

## IMPEDIMENTS TO INVESTING AND BARRIERS TO VENTURE CAPITAL FINANCING IN INDIA

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*Various studies emphasized the fact that venture capital financing is having enormous potentials in India to combat one of the major hurdles to the growth of entrepreneurship in India i.e. the scarcity of finance. A large number of entrepreneurial failures can be attributed to lack of timely and adequate financial assistance. Venture capital financing is a boon for Indian entrepreneurs, but it is not catching up as fast as it should be, for a variety of reasons. The paper is targeted at identifying barriers in venture capital financing in India. It is based on the data collected through primary sources, from the Venture Capital firms and the VC investee firms and aims at finding out the perceived barriers by them.*

### Introduction

Entrepreneurship is the key to economic growth of developing countries like India having a large pool of human capital and a huge domestic market for all sorts of products and services. Financing of the venture is the most crucial challenge faced by an entrepreneur. The banks and financial institutions do exist for the purpose but they play a very limited role. Conventional financiers like banks and financial institutions, being custodian of public money are very conservative in financing the new ventures and it reminds the famous quotation of Mark Twain, that 'a banker is a fellow who lends his umbrella when the sun is shining and wants it back, the moment it begins to rain'. The entrepreneurs may have intangible assets like innovative ideas, new technology and human capital worth millions, however the banks and financial institutions always insist on collateral physical assets while funding.

India has a strong capital market. More than 10,000 companies are listed though shares in only a quarter of these are regularly traded. Measured in terms of the number of transactions, the NSE and the BSE are the third and fifth largest exchanges in the world. The establishment of SEBI and major reforms in the stock exchanges has resulted in a trading system that is modern and comparable to the best in the world. Clearly the system is well designed for medium and large companies.

However, many enterprises cannot access the capital market to raise finance through the issue of publicly traded debt and equity. This disability may be on account of

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scale, as some enterprises may be too small to bear the cost of a public issue. It may also be because the field of activity is too risky even for the adventurous market player or because the field of activity has tended to operate in an unincorporated environment.

Financing of ventures based on new technologies in general and those developed by the new generation of entrepreneur, in particular, often pose difficulties. The problems are more acute in developing countries. This is because domestically developed technologies, are generally perceived to be risky by the conventional financial system. This requires specialised financing mechanism in order to encourage and support such entrepreneurs and technologies. During the post independence period, India has setup a number of financial institutions to cater to the need of the industrial entrepreneurs but they have mainly remained as financing organisations for conventional entrepreneurship. Consequently, risk capital has been in short supply. Hence the setting up of the public financial institutions did not mitigate the problems of the entrepreneurs. The difficulty can be overcome through a specialised financial mechanism called Venture Capital.

Venture capital (VC) is a special type of financing arrangement. It is different from other institutional capital because its provision is customized to the needs of the receiver and the skills of the provider and requires close, ongoing, face-to-face interaction, i.e., it is not an arms-length transaction with standardized templates for contracts and lender-borrower relationships.

Venture capital is an investment, in the form of equity, quasi-equity and sometimes debt, in new or untried technology, or high-risk venture, promoted by a technically or professionally qualified entrepreneur, where the venture capitalist a) expects the enterprise to have a very high growth rate, b) provides management and business skills to the enterprise, c) expects medium to long term gains, and d) does not expect any collateral to cover the capital provided. (Pandey et al., 1995)

### **Significance of the study**

Various studies emphasized the fact that venture capital financing is having enormous potentials in India. One of the major deadlocks to the growth of entrepreneurship in India is the scarcity of finance. A good number of projects/ enterprises die prematurely mainly due to lack of timely and adequate financial assistance. Venture capital financing is a boon for Indian entrepreneurs in such a scenario, but unfortunately, it is not catching up as fast as it should be, for one reason or the other. This paper is aimed at identifying probable barriers in the working and performance of venture capital (VC) firms in India.

