicates that smaller firms benefit 226. The Role of VC and PE for innovation and development of SMEs from VCs. Compared with the control group, they achieve better results in terms of sales, employment and expenditures on innovation. Moreover, considering that the capital infusions appear to be more frequent after periods of higher-than-average growth and investment, we can argue that larger firms resort to PE with the aim of consolidating their performances. Accordingly, firms value the additional consultancy services that PEs bestow.

Following Jensen and Meckling (1976), firms can replace low risk investments with high-risk projects, which increase the risk of bankruptcy but offer no offsetting gain to debt holders in the event of success. At the same time, as Carpenter and Petersen (2002b) suggest, a small firm's marginal costs of financial debt could increase quickly because it has fewer tangible assets with which to secure loans. Thus, bank financing may not be viable.

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The nature of firms' assets can also affect expected agency costs, which opens the door for VCs to step in. Williamson (1988) argues that leverage should be positively related to the liquidation value of assets. In fact, tangible assets are on average easier to sell and receive a higher fraction of repayment than do intangibles assets such as patents or copyrights. Thus, a higher liquidation value implies that default is less costly. Subsequent tests, as in Rajan and Zingales (1995), confirmed that the relationship between liquidation value (measured as the ratio of tangible assets to total assets) and leverage is indeed positive.

Objective of the study

1. The main objective of the study is to describe what venture capital is and how it underpins the development of a SMEs and Start-up.
2. To describe the importance of venture capital firm as an intermediary that bridges the gap between fund seeker and fund provider.
3. To find concealed comprehension about the venture capital and to make new entrepreneurs accustomed about venture fund.
4. To excavate the top listed venture capital firms for SMEs and start-ups and what is the present status of venture funding in India.

Scope of the Study

Although there are number of sources of funding available in India but this paper put an emphasis on venture funding available for the SMEs and start-up entrepreneurs and specifies its impact over the development and growth perspective of Indian economy.

Research Methodology

The study is descriptive in nature and purely based on secondary data of last three years. Secondary source of data has been collected from government website, annual reports, VC reports, general publication including national and international and articles related to current topic.



Venture Capital and SEBI Suggestion:

Growth of any phenomena depends upon the adaptability and acceptance from the concerned industries. Getting it right is what every individual and start-up is supposed to get. Hence here are important reprovng strand as per the Security and Exchange Board of India (SEBI) for the success of venture capital industry:

- Internationally venture capital has evolved in a flexible structure, neutral fiscal and adaptable operations. Therefore, the regulatory, tax and legal environment reinforce the smooth and preferment part for the regulation.
- A common platform that balances the activity between the domestic and international venture investor is also necessary for the well-ordered functioning of venture capital institutions.
- Venture capital investment includes high net worth individuals with high-risk capabilities. Flexibility at each level- Investment, management and exit matching with business requirement and should also drive by global trends. Out Of Every 10 projects, more than 7 fails or earns very less returns.
- We should also support domestic Venture capital investment and help them increase their credibility. As of now number of corporate and firms have their own venture capital fund
- Today when the global transactions are increasingly on daily basis it is very much necessary that our venture firms to access the opportunity to make investment beyond boundaries. This will definitely improve the capability to function globally but also increases the flow of return to our country.
- With self-established corporate culture and ethics Venture capital has main aim across global that is to the risk need to be capitalised by field experts. Venture capital firms need to be a collectively specialized institution group which is funded, supervise and administered by triumphant entrepreneurs and experienced investors. In a broader term venture capitalist are not only experts who provides required funds but they are the individuals who conscientiously count themselves with the working of firm in



management, finance, marketing and other related department to provide necessary support.

- Country should prioritise infrastructure development including technology, R&D, as well knowledge incubators with the government support and private firms this will Help Firms and individuals to supports innovation and ideas.

Venture Capital and venture capital investment in India

As per SEBI Venture Capital Funds (VCFs) Regulations, 1996: Venture capital fund is the pool of money registered under the Security exchange Board of India, created and configure by trust, and corporate bodies to raise fund to the needy entrepreneurs from that pool of money in prescribed format.

