## CHAPTER - 9

### FINDINGS AND CONCLUSIONS

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FINDINGS AND CONCLUSIONS

5.1 FINDINGS:

The venture capital industry in India has started creating innovative firms. During last five years many entrepreneurial firms have ventured into new product development and contract research for global firms. Venture capital firms are still in infancy. Management buy outs and external corporate venturing have started emerging, indicating that offshore funds have started considering India as a potential opportunity. This will reduce the gap for entrepreneurial firms. Even entrepreneurs face major problem in generating funds for the projects because most of the times they miss out on certain aspects which venture capital are interested in. Some of the major observations are as follows:

1. Venture capital is becoming a major mechanism for stimulating innovation and entrepreneurial growth. In India there is a strong need to enhance availability of venture capital in as most of these are risk averse. There has to be systematic effort for stimulating entrepreneurship through the use of venture funds.

2. Expertise needed for managing new venture and approaching the venture capitalist with good research is yet to evolve in India. Entrepreneurs’ generally focus on technical aspects and not on business aspects.

3. An analysis on venture capital firms clearly shows that the factors contributing to the success of firms are essentially as follows:
   - Entrepreneurial characteristics
     - Urge to grow
     - Capability of sustained intense effort
     - Familiarity with target market
     - Ability to evaluate and react to risk
- Product characteristics
  Market acceptance of the product
- Financial characteristics
  Expected return over 25% in five years
- Team
  Managerial skills

3. Entrepreneurial commitment is one of the key factors in financing the proposal. Commitment and dedication of an entrepreneur is also required.

4. Basic purpose of the venture capitalists is more about sitting in the background and enabling entrepreneur achieve their dreams.

5. Venture Capitalists keep fairly close tabs on their companies, either through informal chats, emails or regular meetings.

6. The key success factors are different for each business. So some businesses will rely on technology, others will rely on early mover advantage - those specific factors tend to be different.

7. All in all, entrepreneurs agree that Venture Capitalists live up to their promise of 'more than money.' They see the market differently, and lot of the business issues are fundamentally about building a company. Scalability is also important for venture capitalist.

8. With both Venture Capitalist and entrepreneur so passionately involved in the enterprise, getting along is just good business sense.

9. Defining problem?
   What problem are we trying to solve?
   How big is that problem today?
   Are people resolving the problem in some other way today?
   Are entrepreneurs making it easier or better for them?
What is the solution to the problem?
It is very important to identify the problem and map that with the solution.

10. It is required to identify if it is a big problem? The bigger the problem, the bigger the opportunity of to create a large company, that's the way venture capitalist see it.

11. Can this team make it happen?  
The most important part, is the team. Is this the team that can make it happen? All business plans undergo change. All businesses faces crisis. One need to be confident this team has their ears to the ground; they have the passion; they have the staying power to see the finish line.

12. If Venture Capitalist like the first pitch, they try and go into the team first. They do reference checks, even compare notes. Venture capitalists have to meet the team before they say yes or no.

13. Venture capitalist put a lot of effort into understanding the team, because they believe that is the key difference. Business plans, honestly, will keep changing. Entrepreneurs will keep finding new things to do. Entrepreneurs will keep finding things that they assume will happen that do not happen. And the team that can navigate through that fairly crazy environment - that's what venture capitalist are looking for.

14 Market opportunity: is it for real?

15 Team compatibility with the Venture Capitalist the most important thing is the promoters, the founders of the company. Compatibility of the people. Compatibility is very hard to define. Because of the promoter, there can be different opinion different Venture Capitalists have for the same deal. One venture capitalist likes a person, and somebody else doesn't like the person.
16. Venture capitalist see the valuation - only after all this valuation comes - and it has to be acceptable

17 So essentially venture capitalist try to evaluate these criteria:
Is there enough opportunity?
Can this business take advantage of that opportunity?
Can it sustain that advantage over time?
The team: most important factor
All around this is the team. Is this team scaleable? Is this team competent?
Do they have the right experience between them? Do they have the right chemistry? Do they feel comfortable with them?
9.2 CONCLUSIONS:

Hypothesis –I Venture capital invest in the project that has high return on investment

Considering the pattern of Venture Capitalist investment in India the prospects of many start-ups and the venture capitalist that financed them depend on the compatibility between them. Venture capitalist interest is critically dependent on the constant flow of opportunities that have enormous potential of reward. Enterprises in the fast changing IT and other high technology sectors have traditionally provided and will continue to provide such an opportunity to earn high returns. And this is something which generate high return on investment. Therefore Hypothesis I confirmed.

Hypothesis –II Venture capitalist not only invest in idea but also in entrepreneurs.

That Venture capital invest in the project that has high return on investment. Based on the analysis it is very clear that entrepreneurial characteristics are very essential. Therefore Hypotheses II confirmed.

Hypothesis –III Venture capitalist focus both on qualitative and quantitative analysis of the proposals they receive for finance.

That Venture capitalist not only invest in idea but also in entrepreneurs.

1. According to the research analysis venture capitalist are very much interested in the managerial skills of the team, entrepreneurial urge to grow, sustained intense effort, etc which has nothing to do with return on investment but this clearly indicates that these parameters are essential for the success of business. Therefore hypotheses III confirmed.

That venture capitalist focus both on qualitative and quantitative analysis of the proposals they receive for finance.