
Venture capital investment:survey on problems and prospects faced by the entrepreneur

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Abstract: The research project titled A study on venture capital investment and survey on problems and prospects faced by the entrepreneur. This paper studies problems and prospects of the entrepreneur on venture capital investment and importance of venture capital investment. Descriptive research is applied using a convenience method of sampling with 60 respondents. The tools used for the study are mean analysis, frequency analysis, Independent t test, ANOVA and factor analysis. It is found that individuals seeking venture capital might need to adjust their approach to different capitalists, recognising the diversity involved. Niche's of venture capital exist due to structure and rules of capital markets.

Keywords: Venture capital investment, procedures of capital market,money,company,issues

INTRODUCTION

Venture capital is a type of private or government equity company consisting of highly qualified professionals, outside investors to fund the new , growth business. Venture capital is simply money provided by the investors or professionals who alongside invest their management in young, rapidly growing companies that have the potential to develop into significant economic contributors. Venture Capital is highly dependent on the growth and profitability of the business, as a shareholder of the business. Venture capital is actually risky finance. Only difference between Venture capital and their private finance is that. Venture capitalist tends to focus on emerging companies ,which is in need of funding at the starting stage and helps the growth of the company, while private equity companies fund the larger and most established company. The various types of venture capital are classified as per their applications at various stages of a business. The three principal types of venture capital are early stage financing, expansion financing and acquisition/buyout financing. The venture capital funding procedure gets complete in six stages of financing corresponding to the periods of a company's development.

The process of venture capital is starting with submitting the business plan to venture capitalist states as Idea generation, step 1, if the venture capitalist is interested in the proposal , the firm or the investor , arranges the introductory meeting, which is stage 2 of the venture capital process, then perform the due diligence, includes a thorough investigation of the company's business ideas or models ,products, management, and operating history, among other things ,as it is the stage 3rd of funding process. Venture capital considers background research is very important. After successful completion of due diligence, the firm or the investor will pledge an investment of capital in exchange for equity in the company, funds or provided at once or at rounds according to the needs of the company , as it is the 4th stage of the Venture capitalist. Approx five to six years or after a period of time, a venture capitalist exits the firm by initiating a merger, acquisition or initial public offering (IPO), which is the Exit stage of the Venture capitalist.

The problems of the Entrepreneur among the venture capitalist is almost all venture capital is financing the information technology, pharmaceutical and some service industries, which gains high profit, but larger fundamentally sound business are unable to attract Venture capital financing as even they are old economy firms or early stage companies. Second problem of venture capitalists in India is that they are more focused on the global market than the Indian local market needs. Third issue is the quality of corporate governance and lack of sensitivity among investors and entrepreneurs, to each other's legitimate business aspirations. Our research idea is based on the rich knowledge acquired by our peer teams across the university. (Danda, S and Chinnaswami, 2009; Narayanan, Kannan and Sreekumar, 2009; Priya S et al., 2009; Danda and Ravi, 2011; Neelakantan et al., 2011, 2013; Prasanna, Subbarao and Gutmann, 2011; Narayanan et al., 2012; Venugopalan et al., 2014; Krishnan and Chary, 2015; Neelakantan and Sharma, 2015; Ramesh et al., 2016; Manivannan, I., Ranganathan, S., Gopalakannan, S. et al., 2018; Dua et al., 2019; Ezhilarasan, Apoorva and Ashok Vardhan, 2019; Panchal, Jeevanandan and Subramanian, 2019; Rajeshkumar et al., 2019; Ramadurai et al., 2019; Ramakrishnan,

Dhanalakshmi and Subramanian, 2019; A.C.Gomathi, S.R.Xavier Rajarathinam, A.Mohammed Sadiq, Rajeshkumar, 2020).Presently we are working on Venture Capital Investment.

The objective of the study is to study the perception of entrepreneurs towards venture capital funding,to determine the impact of demographic profile of perception of Entrepreneurs towards Venture capital and to study the factors that determines the problems and prospects of the Entrepreneur.