Venture capital firms in India were known since nineties. Initially ICICI, IDBI, State financial corporation's bank has emerged as venture capital provider with unit trust of India. And but now there are number venture capital firm are playing in the market. Initially it was continuous increasingly till 2001-02 afterward there has been a drastic fall. But now as a result of foreign investors and development of financial market at a large-scale number of Venture capital firm and their performance has increased.

Till the year 2018, India has noticed many round of high growth, domestic start-ups mega funding, which resulted in creation of new unicorns and companies. "2018 was a year of building. Small scale Start-ups able to build and moved to growth category leaders, attracted late-stage capital. Swiggy and Oyo were two notable examples," says Sanjay Nath, managing partner, Blume Ventures, an early-stage investor.



	Pre-Seed	Series A	Series B	Series C
Funding Round				
Stage Focus	Proof of concept/ prototype	Revenue growth	Growth	Large scale expansions
Common Elements of Growth	Hiring	Development, Operations, Branding & marketing	Hiring, Market expansion, Buying businesses	Acquiring businesses, International markets
Amount of Investment	\$10K - \$1MM	\$10MM	\$15 - 25MM	~\$50MM

Source: Cbinsight <https://www.cbinsights.com/research/report/how-startup-fundraising-is-changing/>

Venture Capital firms for SMEs

Data has been collected from various venture capital intermediaries from various governments, semi- government organisations which provides venture fund for small and medium start-ups

1. SBI Capital Markets Ltd (SBICAP):

It is country's first largest domestic investment bank, offers the entire gamut including structured debt placement, stress asset resolution, Merger & Acquisition, project advisory and loan syndication. It has an aim to provide professional, reliable and customer oriented advisory and investment services. it is a wholly owned subsidiary of State Bank of India.



2. SIDBI Venture Capital Limited (SVCL):

It is a completely owned subsidiary of SIDBI. It was established in the year 1999 as investment firm for managing funds based on different themes for start-ups, like technology based concepts, small and micro units involve in manufacturing processes, Agriculture business and Financial and service industries. with a mission "To work for best returns by investing in deserving entrepreneurial teams using a combination of capital, strategic mentoring, skills and our vast network of relationships."

3. Maharashtra state Social Venture Fund:

This fund was initiated in 2015, as a close end scheme for Laghu Vikas trust of Maharashtra an alternative Investment fund (AIF). Investment managers for this fund are SIDBI Venture Capital and SIDBI- STCL is the main trustee of this fund. Target sector for this fund are: Health care, Education, Agri ancillary, Food processing, Clean- technology, Medical devices, Bio- medical, Water a related technologies, etc

4. West Bengal MSME VC Fund (WB Fund)

WB fund is also a close end fund started in 2015 with a life span of 6 year. It is also registered in SEBI under the SEBI Regulation Act, 2012. Its main focus is over the investment in early stage start-up of west Banagal for Medium Small and Micro Enterprise, Manufacturing and services both, special focus towards women entrepreneurs with high prospective of bringing high level of value enhancement to India from across the world for maximum earnings and opportunities of more returns through diversified business ideas.

5. TEX fund:

Putting a focus on Indian textile and related segment, a fund was created in 2014.under the regulation of SEBI Act 2012.It has a life of 7 years. The aim behind the establishment of the fund is to help the power loom and other important sectors of textile industry. The fund is aimed towards the investment in productive textiles, textile machinery and automated



textiles, technical textile, coated textile, defence textile, sportswear, weaving and garment industry with a motive to invest in projects offering attractive growth and earnings.

6. Samridhi Fund:

Samridhi fund was created jointly by Department for International Development, U.K and Small Industries Development Bank of India (SIDBI). With an aim to supply required funds for the enterprise involved in social activities for the benefit of society and can earn a good financial return in few number of states including; Madhya Pradesh, Bihar, Odisha, Uttar Pradesh, Chhattisgarh, west Bengal and Rajasthan. Important parameters of this fund are to:

- a) Making poor access the markets
- b) Make a positive impact along with social togetherness for poor to become customer or vendor
- c) Expand glide capital availability in chosen states
- d) Kingpin on internal and external environment.