## Research Methodology

The paper is based on the data collected through primary sources, particularly from the VC firms and entrepreneurs/ VC investee firms and aims at finding out the perceived barriers by them. The sample consists of 15 VC firms, out of which nine are based in Delhi & NCR and the remaining six are based outside Delhi & NCR. On the basis of the Domicile status, 9 of the VC Firms were domestic and the remaining 6 were foreign firms. The questionnaire administered to the VC firms comprise of 25 questions designed to obtain their response covering the following issues;

- i) *Profile of Respondents*: Name of the firm/ fund and name of the respondent (optional), designation of the respondent, address and contact details, type and domicile of the firm, form of organization and year of establishment, size of the fund, registration/ affiliation status with SEBI/ IVCA
- ii) *Preferences of Venture Capitalists towards various issues in the Financing Process such as*:
  - a) Which Industry/ sector do they prefer to fund?
  - b) Which stage of investment do they prefer to finance?
  - c) What Investment size per firm do they prefer to fund?
  - d) Which Financing instrument is preferred by the VCs?
  - e) Do they have any Geographic/ location preferences and what?
  - f) Which exit route they would like to take and what would be the exit period?
  - g) Were they willing to sign the Non-Disclosure Agreement ?
- iii) *Appraisal time and proposal selection rate* : In order to find out the average time required to appraise a proposal for funding and the proportion of those accepted for funding by the VCs.
- iv) *Type of entrepreneurs preferred for funding*: Preference of type of Entrepreneurs for funding in terms of their qualification, experience, and family backgrounds.
- v) *Mode of monitoring the investee firm*: To know how VCs monitor the Projects / Companies funded by them

- vi) *Return on investment expectations:* The rate of Return on Investments at various stages expected by the VCs for a given proposal
- vii) *Decisive criteria and sources of information in project evaluation:* To understand the yardsticks used by VCs in evaluating a proposal and the information sources used in financing and valuation process.
- viii) *Perception towards barriers in VC financing in India:* To get the perspective of VCs towards various causes and barriers and their impact on VC financing in India.

(A copy of the questionnaire is attached as Appendix)

### **Barriers to VC Financing in India Based on the Present Study**

There has been a lot of VC funding taking place across the globe, the Indian market too seems to have all the ingredients to be a perfect avenue for VC investment, but there are some issues, which are serving as barriers in the growth of VC investments in India. Based on the experiences and findings of earlier studies, we developed an item scale to ascertain from the VC firms operating in the NCR, the probable barriers that they might be experiencing or be worried about. The item scale developed for the purpose comprise of 15 items encompassing such aspects/ dimensions as non availability of entrepreneurs, legal environments, socio political environment, infrastructural support or lack of it, government policies, and intervention etc. the researcher sought to seek opinion of the VC firms on a four point scale. These barriers/ causes are ranked on a scale of 1 to 4 (where 1 = Irrelevant/ Unimportant and 4 = Extremely important). (Refer Table -1.1)

The causes that are extremely important were poor/ ineffective intellectual property laws reported by most of the respondents (80%), the perceptual differences among VCs and entrepreneurs and lack of transparency in the deal reported by a majority (60%) of the VCs. Among the other factors that were extremely important were travel time & efforts and difficulty in successful exits reported by a good number of the firms (53%).

Some important issues which are hindering the growth of VC financing in India are red tapism / bureaucratic delays (80%), lack of favorable government policies & incentives (73%), foreign currency issues, lack of suitable deals/ ideas and lack of professionalism among entrepreneurs reported by a majority (67%) of the respondents.

Some issues which are somewhat important in this regard are primarily, safety and security concerns reported by half (53%) of the respondents followed by lack of supportive infrastructure and lack of experienced local investors (33% each)

