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VENTURE CAPITAL FINANCING IN INDIA: CONTEMPORARY ISSUES AND CHALLENGES

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ABSTRACT

The operation of Venture Capital in India is regulated by the SEBI Act of 1992 and the SEBI (Venture Capital Fund) Regulations of 1996. Consequently, any association or trust intending to engage in Venture Capital Fund activities will need to obtain approval from SEBI. It is a type of private equity and a kind of funding that speculators provide for new and independent organizations that are acknowledged to have long-haul development potential. Venture Capital in India represents a distinctive fusion of technological proficiency and financial acumen, providing entrepreneurs in innovative ventures with both monetary resources and managerial support. While the concept of Venture Capital is not novel and has been prevalent in countries like the USA and Europe for decades, it has experienced remarkable growth in India in recent years.This paper will examine the present status of Venture Capital Financing in India, and its contemporary issues and challenges from the selected sectors of the industry. This paper will also analyze major factors such as legal, political, and monetary structure, recession, GST, post demonetization etc. for further improvement of the Venture Capital industry in India.

Key words: Venture Capital, Private Equity, Recession, Demonetization, SEBI, speculators

1. INTRODUCTION

India undeniably stands out as one of the most remarkable countries in Asia, boasting a rapidly advancing economy and an abundance of exceptionally talented individuals poised to nurture and amplify their skills. With working on financial circumstances, the Indian economy is creating a favorable financial environment and thus making it an appealing venture market. Besides being the fastest growing economy with large population, India is moreover the third greatest start-up eco-framework in the global economy and one of its greatest buyer markets with a high potential for venture capital investment. The expression "Venture Capital" alludes to interest in high improvement associations or new organizations that might potentially form and structure into uncommonly productive undertakings.

The establishment of venture capitalism in India dates back to 1986, coinciding with the onset of financial liberalization. In 1988, the Indian government took a significant step towards formalizing venture capital by issuing a set of guidelines. Initially, venture capital (VC) changed to subsidiaries set up by IDBI, ICICI and the IFC, and focused on massive industrial concerns. Over the past few years, India has witnessed a substantial surge in Venture Capital financing, marked by the entry of numerous domestic and international venture capital firms.
These new developments have recently raised billions of dollars to place assets into the close-by new organizations. The enormous measure of ability, dynamic business approaches, and great business conditions are one bedeviling the overall examiners in addition to the spread of their base in India and lift the venturesome business.

In India, Venture Capital is accessible to those with a distinctive business concept, a growing market, a capable management team, an innovative business model, and the potential for substantial success. In India, Venture Capital funding not only brings capital but also offers valuable guidance, mentorship, and a robust network, which are indispensable for every business to reach the ultimate pinnacle of success. The financial specialists are effectively engaged with the contributed organization's administrative issues as well as watching out for where the capital is being contributed in order to guarantee that financial contribution goes into benefit necessary for both the organization and the VC firm. In India, Venture Capital funds come in various forms: some are backed by the central government, others by state governments, some by public banks, and still, others by public sector organizations, as well as foreign funding entities. Depending upon the appropriateness of segment, and phase of advancement and area, the speculators pick their portfolio organizations in India.

Different plans and exercises have been encouraged to give a lift to the beginning up eco-framework, for instance, Start-up India, SIDBI Fund of Funds, and Exercises by NITI Aayog. Startup India is the lead action by the council of India to support incubation centers with tax exceptions for new organizations, and less difficult patent recording. SIDBI supports new organizations at different periods of their life cycle, including carrying forth, seed financing, and advancement. SIDBI's INR 10,000 crore Fund of Funds, for passing capital on through VCs is an imperative effort to embed nearby capital into the VC eco-framework. The Securities and Exchange Board of India (SEBI) involves a standing board on the ' Alternative Investment Policy Advisory Committee (AIPAC) to assist homegrown monetary foundations with getting proper speculation chances to procure risk-adjusted returns. Venture Capital (VC) investments in India have surged to $14.4 billion, more than double from the previous quarterly high of $6.7 billion in Q2 2021, according to a recent report from KPMG.

1.1 History of Venture Capital Financing

The most established type of subsidizing in India yields more than 150 years of support with countless efforts of supervising association houses (British associations) that went about as business people, disclosing everything that could be relevant along with the board aptitudes to hazardous exercises. After the revocation of the regulating office system, the open segment term crediting establishments met a piece of speculation requirements through seed capital and risk capital for hi-tech endeavors, which were not ready to provide subsidizing necessities through advertiser commitments.

The evolution of the venture capital sector in India has followed a sequencing of phases as presented below:

- Pre-1985: The adoption of venture capital funding was embraced by both the central government and government-supported institutions. The need for venture support was emphasized in 1972 by the Committee on Promotion of small and medium entrepreneurs (Bhatt Committee). It notices the issues of new business visionaries and technologists in setting up ventures. In 1975, subsidizing funding was given in India the commencement of the Risk Capital Foundation (RCF) which was upheld by the Industrial Finance Corporation of India (IFCI), to improve advertisers' worth in order to encourage technologists and specialists to progress in new pursuits.
- 1986-1995: In 1986, ICICI introduced a funding initiative to empower emerging technocrats in the private sector, particularly in the burgeoning realms of high-risk technology. In August of the same year, ICICI initiated the collaboration with the Program for Advancement of Commercial Technology (PACT), which provided funding assistance tailored to specific needs of corporate sector industrial units. Meanwhile, IDBI launched its own venture capital fund scheme in March 1987.
- 1995-1999: The achievement of Indian entrepreneurs in Silicon Valley that began during the 1980s became observable during the 1990s. This pulled in the thoughts of Venture Capitalists both from India and abroad. The proportion of capital under organization in India was extended after 1995. Non-Resident Indians (NRIs) were huge LPs in these resources. The formalization of the Indian venture capital community began in 1993 with the foundation of the Indian Venture Capital Association (IVCA). In 1999, 80 % of complete venture capital funding was gotten from foreign firms. In 1999, IVCA had 21 VC firms joined, and 8 of these were in the open division.
- Nascency Phase (2000-2010): This stage is depicted by the institution of capital and the setting up of assets to go through the beginning climate.
- Scale-up Phase (2011-2014): This stage is described by strong VC contention due to advancement in the number of new organizations looking for financing.
- Evolving Phase (2016 onwards): This stage is described by VCs as focusing on affecting select deals.

2. LITERATURE REVIEW

Chavda et.al (2014), in their study on “An overview of Venture Capital Financing in India” was an attempt to feature the issue and difficulties looked at by Indian Venture Capital Companies while funding. They have also highlighted the role of SEBI in the Venture Capital Industry. The study concludes that India needs more Venture Capital for the industries like Pharma, IT, Manufacturing etc. in spite of having problems and issues for the growth of the Indian economy as a whole.