7. SME Growth Fund:

SME growth fund is also registered under the SEBI regulation in venture capital. It is an equity unit fund design to make primary equity and related success potential business in India. The fund is fully invested and is presently in the divestment stage.

8. Gujarat Venture Finance:

Gujarat Venture Finance limited designed a Collapsible shelter in a niche for investing in initial phase of incorporation or companies in seed stage. For this they have come up with diverse funds. Its investment portfolio along with golden Gujarat Growth Fund also includes growing stage companies, involved in manufacturing and infrastructure businesses within and outside India. These funds mainly focus on high scalability, creative idea, and innovative business model, within and across borders, with use of high technology enablers. GVFL has also launched SVFL start-up fund for experience a complete life span from seed to development for a technological start-up.



Problems faced by SMEs and start-ups for venture capital

Finding affordable fund is a challenging and time taking task for any small business. For a SME or start-up there are lots of stumbling block and which they have to go through. Studies such as Macmillan Committee,1931 has fore grounded few of them. According to that Venture capital funded firm has to deal with banks as they generally are not in favour of such businesses, problem of sensitivity of cash flow for the small investment was scrutinise by Fazzari (1988), he also explored that funding firm are not always willing to fund the SMEs due to following reasons:

- Even in today's time people has more trust over the traditional banking a funding system. Hence they are more inclined towards raising debt capital.
- As far as debt capital or funding is concerned, it requires collateral against the fund.
- SMEs and start-up generally operates at a cost that range from very low to moderate, therefore insufficient funds at the time of requirement is a major issue.
- Since the SMEs or start-up are based on creativity and innovation, it is difficult to gain trust of funding firm easily.
- Venture capital thought a trustworthy source for the SMEs and Start-up for arrangement of funds but still some of the projects involve high cost and time consuming as well.
- Success of firm is a big question for any enterprise in future perspective, hence success of venture capital funding largely depends upon the growth capability of firm.
- Quantum of capital and intensity of investment is also a deciding factor for the venture capital.

Venture capital generally unwilling additional personals included in management and also venture capitalist comes with a more forcibility to the decision-making process of business. Venture capital involves huge funds for the business; they might make delay in the availability of the funds. Venture capital despite being a feasible source for funding business, Owner of business has to be very conscious of the admonition that is included in this kind of finding.



Impact of Venture capital in SMEs and Start-ups

Impact of venture capital in India is very different. since it is open to all with only criteria that the idea for the business need to be unique and innovative with an social cause of delivering employment and contribute in the economic development. For such enterprise the venture capitalist provides effective and efficient management know how and technological business model for high risk and revenue potential firms. Venture capitalist only concentrates on the profit making part once they are done with the base activity of any enterprise or start-up.

We all can see The Flipkart, Zivame, BigHaat, Redbus, Shop clues and many more success story they all are because of venture capital has made them avail the funds. In India venture capital firm are mainly focusing on the enterprise those are technology based, e-platform, online stores for real estate, energy, consumer goods and private equity, In the last decade firms have generated an earnings over millions.

Table 1: Top 15 Venture capital Firms in India in 2023

Sr. No	VC Firm	Invests in:	Investment Amount	Head office Location	Companies in Portfolio
1.	Accel partners	Internet technologies	\$500 k to \$ 50 million	California	Fresh desk, Myntra, BookMyShow, common floor, BabyOye and Flipkart
2.	Nexus Venture Capital	Early – growth stage firm involved in Technologies	\$ 500,000 to 10 million	India and Silicon Valley	Snap deal, Shop clues, Crafts villa