LITERATURE REVIEW

(Jeong et al., 2020) Explored how Venture Capital investment at each stage of growth affects a start-up's sustainable growth and performance. This study broadens our understanding of the effects of VC investment considering the initial investment receipt to examine how VC investment influences start-up performance. Another major contribution of the study is that the high absorptive capacity of start-up in the initial stage has an impact on driving VC investments into performance.

(Smith, 1998) describes the market for reputation among the venture capital firms will improve the efficiency of the market for reputation, thus enhancing the ability of entrepreneurs to reduce the risks of moral hazard and adverse selection. This article suggests that the market for venture capitalist reputation is both information ally and fundamentally inefficient, thus mechanisms probably do not result in an efficient market because of the absence of the centralised location.

(Randjelovic et al., 2003) conducted a study on The Emergence of Green Venture Capital. The article describes the emerging phenomenon of environment related VC (or green VC) and provides an overview of the current market for this type of investment. Finally, it analyzes the drivers for green VC and attempts to identify the sources of innovation and uniqueness of these emerging financial products.

(Wright et al., 2002) wrote a paper on Internationalization of Western Venture Capitalists into Emerging Markets: Risk Assessment and Information in India. This paper provides the first analysis of the internationalisation of venture capital firms through an examination of risk assessment and information usage by firms in India. Finally, this paper has focused on issues relating to assessing risk and sources of information.

(Kanniainen and Keuschnigg, 2004) published a journal on Start-up investment with scarce venture capital support. This paper reports three new results on venture capital finance and the evolution of the venture capital industry. First, there is an optimal VC portfolio size with a trade off between the number of companies and the value of managerial advice. Second, advice tends to be diluted when the industry expands and VC skills remain scarce in the short run. Third, as a welfare result, VCs tend to provide too little advisory effort and to invest in too few companies.

(Bates and Bradford, 1992) conducted a study on Factors Affecting New Firm Success and their Use in Venture Capital Financing. This study uses a nationwide sample of 14,424 new firms, the major goal of this study is to determine if ethnic minorities are differentially restricted in their ability to obtain venture capital financing. The major goal of this study is to determine if ethnic minorities are differentially restricted in their ability to obtain venture capital financing.

(Dossani and Kenney, 2002) published a journal on "Creating an Environment for Venture Capital in India." World Development 30 (2): 227–53.Dossani and Kenney (2002) conducted a study on creating an Environment for Venture Capital in India. The institution of venture capitalism is a difficult one to initiate through policy intervention, particularly in developing countries with unstable macroeconomic environments and histories of state involvement in the use of national capital and in the composition of production. After several setbacks, some success has been achieved largely due to a slow process of moulding the environment of rules and permissible institutions.

(Mahesh, 2019) conducted a study on Challenges of venture capital financing in India: A study. This research paper is aiming to highlight the issues and challenges faced by Indian venture capital companies while financing. There is an imminent demand for highly cost effective, quality products and so, the need for right access to valuable human capital to guide and monitor along with the necessary funds for financing the new projects. The nation waits for the rapid venture capital funding business in India in spite of the existing problems in the Indian industrial infrastructure.

(Vanderhoven et al., 2020) wrote a journal on Can Public venture capital support sustainability in the social economy? Evidence from a social innovation fund. This article critically explores the use of public venture capital programmes to fund and grow the social economy through the case study of Heavy Sound Community Interest Company. They conclude that, while SIF funding helped Heavy Sound to scale-up an intervention in the short term, further significant scaling might undermine the project's success and long- term sustainability was not assured.

(De Clercq et al., 2006) conducted a study on An Entrepreneur's Guide to the Venture Capital Galaxy. This article provides a foundation for an understanding of the dynamics of venture capital from the Entrepreneur's point of view. For the exit phase, they discuss the importance of establishing a timely and harmonious exit for the VC. They begin with a brief comparison of venture capitalists in classic venture capital firms with corporate venture capitalists..