**Table 1.1: Barriers to VC Financing in India**

Barriers/ Causes	Irrelevant/ Unimportant 1	Somewhat Important 2	Important 3	Extremely Important 4	MeanScore	Rank
Travel time & effort		2 (13.3%)	5 (33.3%)	8 (53.4%)	51	III
Lack of experienced local investors	2 (13.3%)	5 (33.3%)	8 (53.3%)		36	
Lack of deals that fit in your profile		3 (20%)	10 (66.7%)	2 (13.3%)	44	
Difficulty in successful Exits		2 (13.3%)	5 (33.3%)	8 (53.4%)	51	III
Intellectual property Laws			3 (20%)	12 (80%)	57	I
Unstable political environment		6 (40%)	9 (60%)		57	I
Multiple / Complicated Regulatory Environment		2 (13.3%)	7 (46.7%)	6 (40%)	49	IV
Perceptual differences between VCs and Entrepreneurs			6 (40%)	9 (60%)	54	II
Foreign currency concerns		3 (20%)	10 (66.7%)	2 (13.3%)	44	
Safety / security concerns		8 (53.3%)	6 (40%)	1 (6.7%)	38	
Lack of supportive infrastructure		5 (33.3%)	7 (46.7%)	3 (20%)	43	
Lack of favourable Govt. policy and incentives		1 (6.7%)	11 (73.3%)	3 (20%)	47	VI
Bureaucratic Delays		1 (6.7%)	12 (80%)	2 (13.3%)	46	VII
Lack of transparency			6 (40%)	9 (60%)	54	II
Lack of professionalism among Entrepreneurs		1 (6.7%)	10 (66.7%)	4 (26.7%)	48	V
Other			2 (13.3%)	6 (40%)	30	

*Note: Figures may not add up to 100% because of multiple responses*

In order to get the statistical significance of the various barriers; their mean scores have been computed and the barriers have been ranked according to their mean scores. (Refer Table – 1.2) It was found that poor intellectual property laws and unstable political environment are the two most crucial factors affecting VC financing in India. Perceptual differences between VCs and entrepreneurs and lack of transparency in the deals are the other two significant barrier followed by travel time and efforts and difficulty in successful exit. Multiple and complicated regulatory environment and lack of professionalism among entrepreneurs are also affecting the VC financing to some extent.

### **Location & Barriers to VC financing**

The firms located at different place seem to have more or less similar opinion towards barriers; however only in case of two issues, a significant difference has been observed; a majority of the non-Delhi based firms (67%) reported the travel time to be extremely important whereas as most of the Delhi based firms (55%) termed it as important. Regarding the instability of the political environment, almost all (89%) the Delhi based firms rated it as important whereas a majority of the non-Delhi based firms (83%) termed it as somewhat important.

**Table 1.2: Location and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	6.667	.555	2	.036
Lack of experienced local investors	1.667	.316	2	.435
Lack of deals that fit in VC profile	.139	.096	2	.933
Difficulty in successful Exits	1.667	.316	2	.435
Intellectual property Laws	1.111	.263	1	.292
Unstable political environment	7.824	.585	1	.005
Multiple / Complicated Regulatory Environment	.714	.213	2	.700
Perceptual differences between VCs and Entrepreneurs	.417	.164	1	.519
Foreign currency concerns	1.806	.328	2	.405
Safety / security concerns	1.111	.263	2	.574
Lack of supportive infrastructure	1.270	.279	2	.530
Lack of favourable Govt. policy and incentives	3.131	.416	2	.209
Bureaucratic Delays	.764	.220	2	.683
Lack of transparency	.417	.164	1	.519
Lack of professionalism among Entrepreneurs	2.083	.349	2	.353
Other Barriers	.178	.147	1	.673

*X<sup>2</sup> = Pearson Chi-Square, C = Contingency Coefficient, D = Degree of Freedom, P = Level of significance*

***Firm Type & Barriers to VC financing***

All type of firm was found to have almost similar opinion about the various barriers to VC financing and no significant difference has been observed in this regard.

**Table 1.3: Firm Type and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	4.729	.490	4	.316
Lack of experienced local investors	.979	.248	4	.913
Lack of deals that fit in VC profile	5.500	.518	4	.240
Difficulty in successful Exits	6.135	.539	4	.189
Intellectual property Laws	2.153	.354	2	.341
Unstable political environment	3.542	.437	2	.170
Multiple / Complicated Regulatory Environment	3.879	.453	4	.423
Perceptual differences between VCs and Entrepreneurs	.532	.185	2	.766
Foreign currency concerns	1.681	.317	4	.794
Safety / security concerns	3.906	.455	4	.419
Lack of supportive infrastructure	4.413	.477	4	.353
Lack of favourable Govt. policy and incentives	5.909	.532	4	.206
Bureaucratic Delays	4.618	.485	4	.329
Lack of transparency	5.741	.526	2	.057
Lack of professionalism among Entrepreneurs	7.313	.572	4	.120
Other Barriers	2.667	.500	2	.264

### *Firm Domicile & Barriers to VC financing*

The domestic and foreign firms were not found to differ on the issue of barriers and have expressed equal concerns towards various barriers.