		relevant to Indian emerging markets			
3.	Kalaari Capital	Early stage, technology-based firm	\$ 650 million	Bangalore	Instamojo, Urban ladder, Myantra, Zivame
4.	Venture East	IT, ITES, Science related start-ups	\$325 million +		Portea, e-Yatra, Goli, etc
5.	Ankur capital Fund	Agri care, food, health care, education, skill development	50 lakh to 5 crore	India	BigHaat, Tessol, cropin
6.	Blume Ventures	Technology based transportation	100 crore	Mumbai	Cab aggregator, taxi for sure and robot maker grey and orange.
7.	Omnivore partners	Developing breakthrough technologies in food and agriculture	Up to 25 crore		Aohan food, skymet, exim desk Cure fit, Newgen, iprof, First cry.
8.	Chiratec Ventures	Advise domestic funds: Pandara trust, Chiratec trust and technology venture fund		San Francisco	Cure fit, newgen, babycare product- First cry, Iprof



9.	Intel Capital	Indian firms	US\$ 12.3 billion in more than 1530 firms.	India	Vizury, Saankhya labs
10.	Sequoia Capital	Early stage and late stage of expansion		India	Just dial, iYogi, bankbazaar.com
11..	Inventus Capital partners	Start up projects		Silicon Valley and India	Redbus, Policy Bazar
12.	Saif Partners	Early-Stage Customer to tech enterprises		India	Book my show, just dial, clear tax
13.	Naspers	Early-stage tech firms, media, auto trader, property		India and 120 different countries	Mobile, makemytrip, olx
14.	Indian Angel Networks	Value based early-stage Business		India	Tatva, Wow Momo, Tax Spanner
15.	500 Startups capital	Seed stage		Silicon Valley	Send grid, Credit karma, udemy

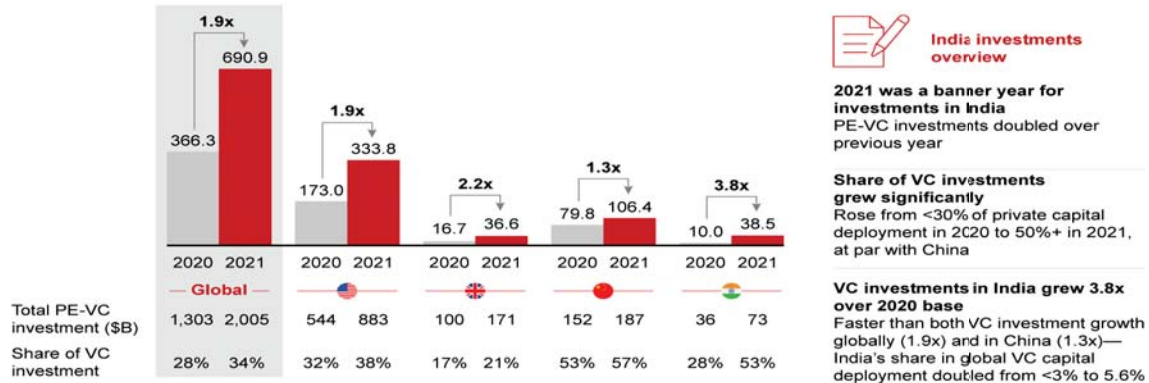
Source: <https://nextwhatbusiness.com/venture-capital-firms-india/>

Here is the list of top venture capital firms investing actively in SMEs and Start-ups with low to medium requirement that range from few lac to crore of fund at different stages like seed, growth and development depending upon their own decision and choices. Few of them are



funding for technology-based enterprise few for Agri and food production, few are interested in e-platform and e-commerce etc.