Also, in the study by Santhi et.al (2017), an attempt was made to find out about Venture Capital Financing in India and furthermore its difficulties and possibilities. The study examines that investors need to be cautious while investing, and also finds the elements needed for successful venture capital, like entrepreneurial tradition, unregulated economic environment, fiscal incentives etc.

Kishan Kumar Shetty (2017), in their study on Comparative Study on Impact of Venture Capital Financing on Startups in India, the author examined Venture Capital Financing activities in India and a comparative analysis with China and USA in 2014 and 2015. It shows that India is comparatively less in performance but, overall, showing a substantial growth in the consumer technology sector. Vijayalakshmi et al. (2015), in their study on Venture Capital Financing for Micro Small & Medium Enterprises (MSME) in India, examined the impact of VC in MSMEs in India, and also focused on the development of VC in India. Their study explains the benefits and policies of VC in MSMEs in India. On the other hand, Jain et.al (2017), in the study conducted a review on the Indian Venture Capital Industry, its reasons for failure and suggested some measures which will be helpful for the betterment of VC Industry. They also show an overview of VCF in Global Scenario.

Cumming et al. (2019), in their research discussed the role of Entrepreneurial Finance in various divisions and also highlights the direction for future research concentration on funding gap, accelerators, crowd funding, secondary buyouts, boards and exits. Mustapha et al. (2018), provided an analysis on the mechanism of entrepreneurial finance and its relationship with the entrepreneurial venture in its early stages. Also, Sonu et al. (2013) in their study they looked into the various deal sources, evaluation criteria and syndication practices and also focused on investment preferences of investors. Mahesh (2019), study concentrates on the difficulties of Indian Venture Capital Companies. It also suggests that organization is required to be super-effective concerning cost, profitability, work effectiveness, specialized abilities, changed buyer request, show flexibility, and foresightedness to get a serious edge over the adversary firms.

2.1 Objectives

- To analyze the present scenario, growth, and development of Venture Capital Financing in India.
- To study the major challenges for Venture Capital Financing in India.
- To identify the top 20 performing Venture Capital Funds in India.
- Comparative study of Venture Capital Financing in India and major countries.

3. RESEARCH METHODOLOGY

The research study relied on secondary sources of data, which were gathered from sources such as books, journals, research articles, and reports from various economic surveys.

3.1 Present Scenario of Venture Capital Financing in India

In 2021, the Indian venture capital (VC) landscape witnessed a trans-formative year, marked by a convergence of positive trends, resulting in a record-breaking year for VC funding at $38.5 billion. Several noteworthy highlights include:

- Investments in India grew 3.8 times compared to 2020, outpacing China's growth rate (1.3 times).
- VC funding in India accounted for over half of the total private equity (PE) and VC investments in the country in 2021.
- India saw the emergence of 44 unicorns, surpassing China's count of 42 in the same year.

The total deal value of $38.5 billion in 2021 was driven by a combination of nearly 2 times growth in the number of deals (1,545 deals compared to 809 in 2020) and an increase in the average deal size (rising from $12.4 million to $24.9 million between 2020 and 2021). Of significant note was the transformation in the deal flow landscape, as global VCs led more than 90 mega rounds of $100 million or more (compared to around 20 in 2020), often as follow-on investments in market leaders such as Swiggy (online food delivery) and Dream11 (gaming). Additionally, early-stage deals experienced a remarkable shift in pace and ticket size, with Series A rounds making a notable mark in average deal size.

India also saw the birth of 44 unicorns in the year, solidifying its position as the third-largest hub for unicorns, with 73 privately held unique unicorns, trailing behind the US (~500) and China (~170).

Consumer technology, fintech, and software as a service (SaaS) continued to dominate over 75% of all VC investments by value (as of 2020). These sectors also experienced substantial growth in deal size, indicative of a maturing ecosystem. Specifically, SaaS saw a notable increase in deal size, as leading Indian unicorns established themselves as category-defining leaders on a global scale, such as Postman in API management and Browser Stack in automated testing.

A Couple of Arising Areas Stuck Out:

In the realm of consumer tech, certain alternative models of commerce received substantial funding, such as video businesses, direct-to-consumer (D2C) brand aggregator models, and short-form content platforms.E-commerce-to-business (B2B) marketplaces gained momentum, leading to the emergence of four new unicorns. This surge was driven by the increased demand for digital integration within B2B supply chains, spurred by the pandemic. Support for Software as a Service (SaaS) continued to grow, with several category leaders rising to prominence, showcasing exceptional use cases.

In the fintech sector, 2021 saw significant funding, particularly in consumer and small-to-medium business-focused neo-banks. Web 3.0 and crypto-based startups experienced explosive growth, with funding surpassing $500 million in 2021. India's investor base also has expanded significantly, reaching over 660, up from a base of 516 in 2020. Several seed funds and family offices emerged or secured funding for early-stage ventures, playing a more substantial role in the pre-seed to Series A landscape.
Tiger Global and Sequoia Capital maintained their leading positions in terms of deal volume and capital deployment, while Soft Bank continued to exert influence in capital management, particularly focusing on large-scale deals.

In 2021, the Indian investment landscape saw significant strides:
Noteworthy Tier 1 global VCs and hybrid funds, like Technology Crossover Ventures (TCV) and Dragoneer Investment Group, made substantial investments. Emerging domestic VCs gained prominence, exemplified by firms like 3one4 Capital.Global sovereign funds, such as Abu Dhabi Development Holding Organization (ADQ) and Qatar Investment Authority (QIA), directly engaged in investments.