**Table 1.4: Firm Domicile and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	1.667	.316	2	.435
Lack of experienced local investors	2.188	.357	2	.335
Lack of deals that fit in VC profile	.139	.096	2	.933
Difficulty in successful Exits	1.667	.316	2	.435
Intellectual property Laws	.069	.068	1	.792
Unstable political environment	.417	.164	1	.519
Multiple / Complicated Regulatory Environment	3.492	.435	2	.174
Perceptual differences between VCs and Entrepreneurs	.417	.164	1	.519
Foreign currency concerns	2.500	.378	2	.287
Safety / security concerns	3.194	.419	2	.202
Lack of supportive infrastructure	1.270	.279	2	.530
Lack of favourable Govt. policy and incentives	1.616	.312	2	.446
Bureaucratic Delays	2.500	.378	2	.287
Lack of transparency	.185	.110	1	.667
Lack of professionalism among Entrepreneurs	3.125	.415	2	.210
Other Barriers	.178	.147	1	.673



### *Form of Organisation & Barriers to VC financing*

The opinion of respondents regarding the barriers to VC financing was more or less similar across the form of organization. Only in case of the barrier- *lack of suitable deals*, a significant difference has been found. All the partnership firms termed it as extremely important whereas all the public ltd. Firms and half of the private limited firms (56%) rated it as important.

**Table 1.5: Form of Organisation and Barriers to VC financing**

Barriers / variables	X <sup>2</sup>	C	df	P
Travel time & efforts	3.067	.412	4	.547
Lack of experienced local investors	3.067	.412	4	.547
Lack of deals that fit in VC profile	10.000	.632	4	.040
Difficulty in successful Exits	1.850	.331	4	.763
Intellectual property Laws	2.500	.378	2	.287
Unstable political environment	1.667	.316	2	.435
Multiple / Complicated Regulatory Environment	2.857	.400	4	.582
Perceptual differences between VCs and Entrepreneurs	1.667	.316	2	.435
Foreign currency concerns	2.022	.345	4	.732
Safety / security concerns	1.694	.319	4	.792
Lack of supportive infrastructure	2.489	.377	4	.647
Lack of favourable Govt. policy and incentives	2.465	.376	4	.651
Bureaucratic Delays	1.056	.256	4	.901
Lack of transparency	2.407	.372	2	.300
Lack of professionalism among Entrepreneurs	4.700	.488	4	.319
Other Barriers	.889	.316	1	.346

### *SEBI Registration & Barriers to VC financing*

The firms registered with SEBI and the non-registered firms have had similar approach towards the barriers except in case of safety security concerns. Majority of the registered firms (60%) termed it as important whereas a most of the non-registered firms (80%) termed it as somewhat important.

**Table 1.6: SEBI Registration and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	1.163	.268	2	.559
Lack of experienced local investors	2.850	.400	2	.241
Lack of deals that fit in VC profile	.300	.140	2	.861
Difficulty in successful Exits	1.163	.268	2	.559
Intellectual property Laws	.000	.000	1	1.000
Unstable political environment	1.250	.277	1	.264
Multiple / Complicated Regulatory Environment	5.143	.505	2	.076
Perceptual differences between VCs and Entrepreneurs	1.250	.277	1	.264
Foreign currency concerns	1.950	.339	2	.377
Safety / security concerns	6.000	.535	2	.050
Lack of supportive infrastructure	2.743	.393	2	.254
Lack of favourable Govt. policy and incentives	2.182	.356	2	.336
Bureaucratic Delays	1.875	.333	2	.392
Lack of transparency	.000	.000	1	1.000
Lack of professionalism among Entrepreneurs	1.050	.256	2	.592
Other Barriers	.178	.147	1	.673

***IVCA Membership & Barriers to VC financing***

Both the members and non-members expressed similar concern toward various barriers except in case of travel time. A majority of the member firms (67%) rated it as extremely important whereas all the non-members termed it as important.