Overview of global VC investments (\$B)

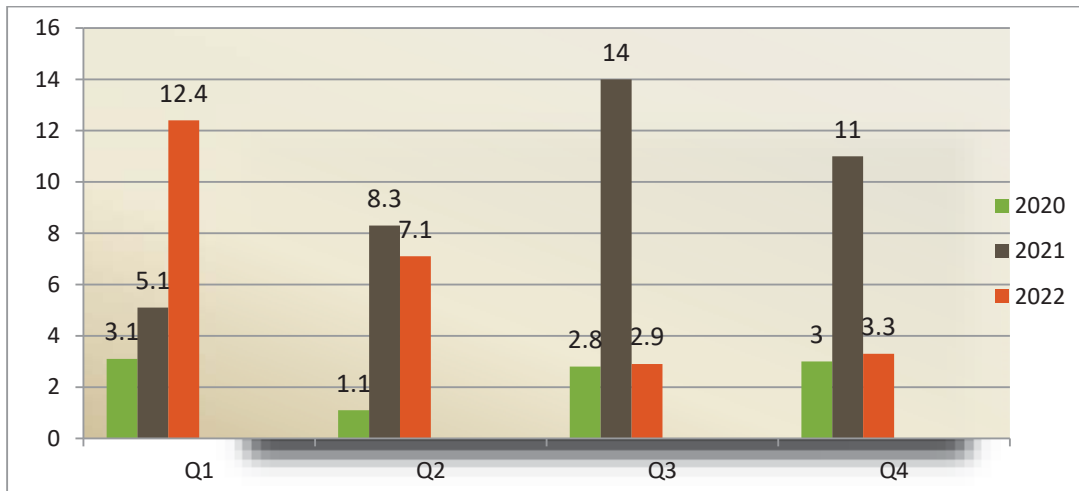


Notes: PE-VC investments figures include real estate and infrastructure deals; investment value and volume excludes limited undisclosed deal value transactions; India investments in 2020 exclude Jio and Reliance Retail deals worth \$26.5B
Sources: Bain PE & VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Sources: VC report 2023; Bain & Company; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Notes: *Unicorns defined as VC funded private companies that were valued at \$1B+ in the respective year; **Number of unicorns (i.e., private companies valued at >\$1B) at any point; India unicorns includes Fractal Analytics and Molbio Diagnostics (PE funded), but investment value not included in deal flow (included in PE share of investments) and excludes Securonix and Icertis Sources: Bain & Company; Tracxn; CB Insights; Hurun.

Figure 1: India Venture Capital Investment in India (\$B, split by quarter)

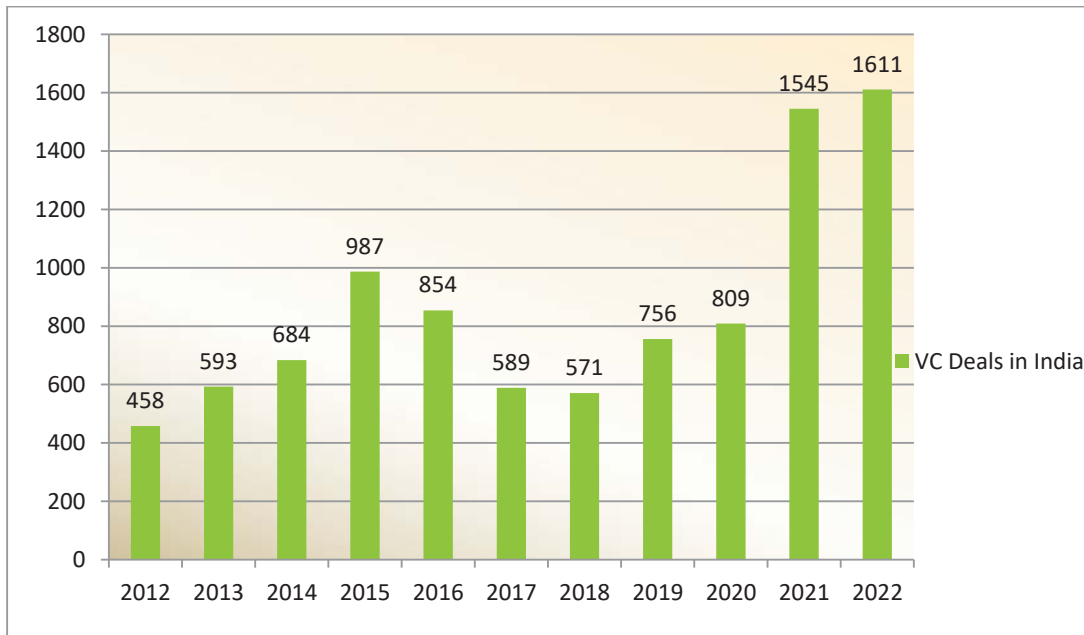


	Quarter 1			Quarter 2			Quarter 3			Quarter 3		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Annual Deal size \$M	12.9	14.5	22.1	7.3	24.6	15.8	13.7	35.5	8.9	14.4	24.2	12.2
No. of Deals	245	356	563	147	338	448	206	396	330	211	455	270