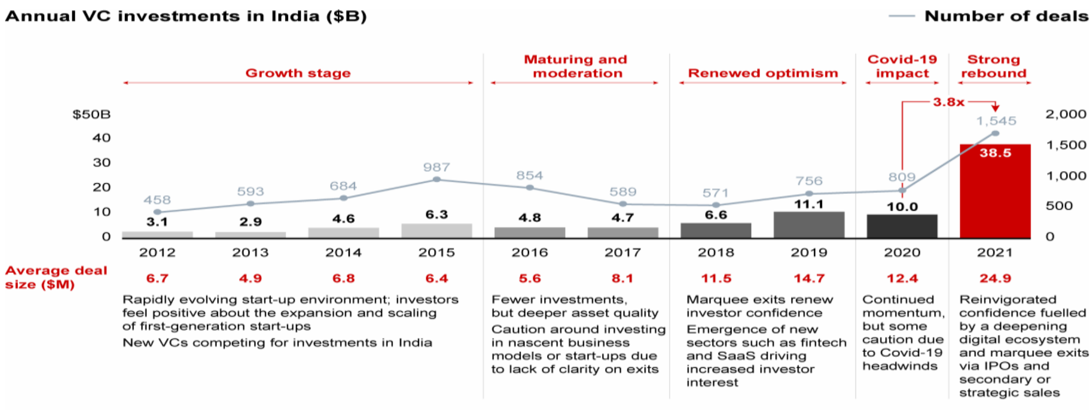
Region-focused global and domestic funds reinforced their commitments, with Ribbit Capital in fintech and DSG Consumer Partners in consumer tech, among others, doubling down. Additionally, traditional PE funds like KKR and Warburg Pincus demonstrated an increased focus on growth equity deals.
The year 2021 was a pivotal one for exits, with total VC exits surpassing $14 billion through secondary transactions and IPOs. Secondary transactions accounted for 60% of the exit value, led by notable deals like Bill Desk's acquisition by PayU at $4.7 billion and Kalaari's partial exit in Dream11 at $400 million. Furthermore, VC-backed companies accounted for about five high-profile IPOs, reflecting a significant shift as the Securities and Exchange Board of India (SEBI) relaxed listing regulations. Retail investors' appetite for tech-driven stocks also contributed to record over subscription levels, with Zomato oversubscribed at 7.5x and Nykaa at 12.2x for retail investors.

The Indian startup ecosystem reached a pivotal point in 2021, driven by VC investments. With a combined valuation exceeding $400 billion across a dynamic landscape of over 50,000 startups, companies aim to unlock substantial economic value while addressing significant pain points for consumers and small and medium businesses (SMBs). 2021 also witnessed significant wealth creation through employee stock ownership plan (ESOP) liquidation, with over 30 startups announcing ESOP buybacks.

Looking ahead to mid-2022, global challenges are likely to influence the funding landscape for the remainder of the year. While we anticipate investments in 2022 to remain within a similar range as 2021, the pace and nature of deals are expected to shift. Certain emerging sectors, however, are poised to continue generating revenue: Web 3.0 or crypto-based ventures (especially with the Indian government's decision on the legitimacy of digital assets), creator businesses, and core areas such as agritech and health tech.
As we enter 2022, several India-specific trends are expected to further shape the year:
Stricter IPO regulations, reportedly set to be implemented by SEBI, specifically targeting investor share offloading at IPO. Regulatory shifts are likely to continue impacting sectors like online gaming, cryptocurrency, and fintech. Talent attraction and retention will remain a top priority for scaling startups.

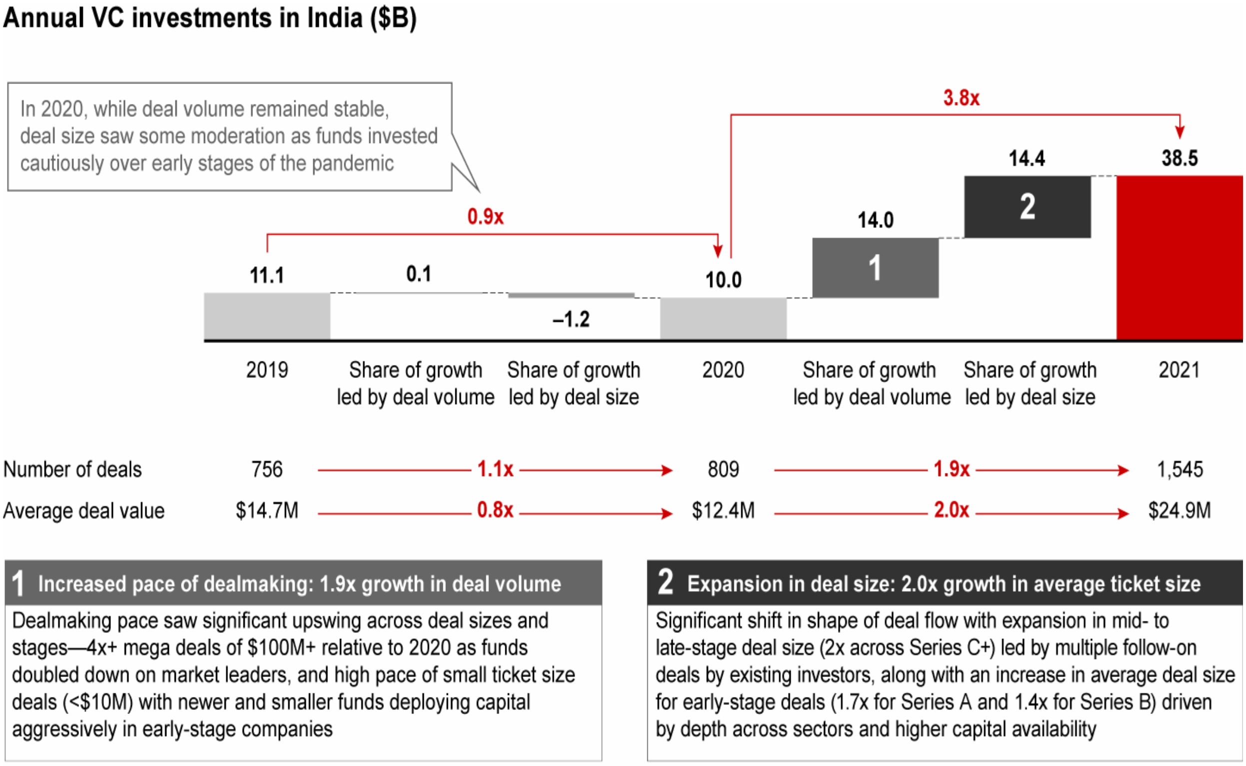
3.2 Data Analysis and Interpretation

A.VC deal flow in India saw a pivotal development in 2021, coming to a decade high of $ 38.53B in invested capital



Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

B. Deal flow saw critical developments regarding both worth (normal deal size) and volume (No. of deals) over 2020-21



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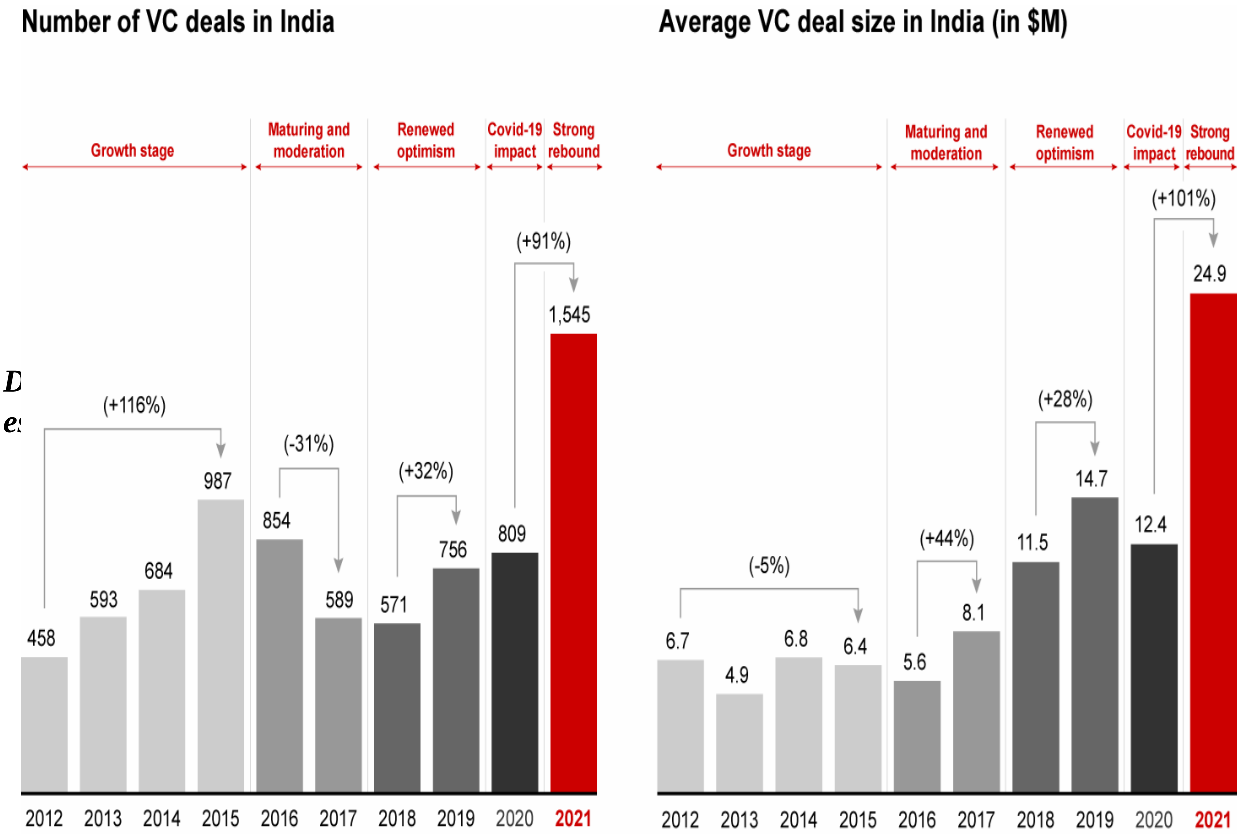

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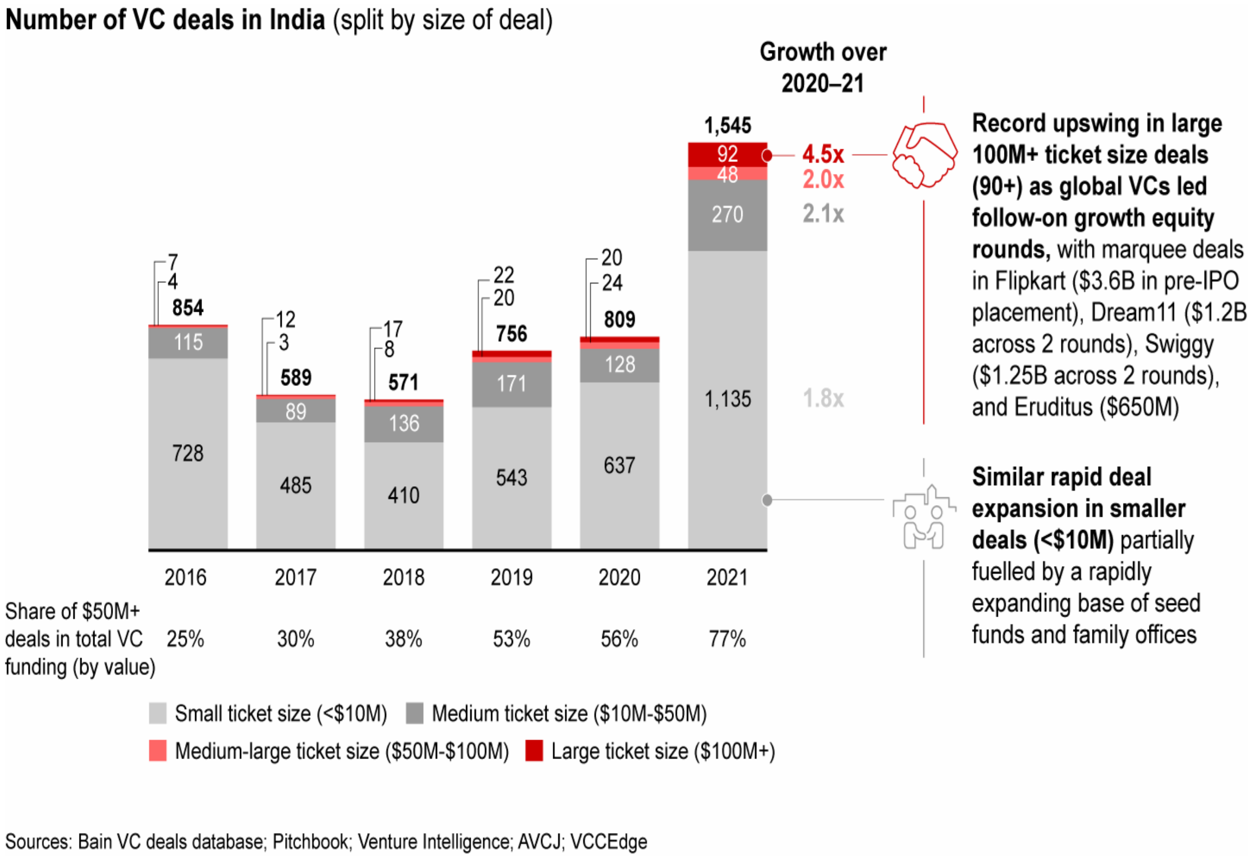
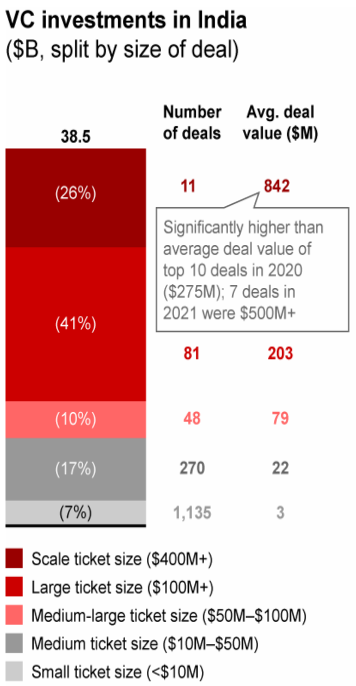