**Table 1.7: IVCA Membership and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	7.500	.577	2	.024
Lack of experienced local investors	1.406	.293	2	.495
Lack of deals that fit in VC profile	1.875	.333	2	.392
Difficulty in successful Exits	2.500	.378	2	.287
Intellectual property Laws	.938	.243	1	.333
Unstable political environment	2.500	.378	1	.114
Multiple / Complicated Regulatory Environment	4.286	.471	2	.117
Perceptual differences between VCs and Entrepreneurs	1.111	.263	1	.292
Foreign currency concerns	5.208	.508	2	.074
Safety / security concerns	1.198	.272	2	.549
Lack of supportive infrastructure	2.143	.354	2	.343
Lack of favourable Govt. policy and incentives	1.364	.289	2	.506
Bureaucratic Delays	.938	.243	2	.626
Lack of transparency	1.111	.263	1	.292
Lack of professionalism among Entrepreneurs	1.875	.333	2	.392
Other Barriers	3.429	.548	1	.064

***Fund Size & Barriers to VC financing***

The concern over various barriers were found to be similar irrespective of the fund size of the respondents, only in case of transparency issue which was rated extremely important by all the small fund size and a majority of (60%) of the large size firms, whereas most of the medium fund size firms (80%) rated it as important.

**Table 1.8: Fund Size and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	1.650	.315	4	.800
Lack of experienced local investors	1.650	.315	4	.800
Lack of deals that fit in VC profile	3.200	.419	4	.525
Difficulty in successful Exits	2.400	.371	4	.663
Intellectual property Laws	2.500	.378	2	.287
Unstable political environment	.000	.000	2	1.000
Multiple / Complicated Regulatory Environment	3.143	.416	4	.534
Perceptual differences between VCs and Entrepreneurs	.000	.000	2	1.000
Foreign currency concerns	3.800	.450	4	.434
Safety / security concerns	3.250	.422	4	.517
Lack of supportive infrastructure	4.400	.476	4	.355
Lack of favourable Govt. policy and incentives	5.273	.510	4	.260
Bureaucratic Delays	3.500	.435	4	.478
Lack of transparency	6.667	.555	2	.036
Lack of professionalism among Entrepreneurs	4.200	.468	4	.380
Other Barriers	4.000	.577	2	.135

***Year of Establishment & Barriers to VC financing***

The age of firms have not found to affect the issue of barriers as the firms of different age group reported similar concern towards the various barriers.

**Table 1.9: Year of Establishment and Barriers to VC financing**

<b>Barriers / variables</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Travel time & efforts	1.431	.295	4	.839
Lack of experienced local investors	5.838	.529	4	.212
Lack of deals that fit in VC profile	2.758	.394	4	.599
Difficulty in successful Exits	5.781	.527	4	.216
Intellectual property Laws	3.542	.437	2	.170
Unstable political environment	.278	.135	2	.870
Multiple / Complicated Regulatory Environment	3.506	.435	4	.477
Perceptual differences between VCs and Entrepreneurs	.625	.200	2	.732
Foreign currency concerns	3.033	.410	4	.552
Safety / security concerns	2.813	.397	4	.590
Lack of supportive infrastructure	.305	.141	4	.990
Lack of favourable Govt. policy and incentives	6.000	.535	4	.199
Bureaucratic Delays	2.896	.402	4	.575
Lack of transparency	.625	.200	2	.732
Lack of professionalism among Entrepreneurs	2.138	.353	4	.710
Other Barriers	2.667	.500	2	.264