(Nuthalapati and Singh, n.d.), conducted a study on Venture Capital, Technology and Innovative Start-ups in India. This paper examines the links between venture capital, technology and innovation through literature; brings out evolution of VC industry in India: and it played crucial supportive role in nurturing early stage growth of several firms in telecom, information technology, pharmaceutical and the recent start-ups like Flipkart, Pay tm, Ola, Oyo and several others.

(Winton and Yerramilli, 2008) compared venture capital financing with bank financing showing that venture capital investors have better ability to monitor the firm's activity, but on the other hand they demand higher returns. In contrast, banks are less skilled at monitoring, but demand lower returns from entrepreneurs because they themselves face lower funding cost by exposing themselves to liquidity shocks.

METHODOLOGY AND ANALYSIS

The entrepreneurs have been targeted to collect the data for this research. Primary data is collected through questionnaires. The questionnaire is derived from the "Venture Capital in Uttar Pradesh: Its Problems and Prospects", which is the Ph.D Thesis Submission of Mr.Ahmar Uddin Mohd under the guidance of Dr. Valeed A.Ansari, Reader and Dr.Syed Ahsan Jamil, Director. Questionnaire has two sections such as demographic profile and the factors related to the study on Venture Capital Investment. It is collected from 60 Entrepreneur. Collected data analysed using frequency, mean, factor and variance.

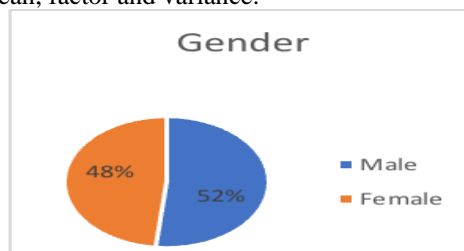


Fig.No.1 shows the frequency analysis of Gender. From the table it is clear that the majority of the respondents are Male (51.7%) and Female Entrepreneur is (48.3 %).

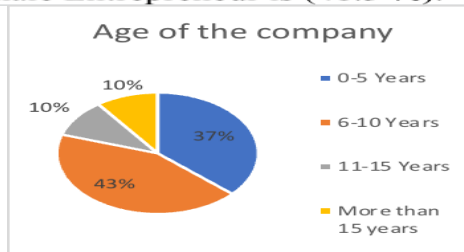


Fig.No.2 shows the frequency analysis of age of the company. Nearly 43% of age of the company falls in 6-10 years followed by 0-5 years (36.7%), 11-15 years (10%) and more than 15 years (10%).

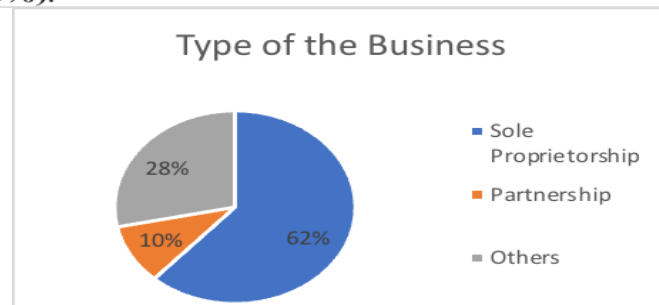


Fig.No.3 shows the frequency analysis of type of the business. Major types of entrepreneurs are Sole Proprietorship (37%) followed by the others (17%), and Partnership (6.0%).