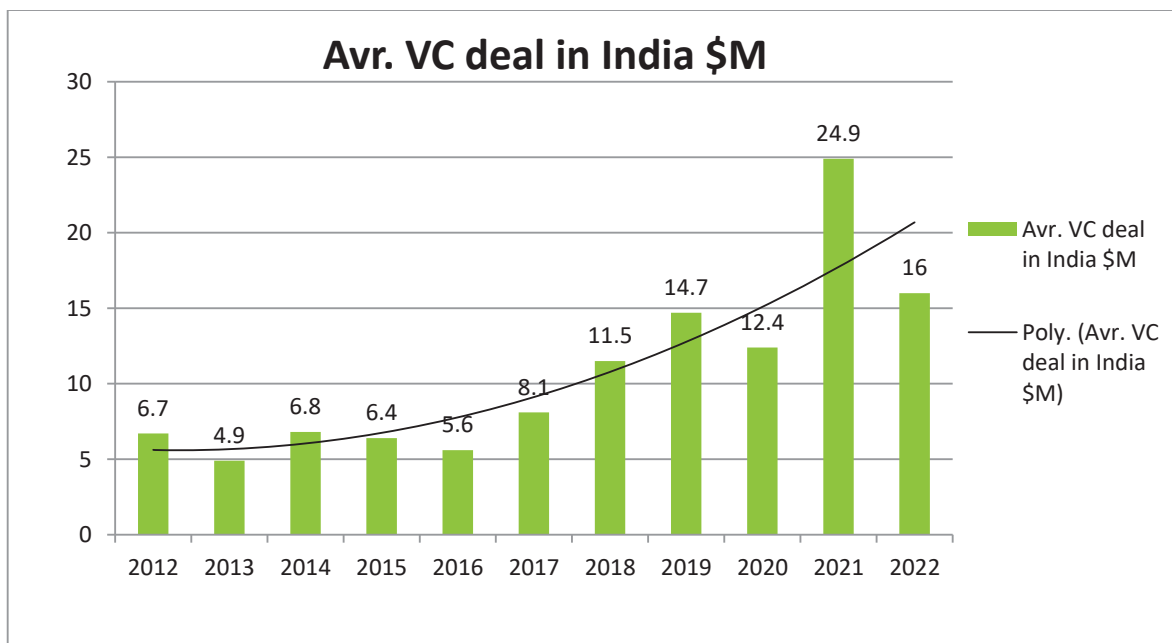
Sources: Bain & Company; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

A deeper look indicates slowing momentum H2 2022 onwards—both deal volume and average deal sizes dropped significantly in H2 2022 vs.H1 2022