## Conclusion

Despite the fact that need and significance of VC financing and their contribution in economic and industrial development particularly through technology based entrepreneurship is well established, there have been impediments and barriers in VC financing. A number of studies in Indian context have attempted to identify these impediments and the same has been observed in the study. Regulatory framework and bureaucratic obstacles have often been reported to be the biggest barriers. Multiplicity of regulations and regulatory agencies which operate in India like, SEBI, Department of Economic affairs, Ministry of Finance, Central Board for Direct Taxation (CBDT), Foreign Investment Promotion Board (FIPB) and the Reserve Bank of India (RBI) have issued guidelines to be followed by VC firms. Given the confusion that arrives because of such multiplicity, the VC financing experienced numerous difficulties. Taxation laws and disclosure requirements, though largely in tune with the best International practices are also a barrier in promotion of VC funding. Besides the multiplicity of regulation and taxation, the second most important impediment is found to be the infrastructural constraints.

It was in the background that the present study sought to find out from the sample VC firms as to what are their experiences in operating in the National Capital Region (NCR). For the purpose, as elaborated above the researcher developed a 15-item scale and asked the respondents about their opinion on the same. Analysis of the data reveals that the political environment particularly arising out of instability of Government is seen as the foremost important barrier by the VC firms. This is followed by the problems associated with intellectual property laws. What comes out very strongly in the study is that perceptual differences between VC firms and entrepreneurs and the lack of transparency are the two other important barriers in successful operation and development of VC financing in India. Surprisingly, lack of incentives, government policies, and bureaucratic delays, ranked last in the list of probable barriers and impediments. In addition, multiplicity of regulatory agencies and complicated regulatory environment was not found to be the foremost barriers.

It appears that the regulatory environment in the country has become more conducive and that the functioning of various offices and authorities involved in the regulation of VC financing has become more efficient. Thus, the barriers faced by VC firms lie in their interaction with the entrepreneur/ investee firm and it is this relationship issues and perceptual differences between the two parties that are assuming importance in promoting VC financing in India.

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## APPENDIX

## Questionnaire (For Venture Capital Firms)

## 1. (a) Co./ Firm Information (Please attach your Business Card to skip this section)

Name of the Co/ Firm. :	
Name of the Fund (s) :	
Respondent / Contact Person (s) :	
Designation :	
Address :	PIN
Phone # (with STD code)	Fax #
E-Mail :	URL: www.

## 2. Type of Firm (Please tick)

A. Private independent co.	B. Affiliate/ Subsidiary of Bank / Fin. Inst.	C. Affiliate/ Subsidiary of Insurance
D. Affiliate/ Subsidiary of Non Financial Corp.	E. Govt. Affiliated	F. Any other (Pl. spcfy)

## 3. Firm Category / Domicile

A. Domestic	B. Foreign	C. Other (Pl. Specify)
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## 4. Form of Business organization (Please tick)

A. Proprietorship	B. Partnership	C. Pvt. Ltd. Co	D. Public Ltd. Co.	E. Any other (Pl. spcfy)
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## 5. Year of Establishment

## 6. Capital under management/ Size of Fund (in US\$ mn)

## 7. Whether Registered with SEBI

Yes	No
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## 8. Whether Member of Indian Venture Capital Association (IVCA)

Yes	No
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## 9. Industry preference for funding/ investment (Please Tick all that is applicable)

A. IT & IT Enabled Services	B. Manufacturing	C. Engineering & Construction
D. Banking, Financial Services & Insurance	E. Pharma / Healthcare & Life Sciences	
F. Agriculture & Food Processing	G. Media & Entertainment	H. Education & Consultancy services
I. Retail	J. Any other (Please Specify)	

## 10. Preferred Stage for Investment (Please Tick all that is applicable)

A. Seed / Startup	B. First / Early stage	C. Second / later stage	D. Expansion
E. Turnaround	F. PIPE	G. Any other (Please Specify)	