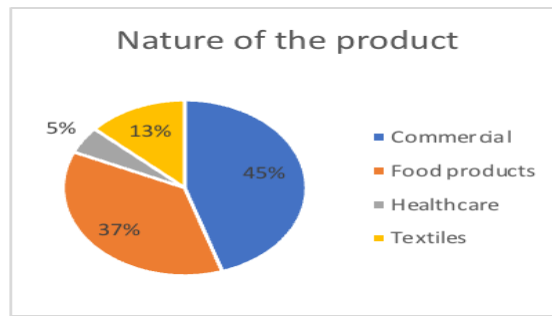


Fig.No.4 shows the frequency analysis of nature of the product. The majority of the nature of the products the entrepreneurs belong to is Commercial(45%) , followed by Food products(36.7%), Textiles (13.3%) and Healthcare (5%)

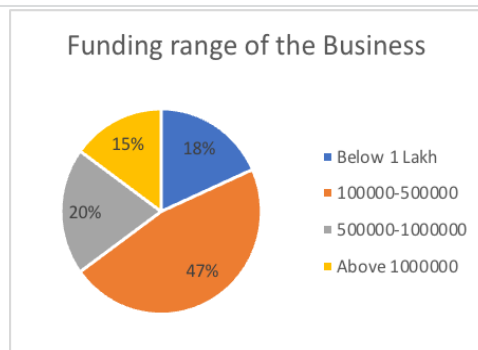


Fig.5: shows the frequency analysis of the Funding range of the Business. Majority of the funding range of the Entrepreneur business is 100000-500000 (46.7%) followed by 500000-1000000 (20.0%), below one lakh (18.3%) and Above 1000000 (15.0%). Table No.2 discussed the problems and perception of venture capital and the importance of venture capital investment.

Table 1: Problems and prospects of an Entrepreneur on Venture Capital investment and importance of Venture Capital

S.No	Problems and Prospects	Mean	Rank	Importance	Mean	Rank
1	Low opportunity	3.40	1	Brand Image	3.50	1
2	Time consuming	3.30	2	Operational Help	3.46	2
3	Costly Source	3.30	3	Corporate Governance	3.46	2
4	Unapproachable	3.28	4	Planning	3.45	3
5	New Venture	3.28	5	Raising Funds	3.40	4
6	High Technology Firms	3.25	6	Technical Assistance	3.40	4
7	Interference	3.25	7	Recruitment and Training	3.39	5
8	Confidentiality	3.08	8	Funding for Business	3.38	6

The mean score is displayed in Table.No.1 On Problems and Prospects table shows variable “low opportunity” includes highest mean score of 3.40 followed by Time consuming (3.30), Costly Source (3.30), Unapproachable (3.28), New Venture (3.28), High Technology Firms (3.25), Interference (3.25) and Confidentiality (3.08). It concludes that Entrepreneurs are agreeing towards all the mentioned factors. On Importance table shows variable “Brand Image” includes highest mean score of 3.50 followed by Operational Help (3.46), Corporate Governance (3.46), Planning (3.45), Raising Funds (3.40), Technical Assistance (3.40), Recruitment and Training (3.39) and Funding for Business (3.38).All the mean scores are lies between 3.3 to 3.5 .It concludes that Entrepreneurs are agreeing towards all the mentioned importance of Venture Capital Investment. Table 2 and 3 discussed the result of the factor analysis.

Table 2: Data Sufficiency and Variance

S.NO	KMO	FACTORS	TOTAL	% OF VARIANCE	CUMULATIVE %
1	0.677	Component 1	2.826	17.663	17.663
2		Component 2	2.069	12.930	30.593
3		Component 3	2.044	12.773	43.367

4		Component 4	1.981	12.382	55.749
5		Component 5	1.818	11.360	67.109
6		Component 6	1.597	9.984	77.092

The data sufficiency for doing factor analysis is measured by KMO. In this case, the value is lesser than 0.6. There are a total six components with cumulative percent of 77.092. It conveys that data is sufficient for doing factor analysis. Moreover, 16 parameters are clubbed into six factors.