E. Of the enormous ticket size deals, 11 were scale rounds of $400M+



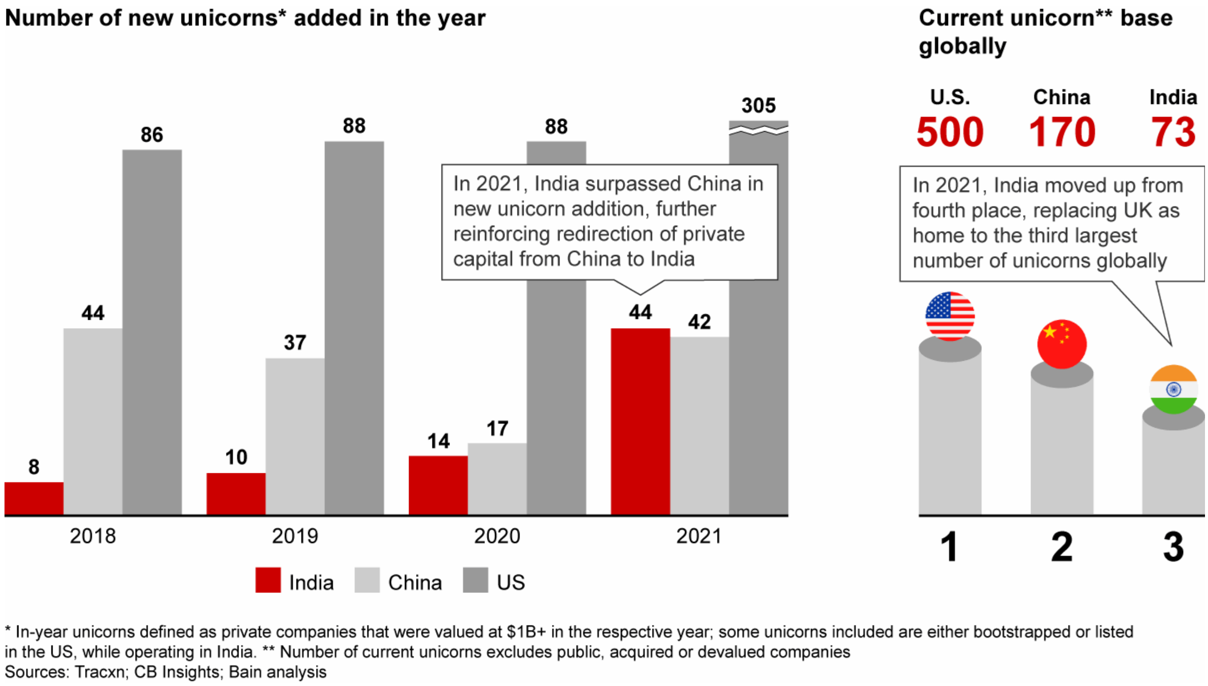
Overview of select scale investment rounds with $400M+ funding in India in 2021

Asset	Lead investors**	Sector	2021 Deal Value	Valuation†
Flipkart	GIC, CPPIB, SoftBank, Khazanah	B2C e-commerce	$3,600M	$37.8B
Dream11	Tiger Global, Alpha Wave Global, Technology Crossover Ventures (TCV)	Gaming	$840M (total $1,240M)	$8.0B
Swiggy	Alpha Wave Global, Prosus Ventures, Goldman Sachs	Online food delivery	$800M (total $1,250M)	$5.5B
Eruditus	Accel, CPPIB, SoftBank	Edtech	$650M	$3.2B
Meesho*	Fidelity, B Capital	B2C e-commerce	$570M (total $870M)	$4.9B
ShareChat*	Alkeon Capital, Lightspeed, Twitter Ventures, Tiger Global, Temasek	Social media and short-form videos	$502M (total $913M)	$3.7B
PharmEasy*	Prosus Ventures, TPG Growth	Healthtech	$500M (total ~$1,300M)	$5.6B
BYJU's*	Oxshott Capital, B Capital, ADQ, Prosus Ventures, MC Global Investment Holdings	Edtech	$460M (total $1,300M)	$21.0B
Cars24*	Alpha Wave Global, DST Global, SoftBank	Online car platform	$450M (total $850M)	$3.3B
Dailyhunt	B Capital, Sofina, QIA, Bay Capital, IIFL	Content, news aggregation and short form videos	$450M	$3.0B
Unacademy	Temasek, Tiger Global, Dragoneer, SoftBank	Edtech	$440M (total $490M)	$3.4B