## 11. Preferred size of investment (in US \$mn)

A. Up to 1 mn	B. 1-5 mn	C. 5-10 mn	D. 10-15 mn
E. 15-20 mn	F. 20-25 mn	G. > 25 mn	

## 12. Which is the most preferred instrument of financing?

A. Equity	B. Redeemable pref. Share	C. Convertible debt
D. Non convertible debt	E. Any other (Please Specify)	

13. Please indicate the Geographic preference of investment?

A. Within a particular Region in India	B. All India
C. Within Asia	D. Worldwide

14. What is the average time required between first contact by the entrepreneurs and actual funding ?

A. Up to 4,weeks	B. 4 – 8 weeks	C. 8 – 12 weeks
D. 12 – 16 weeks	E. 16 – 20 weeks	F. > 20 weeks

15. Which is the most preferred exit route?

A. IPO	B. Mergers & Acquisition	C. Buy back by promoters
D. Sale to another VC	E. Sale through stock exchange	F. Any other ((Pl. Spcfy))

16. What is the average time period of an investment before Exit?

A. 1 – 3 years	B. 3 – 5 years	C. 5 – 7 years
D. 7 – 9 years	E. 9 – 11 years	F. > 11 Years

17. Prior to investment do you sign the Non Disclosure Agreement (NDA)?

A. Compulsorily	B. Preferably	C. Doesn't matter	D. No
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18. Please indicate the mode of selecting Firms for investment (Please tick relevant column as applicable)

Mode	Always	Mostly	Rarely	Never
A. Direct contact by the Entrepreneur				
B. Referred by another VC				
C. Referred by another Entrepreneur				
D. Referred by Intermediaries				
E. Any other (Pl. Specify)				

19. Out of the business plans /proposals received what is the proportion of those accepted for funding, on an average?

A. 0 –3 %	B. 3 –5 %	C. 5 –7%	D. 7 –9 %	E. More than 9 %
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20. Please indicate your Preference of type of Entrepreneurs for funding ? (Please tick the relevant column)

Type of Entrepreneur	Always	Mostly	Rarely	Never
A. Established entrepreneurs (with proven record)				
B. First Generation (With work experience)				
C. First Generation (Without work experience)				
D. Professional / Technocrats				
D. Any other ((Pl. Spcfy))				

21. How do you monitor the Projects / Companies financed by you ? (Please Tick relevant Columns)

Mode of Monitoring	Always	Mostly	Sometimes	Never
A. By nominating Director on the Board of the Investee				
B. Personal visits				
C. Feedback through periodical reports / statements				
D. Any other ((Pl. Spcfy))				



24. To which extent the different sources of information used for the financing and valuation process  
(Please tick; 1= irrelevant / unimportant, 2 = some what important, 3 = important, 4 = extremely important)

Information Sources	Rank			
	1	2	3	4
A. Due diligence report	1	2	3	4
B. Overall coherence of business plan	1	2	3	4
C. Balance Sheet and P&L Statement	1	2	3	4
D. Profile of management /promoters	1	2	3	4
E. Audit report	1	2	3	4
F. Product/ technical/ marketing information	1	2	3	4
G. Interviews with entrepreneurs/ others	1	2	3	4
H. Proposed exit timing &method	1	2	3	4
I. Govt. industry statistics /other information services	1	2	3	4
J. Financial press and trade journals	1	2	3	4
K. Any other (Pl. Specify below)	1	2	3	4

25. What are the major barriers to VC financing in India? (Rank on a scale of 1 to 4)

(Please tick; 1= irrelevant / unimportant, 2 = some what important, 3 = important, 4 = extremely important)

Barriers / variables	Rank			
	1	2	3	4
A. Travel time & efforts	1	2	3	4
B. Lack of experienced local investors	1	2	3	4
C. Lack of deals that fit in your profile	1	2	3	4
D. Difficulty in successful Exits	1	2	3	4
E. Intellectual property Laws	1	2	3	4
F. Unstable political environment	1	2	3	4
G. Multiple / Complicated Regulatory Environment	1	2	3	4
H. Perceptual differences between VCs and Entrepreneurs	1	2	3	4
I. Foreign currency concerns	1	2	3	4
J. Safety / security concerns	1	2	3	4
K. Lack of supportive infrastructure	1	2	3	4
L. Lack of favourable Govt. policy and incentives	1	2	3	4
M. Beauraucratic Delays	1	2	3	4
N. Lack of transparency	1	2	3	4
O. Lack of professionalism among Entrepreneurs	1	2	3	4