Figure- 2 Number of Venture capital deal in India



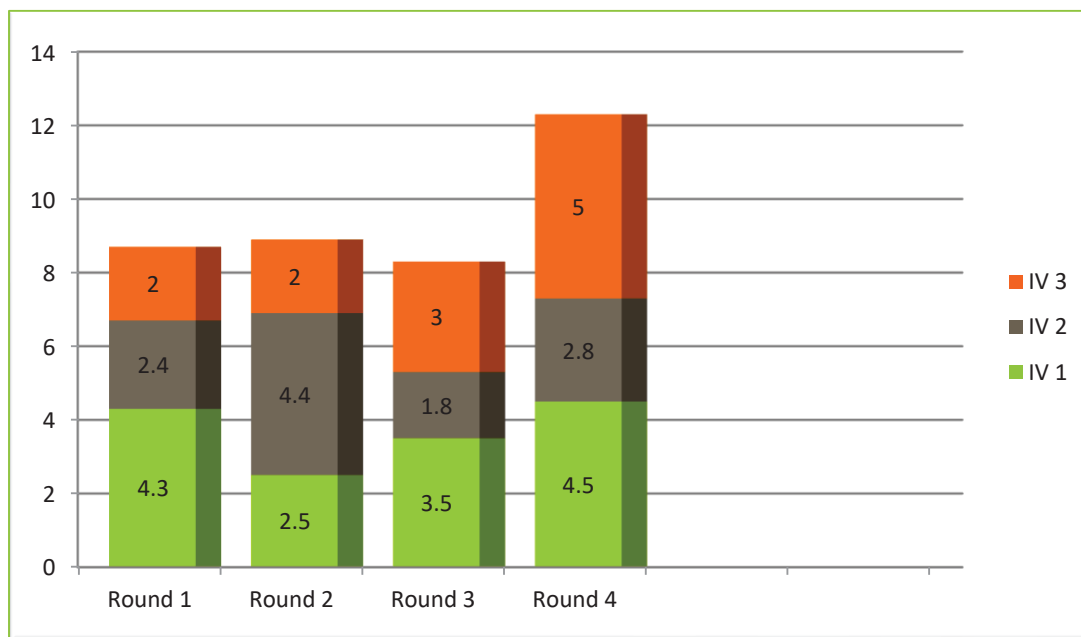
Sources: Bain & Company; Pitchbook; Venture Intelligence; AVCJ; VCCEdge



Sources: Bain & Company; Pitchbook; Venture Intelligence; AVCJ; VCCEdge



As from the above figure it is reflecting the number of venture capital deals done in India in last 10 years. From 2012 to 2017 it was the maturing market which turn to growing optimism from 2018 to 2019, then come the covid infected phase from 2020 to 2021 , then it was the time to rebound again in the recalibration phase. Further, both deal volumes and average deal sizes remained significantly higher relative to pre-Covid-19 investment activity, led largely by deals in H1 2022.



Note: Ticket size indicates total investment value in respective rounds/deals (inclusive of all investors) Sources: Bain & Company; Pitchbook; Venture Intelligence; AVCJ; VCCEdge IV-Investment Value.

Findings and Conclusion

Venture capital means a source of finance where the fund is generally invested in different start-ups and those firms are yet to prove themselves in the market with their innovation and unique idea. Venture capital firm are those who provides financial support for such innovative but not yet established but definitely will be contributing in the economies and bring intensive impact on economies where they exiting. Venture capital firms work as a



bridge between investors and companies. They collect funds from wealthy investors or institutions, government funds and invest it in the new venture with a role of overseer for such companies.

Venture capital has a real, Powerful and practical impact over the development and heightening and development for the SMEs and Start-ups. Venture funds have facilitated them with creation of wealth with the mentor support provided in terms of technical, financial, management skills.

The paper also rationalise that with a comprehensive support of venture capital with those of SMEs and start-ups has a great impact thereon as there exists mutual relationship between the above stated two; the development and economic growth which include many folds like poverty alleviation, employment generation, infrastructure development. For promoting venture capital the government should address tax, regulatory and legal policies related to exchange policy as most of the firm involve in similar kind of activities contrived by this. More appropriate and simple mechanism needed to introduced for lessen the risk contain and increase the return and growth potential for the new enterprise.

Investors, funded firms and venture capital firms need to work mutually in more integrate way for enabling the environment that in return will allow entrepreneurs to kingpin on the value creating ideas, venture capitalist to drive the industry with lever of sway with the provision of required capital, skills, information and harmonious expedient, which will result in generating proselytize venture capital pursuit and ultimately economic growth of the country. Finally I would conclude that knowledge and technologically constructed ideas congruously reinforced by venture capital definitely catapult into a strapping mechanism of economic development and wealth creation for a developing country.



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