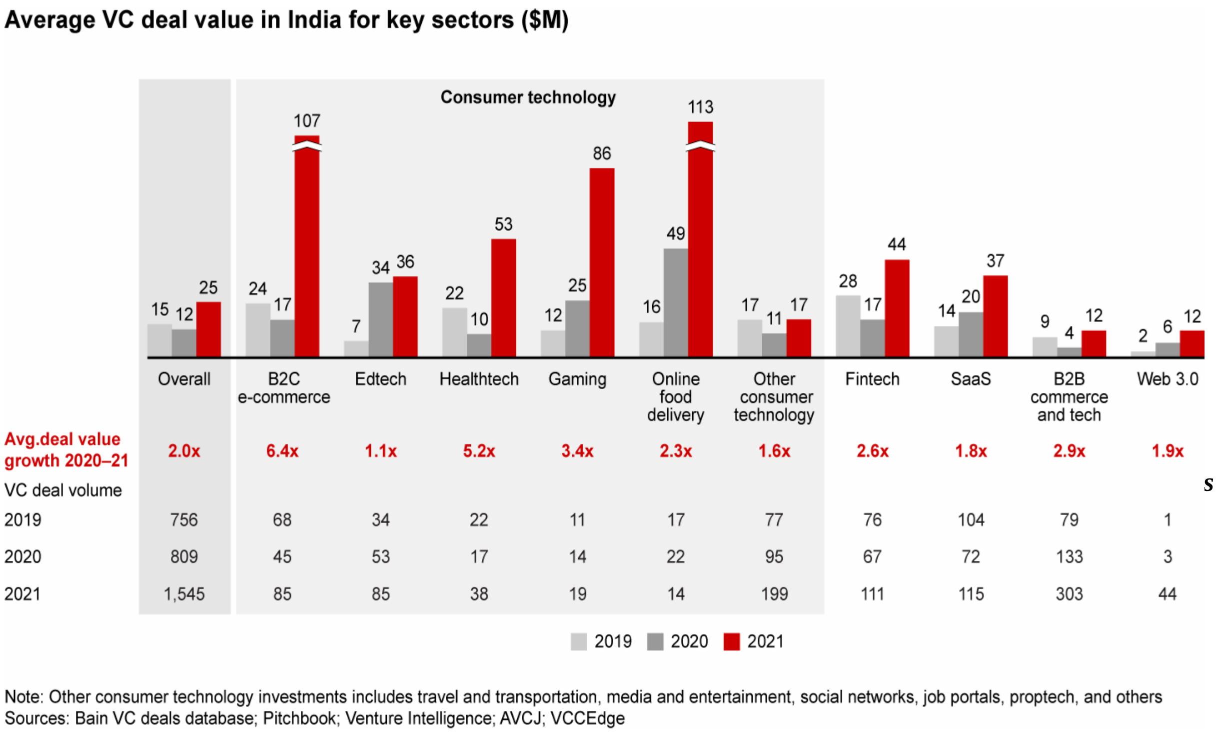
| $500M+ deals | $400M–$500M deals

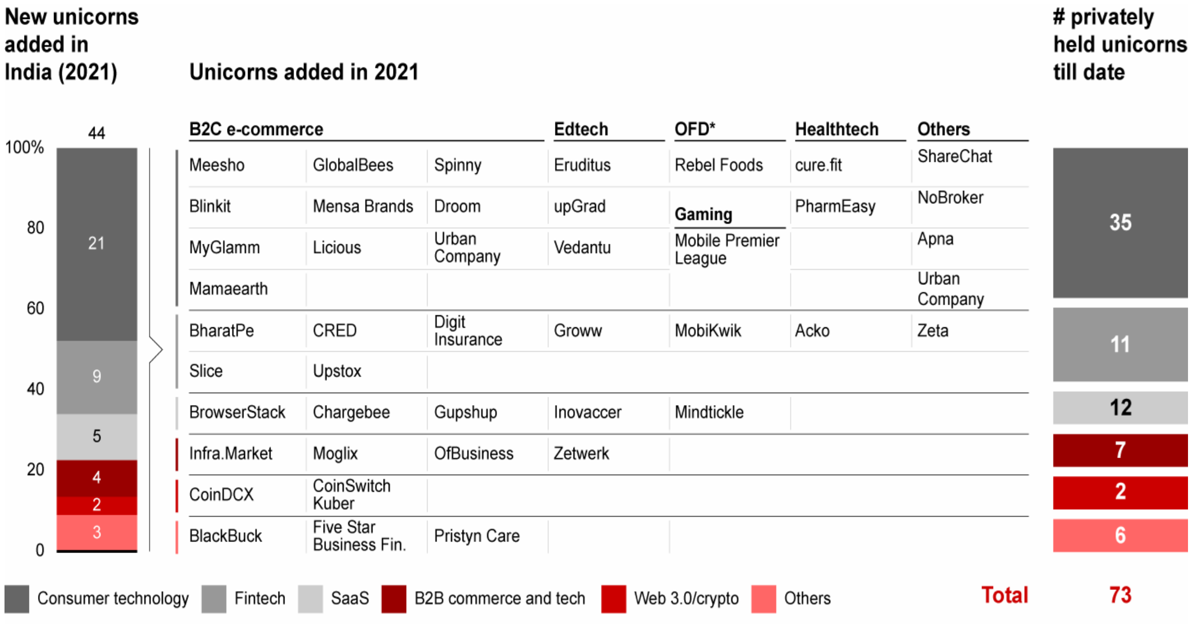
* Indicates firms that saw multiple rounds in 2021, with total investments in 2021 mentioned in parentheses
** Only lead investors in each round mentioned—list not exhaustive
† Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

F. Soaring Valuations prompted the expansion of 44 unicorns in 2021-taking India to third place concerning all out unicorns worldwide



G. Sector shrewd normal VC deal esteem in India ($M) (2019-2021)





* Online food delivery
Notes: In-year unicorns defined as private companies valued at $1B+ in the respective year; # of privately held unicorns till date includes only current unicorns (excludes public, acquired or devalued companies); others includes BFSI, Shipping & Logistics, Healthcare, and Energy
Sources: Tracxn; CBInsights; Bain analysis

Exhibit 102: Top exits in 2021

Company/Asset	Sellers	Investors	Sector	Exit Type	Amount (US$m)	Deal Stake %
GlobalLogic Inc.	CPPIB, Partners Group	Hitachi	Technology	Strategic	8,640	90
Hexaware Technologies Limited	Baring PE Asia	Carlyle	Technology	Secondary	3,000	100
Indialdeas.com Limited (Billdesk)	General Atlantic, TA Associates, Temasek, Visa, March Capital, and Clearstone Venture	PayU (Prosus NV)	Financial services	Strategic	2,876	61
Mphasis Limited	BCP VI	(BCP VIII and BCP Asia), ADIA, UC Invest, GIC	Technology	Secondary	~2,800	56
VFS Global Services Private Limited	EQT VII fund	Blackstone	Business and professional services	Secondary	1,870	75
SB Energy Holding	Softbank	Adani Green Energy Limited (AGEL)	Power and utilities	Strategic	1,760	80
Encora	Warburg Pincus	Advent	Technology	Secondary	1,500	80
BigBasket	Alibaba, IFC, and Abraaj	TATA Group	E-commerce	Strategic	1,000	50
SPI Global	Partners Group	Baring Private Equity Asia	Technology	Secondary	800	100
Atria Convergence Technologies Limited	TA Associates, True North	Partners Group AG	Telecommunications	Secondary	~800	75

In the provided data and visual representations, it's evident that consumer technology, fintech, and SaaS collectively accounted for over 75% of all VC investments by value in 2020. However, 2021 brought about a notable shift, witnessing a significant surge in interest towards emerging technologies.

B2B trade and technology experienced a remarkable 6.6-fold increase compared to 2020, while Web 3.0 and crypto-based startups displayed substantial growth, amassing over 28 times the investment, culminating in over

$500 million in funding. E-commerce and SaaS sectors saw notable improvements in deal sizes. Conversely, fintech and other consumer tech domains such as edtech and gaming saw both an expansion in deal size and volume.