Table 3: Factors Loadings

Factors affecting Venture Capital	Components					
	1	2	3	4	5	6
Funding	.758					
Operational Help	.695					
Corporate Governance	.682					
Recruitment and Training	.641					
Costly Source	.591					
Time Consuming	.588					
Planning	.564					
Decisions	.554					
High Technology Investment		.657				
Unapproachable		.544				
New Venture			.524			
Funding for Business			.500			
Brand Image				.605		
Confidentiality				.523		
Low Opportunity					.532	
Technical Assistance						.573

Table 3 shows factor loadings of each variable. Parameters of Funding, Operational Help, Corporate Governance, Recruitment and Training, Costly Source, Time Consuming, Planning and Decisions from Factor 1, Factor 2 contains High technology Investment, and Unapproachable, Factor 3 contains New Venture and Funding for Business, Factor 4 contains the Brand Image and Confidentiality, Factor 5 contains the Low Opportunity and Technical Assistance is listed in last factor.

Table 4: Demographic profile and Problems and Prospects of Entrepreneur on Venture capital

S.No	Problems and Prospects	Gender T-Value	Product Nature F- Value	Business Type F Value	Funding Range F- Value
1	Unapproachable	.301	1.345	.298	.951
2	Costly source	.423	1.168	.869	2.382
3	Interference	1.121	2.380	.587	1.910
4	High technology	.273	.918	.046	.238
5	Confidentiality	.168	2.550	1.113	1.547
6	New venture	.663	.102	.024	3.277
7	Time consuming	.936	4.762	.107	.954
8	Low Opportunity	.170	.432	.645	2.041

Table 4 shows that almost all the T-values and F values are insignificant. The study between the Entrepreneur problems and prospects on venture capital and Entrepreneur gender, product nature ,business type and Funding range are insignificant.

Table 5: Demographic profile and Importance of Venture capital investment

S.No	Importance of Venture Capital	Gender T-Value	Product Nature F- Value	Business Type F- Value	Funding Range F- Value
1	Funding for Business	1.163	.746	1.344	1.773
2	Brand Image	.792	.684	.782	1.593
3	Planning	.991	3.261	.642	2.502
4	Technical Assistance	1.091	1.450	.234	.884
5	Funding from other sources	2.470	3.656.	.442	.957

6	Operational Help	1.071	5.916	.361	.965
7	Recruitment and Training	1.021	4.463	.939	1.960
8	Corporate Governance	.520	1.791	.898	.539

Table 5 shows that almost all the T-values and F values are insignificant . The study between the importance of venture capital investment and Entrepreneur gender, product nature ,business type and Funding range are insignificant.

DISCUSSIONS

The problems and prospects faced by an Entrepreneur on venture capital investment are vast and wide so that the sample size can be considered even more. Hence the importance of venture capital investment is not highly recognisable by the entrepreneurs. The entrepreneur should be aware of the rules and procedures of the venture capital investments, to make a good business, Create a target investor list using key criteria including (a) industry sector: (b) investment (c) Stage (c) geographic proximity (d)amount to be raised (e) comparable/competitive portfolio companies (f) Potential investor contacts. Find out as much information as you can about the current investment status or activity level of target investors. Venture Capitalists want Entrepreneur to demonstrate that there's a big market for what you're selling, and big bucks being spent in that market.Venture Capitalists wants Entrepreneurs to prove that you have a solid management team in place.

CONCLUSION

This paper shows the Problems and prospects of the Entrepreneur face or Perceive with Venture Capital Funds and the importance of Venture Capital Investment in Business. Venture capitalist can provide assistance to the entrepreneur in various forms. A key insight of our analysis is that the desirability of venture capital finance depends largely on the venture Capitalist's ability to provide managerial contributions to the organisation.. Venture money is not long-term money. In essence, the venture capitalist buys a stake in an entrepreneur's idea, nurtures it for a short period of time, and then exits with the help of an investment banker. From this study, every Entrepreneur is ready to seek Venture Capitalist, but they are not able to process all the documentation needs. Even, it is hard to find Venture Capital, but they are highly helpful for the great innovative ideas and their development.

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