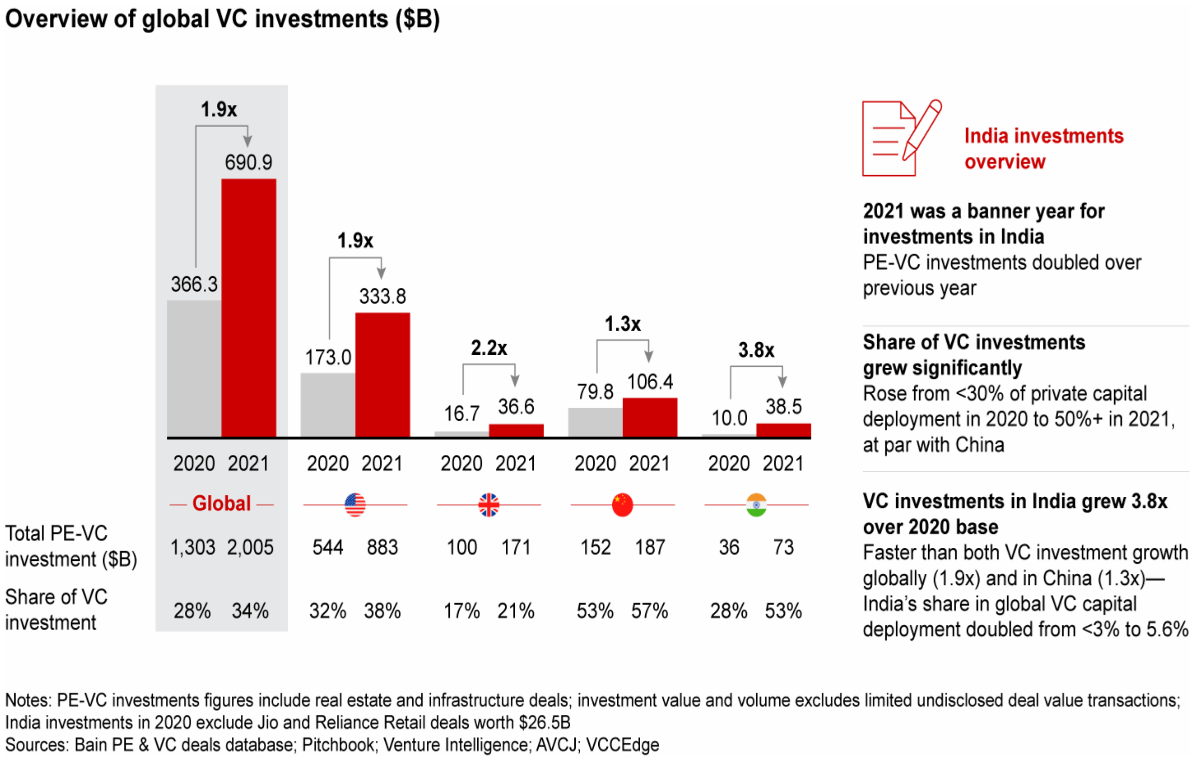
Furthermore, sectors like online B2B commerce and Web 3.0 exhibited a rapid pace in deal-making. Noteworthy venture themes emerged and gained traction in 2021, including new online business models such as social commerce and video commerce, as well as the rise of D2C brand aggregators. Short-form video content and targeted social networking for Tier 2+ clientele also garnered significant attention, along with the emergence of customer and SMB neo-banks, SaaS platforms, and online B2B business hubs. The Web 3.0 and crypto-based innovations also demonstrated impressive momentum in deal-making.

3.3 Top 20 the most Active Venture Capital Funds in India

S.No.	**Firms**	**Companies Invested In**	**Industries**	**Investment Range**
1.	Omidyar Network India,	iMerit, Bijak, Goodera, NowFloats, Drinkprime, FarMart	Governance, Property Rights, Education, Financial Inclusion, Digital Society, Technology	$30M - $150M
2.	Helion Venture Partners	Amba, Babyoye, Big Basket, Axtria, Azure Power, 99 Media	Technology	$1M - $10M
3.	Indian Angel Network	Ascema, Superprofs, Box8, Druua, FarEye, Flatpeeble, Gadgetwood, Hashcube, Infinity, Inthree, Karmic	Agriculture, Technology, Retail, Financial Services, Hospitality, Education & Health care	$400K- $500K
4.	Accel Partners	1Password, Ada, Algolia, Away, BlackBuck, Chainanalysiyis, Browse Stack, Checkr, Cognite, Cohesity, Ethos	Technology	$50M - $75M
5.	Matrix Partners India	Affirmed, Canva, Bugsnag	Technology, Software, Media, Consumer, Enterprise	$10M - $50M
6.	3one4 Capital	BEGiN, Betterplace, Bugworks, Connect India, Darwinbox, Dozee	FinTech, Enterprise, Automation, Deep Tech	$500K- $4M
7.	Intel Capital	Montage Tech, Redhat, Switch, Broadcom	Cybercity, Gaming, 5G and Silicon Design Companies	$10M - $100M
8.	Tiger Global Management	Urban Company, Flipkart, R razorpay etc	Global Internet, Software, Consumer and Fintech	Not Disclosed
9.	Kalaari Capital	Active.Ai, Affordplan, Agnext, Bluestone	Technology	Not Disclosed
10	Sequoia Capital	100 Thieves, Alkira, Bibit, 23 and Me	Energy, Financial Services, Health care	$100K-$2M
11.	Nexus Venture Partner	Clover Health, Craftsvilla, Crello Health, Circle Of Life	Technology	Not Disclosed
12.	Blume Ventures	Procol, Tartan Sense, Printo Ku Kuliza etc	Technology	Not Disclosed
13.	Ele Elevation Capital	Lifecare, Just Dial, Jodo, Makemytrip, Lifecare etc	Consumertech, SaaS, Financial Services, Logistics	Not Disclosed
14.	Venture East	Acko, Moengage, Portea, 24 Mantra Organic etc	Life Sciences, Healthcare, Technology	Not Disclosed
15.	Inventus Capital Partners	HealthifyMe, InstaHealth Lemnisk etc	Technology	Not Disclosed
16.	BLinC Invest	Genext Students, 1Crowd etc	EdTech, FinTech	Not Disclosed

17.	Chiratae Ventures	Active Al, Aether, Axio etc	Tech, Healthcare, FinTEch etc	Not Disclosed
18.	100X.VC	Accio Robotics, AgriGator, Lenify, Cora etc	Technology	Not Disclosed
19.	Mumbai Angels Network	Adonmo, Agro2o, Artivatic Apps Daily etc	Technology, Fashion, Finance, Real Estate	Not Disclosed
20.	Ascent Capital	Acko, Solara, Nurture, Robosoft, Fresh to Home, Sequent	Technology, Health Care and Pharma	Not Disclosed

Comparative Study of Venture Capital Financing in India & Major Countries



S.No	BASIS	INDIA	USA	UK	CHINA
1.	Total investment in 2019	USD 10 billion	$136.5 billion	<9 billion pounds	$ 258 billion
2.	Comparison with 2018	USD 9.6	$130.9 billion	22% Increase	$ 302 billion
3.	Increase/ Decrease	Increase	Increase	Increase	Decrease
4.	No. of completed VC investment	-	2215 deals	1648, nearly 2 billion pounds	183 deals ($4.1 billion)
5.	Major Sectors	Consumer tech, software/SAAS , B2B consumer, fintech & IT	Fintech, Software services, Space exploration, security defence, biotechnology, Industrial manufacturing industry.	Financial services, biotech and health care sectors	AI, green technology, smart manufacturing and industrial robotics.

In the realm of consumer tech, certain alternative models of commerce received substantial funding, such as video businesses, direct-to-consumer (D2C) brand aggregator models, and short-form content platforms. E-commerce-to-business (B2B) marketplaces gained momentum, leading to the emergence of four new unicorns. This surge was driven by the increased demand for digital integration within B2B supply chains, spurred by the pandemic. Support for Software as a Service (SaaS) continued to grow, with several category leaders rising to prominence, showcasing exceptional use cases.

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- Stricter IPO regulations, reportedly set to be implemented by SEBI, specifically targeting investor share offloading at IPO.
- Regulatory shifts are likely to continue impacting sectors like online gaming, cryptocurrency, and fintech.
- Talent attraction and retention will remain a top priority for scaling startups.

3.4 Impact of GST on Venture Capital Financing

POSITIVE	NEGATIVE
Ease of starting a business Decreased cost of logistics and increased efficiency Eliminates double Taxation Consolidation of multiple taxes	The tax burden for the manufacturing sector Challenges due to inadequate technology. Tax collected at through Harsh reverse charge mechanism.

With demonetization, there is as of now a fall in the interest fees, so many individuals would be checking out at better venture roads. Additionally, there will be a few little organizations, chit finds and so on which would twist up due to this move. Consequently, the loss or feeling of dread toward loss will also make certain individuals move to the more organized sector for investments.

Various different sorts of finance, like personal loans, commercial loans, and education loans were influenced by demonetization. Entrepreneurs who are looking to set up their own business now can apply for a loan easily to get a lower rate of interest. Aspiring individuals might start setting up their own endeavor because of the expanded accessibility of credits.
Three things which are important for entrepreneurs after demonetization are:
- Adoption of digitization
- Transparency and
- Diversify to mitigate risk

Major Challenges faced by Venture Capital financing in India
- The requirement of an accomplished managerial team.
- The requirement of a high pace of rate of return.
- The payback period is typically long.
- Income projections
- Vulnerability regarding the accomplishment of the product in the market.
- Challenges and concerns related to production framework specifics such as plant operations, location, supplier and banking relationships, transportation facilities, labor availability, etc.
- The class of potential clients with respect to products and services offered.
- The size of the market.
- Lack of financial support
- Major adversaries and their share in the overall industry.
- Skills and training required and the expense of training.
- Unforeseen expenses
- Poor cash flow/ lack of liquidity
- Complex regulatory environment
- Financial deliberation like profit for capital utilized (ROCE), cost of the project, the Internal Rate of Return (IRR) of the project, aggregate sum of assets required, the proportion of proprietor's speculation (personal funds of the business visionary), acquired capital, mortgage loans and so on in the capital utilized.

3.5 Limitations & Future Scope
- The Venture Capital Companies in India are totally ignoring support to provide managerial and technical assistance.
- While receiving Venture Capital funding for the business, there might be huge chances of loss of large equity or even the entire company.
- Limited decision- making abilities for new business owners.
- Due to the fact that venture capitalists refuse to sign a non-disclosure agreement, the ideas, especially when they are new, are at risk and they lack covertness.
- Some of the venture capital companies lack competence in receiving vulnerable companies, especially among the small-scale industries.

In 2021, India witnessed an unprecedented surge in venture capital (VC) investments, with corporations and their venture arms participating in 131 ventures, compared to 121 in 2020. However, it's important to note th In 2021, India witnessed an unprecedented surge in venture capital (VC) investments, with corporations and their venture arms participating in 131 ventures, compared to 121 in 2020. However, it's important to note that the infusion of capital doesn't always manifest solely as financial support. In some cases, it also comes in the form of valuable managerial expertise and technical assistance.

Venture capital can play a progressively innovative and developmental role in the growth of a nation like India. It has the potential to aid in the revitalization of emerging or vulnerable units by partnering with visionary individuals. Additionally, it can support small ancillary units in upgrading their technology, ultimately enhancing their competitiveness. This, in turn, leads to the creation of more employment opportunities, benefiting both fresh graduates and lateral recruits. It's worth mentioning that attracting and retaining tech talent has emerged as a significant challenge for growing startups.

The Venture Capital Fund (VCF) has evolved to become the largest source of Foreign Direct Investment (FDI), making it a pivotal force in boosting the Indian economy. Following the developments outlined in the 2020

Budget, the Indian government has taken steps to create an environment conducive to industry growth, with plans to provide greater flexibility in VC financing.

Given the trajectory of VC investments in India, the outlook for continued robust growth in the coming years remains promising at the infusion of capital doesn't always manifest solely as financial support. In some cases, it also comes in the form of valuable managerial expertise and technical assistance.

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Given the trajectory of VC investments in India, the outlook for continued robust growth in the coming years remains promising.India, a significant center point for VC investments offers a variety of investment choices to investors all over the world, causing them to pick the one they track down helpful in the long term. Investment in e-commerce, fintech, edtech, B2B Services, IT, Artificial Intelligence, and FMCG can be a sound choice for investors as we have witnessed growth in these sectors in the previous years. A couple of new areas will likely see rising development such as crypto-and blockchain-based technologies, healthtech, and agritech as well.

4. CONCLUSION

Based on the analysis presented in this research paper, along with supporting data, it is evident that 2021 marked a pivotal year for venture capital (VC) investment in India. The role of Venture Capital Financing in India's economic development cannot be understated. In recent years, it has exhibited remarkable growth and has played a crucial role in providing financial stability to new businesses.The evolution of VC has effectively addressed the funding gap for ventures with high-risk profiles, where other funding sources may have fallen short. The study also delves into the ramifications, both positive and negative, of GST and demonetization, citing examples from the growth of Web 3.0/crypto, online B2B marketplaces, and short-form video platforms like Moj and Josh.

Comparatively, when evaluating the performance of the VC industry in India against countries like the USA, UK, and China, India's performance may appear relatively subdued. However, within the broader context of the Indian economy, there has been substantial growth. In 2021, India produced 44 unicorns, surpassing China and securing the third position worldwide, trailing only behind the US and China. The rapid investment surge primarily in the IT and Consumer Technology sector, followed by Fintech and Software as a Service (SaaS), has positioned these segments as highly attractive markets for Venture Capital Investments.

Notable themes that have emerged include Fintech, neobanks, web 3.0/crypto, and blockchain-linked technology. Robust research and development, enhanced financial incentives, comprehensive training, and motivational factors are critical elements that will bolster the success and expansion of the venture capital industry in India. Government initiatives aimed at enhancing the business environment further underscore the positive outlook for Venture Capital Financing in India, ultimately contributing to an improved overall GDP for the country.

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