ABSTRACT
The venture capital industry plays an important role in nurturing entrepreneurship and innovation, and its role varies from country to country. Entrepreneurship is the key to economic growth, however financing of small businesses in general and those undertaken by the first generation entrepreneurs in particular has always been a problem in developing countries. Financing of start-ups is perceived to be extremely risky by the conventional financiers like banks and financial institutions as they do not have collateral assets and the success rate of such firms are quite low. Venture capital fills this vacuum through of financing through innovative ways. The venture capitalists act as intermediaries between the investors with surplus funds and the entrepreneurs seeking finance. The role of venture capital is critical for the entrepreneurs as they not only provide equity finance but also give technical, managerial support and act as mentor to entrepreneurs.

Research methodology
The researcher attempted to examine the process and mechanism of decisive criteria of venture capital firms in funding the projects. The researcher intensively interacted with some of the leading venture capitalist in India and obtain key information on venture capital funding. The broad objectives are: Criteria used by venture capitalist in evaluating the project for financing,

The process of evaluation in developing country like India, to develop an integrated model for assessment process, to differentiate between essential, important, desirable and irrelevant factors from entrepreneurs and venture capitalist point of view.
The study is based on the responses collected from a sample of 11 venture capital firms and the case study analysis. The study is mainly based on primary data collected through multiple tools, including questionnaire, in depth interviews, and discussions, case study analysis.

Most of the data was categorical and non parametric, hence the researcher computed frequency tables to handle the data in a better way and to be able to describe and explain the observations meaningfully. The data so analysed was collated and tabulated in a meaningful manner and presented in a form of easily comprehensible tables, graphs, pie charts with proper interpretation.

**Chapter Scheme**

Chapter 1 and 2 of the thesis data covers the introduction of venture capital. Chapter 2 explains the genesis and growth of venture capital financing in India and types of venture capitalist firms. Chapter 3 covers the venture capital financing process, chapter 4 covers the survey of literature focusing on various studies undertaken on the subject globally as well as in Indian context. Chapter 5 covers the methodology adopted in pursuing the research, describing the research objectives, research design, data sources collection tools, sampling plan, procedures, data analysis tools and techniques. Chapter 6 explains the primary data and interpretation. Chapter 7 highlights the focus area of venture capitalist in the project before funding. Chapter 8 covers the quantitative analysis of project report. Chapter 9 and 10 covers the summary, findings, conclusions, suggestions and implications on entrepreneurs that have been observed and discussed in the present study.
Findings and conclusions:

1. 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

2. Entrepreneurial commitment is one of the key factor financing the proposal. Commitment and dedication of an entrepreneur is also required

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

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

5. 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.

6. 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.

7. 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.
8. 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.

9. 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.

10. 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?

**Conclusions:**
Considering the pattern of Venture Capitalist investment in India the prospects of many startups and the venture capitalist that financed them depend on the compatibility between them. Vc 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 it's concluded 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 it's concluded that Venture capitalist not only invest in idea but also in entrepreneurs.

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 it's concluded that venture capitalist focus both on qualitative and quantitative analysis of the proposals they receive for finance.

Recommendations:
Based on the research analysis following suggestions are identified by the researcher for entrepreneurs, venture capitalist and general suggestions:

**Entrepreneurs perspective**

1. Entrepreneur must be capable of intense effort over a long period of time. Venture capitalists know that 99 percent of every venture’s success comes from perspiration, not inspiration. They know that if a small business is to succeed, the management team is going to have to work long hours to compensate for the lack of employees at the company.
2. Entrepreneurs should build on the intellectual power to evaluate risk and should know what to do after the evaluation. Every small business twists and turns many times during its life, and the early capability of analyzing situations, evaluation the probability of success, and implementing a plan is important for entrepreneur. Unless they are able to evaluate risk and analyze complex situations, small business usually remain small businesses.

3. High degree of determination is required in entrepreneurs. They all must seem determined to succeed. They should try to accomplish things, and their desire to do so is also to be strong. They must be able to fix on a goal and reach it. Entrepreneurs should exhibit this sense of determination and ability to see a clear win for themselves.

4. Though venture capitalist do lot of research on their own but Venture Capitalists don’t have the time to learn about a market place in detail. For this reason, Venture Capitalists want to know above all that the entrepreneur has a thorough knowledge of the market place. It is common knowledge that an individual needs at least five years to understand an industry. No one wants to finance on-the-job training for an entrepreneur.

5. Usually it takes more than one person to make a venture capitalist go investigate the number-two and number-three people in the firm. Entrepreneur must find out if any problems are brewing and Review the experiences of the management team to see how they fit together. If they have a diversity that will let them handle a multitude of problems managing them and making sure that they work together and solve the team
problem if there is constant bickering and conflict. Team scalability is something Venture Capitalist do lot of research on. some of them are as follows:

- team competency
- the right experience between them
- right chemistry
- comfortable environment

6. Venture Capitalist want to make sure that entrepreneur is honest and straightforward. If they invest in a dishonest entrepreneur, somewhere along the way they will pay for it; the entrepreneur, somewhere along the way investor.

7. Entrepreneurs must carry an inordinate amount of detail around in their minds and be able to use it all to the best advantage of the company. Details about numbers as well as the situation will need quick reactions and an individual with the ability to do it. Without this attention to detail and knowledge of specifics, most small businesses can’t grow.

8. Every Venture Capitalist is looking for a leader for the company. Any time a Venture Capitalist backs an entrepreneur without leadership; the Venture Capitalist has inevitably had trouble and has had to replace the entrepreneur. Therefore, Venture Capitalists look for entrepreneurs who have been in leadership positions in the past and who have demonstrated their abilities conclusively. Without leadership the company is probably not going to go anywhere.
9. Entrepreneurs must see that what kind of powers buyers have
to set terms and conditions. Entrepreneurs prefer weak buyer
power. Reach to the market is very important. Information
about consumers like number of consumers, usage occasion,
target market etc.

10. Most entrepreneurs have good social skills and are adept at
persuading and conversing with people. One can spot these
skills in conversations with the entrepreneur. If the entrepreneur
is able to explain the business proposal in a simple style, this
will be an outward manifestation of self-confidence and social
persuasiveness. If the entrepreneur seems to have an outgoing
personality and good presence, this, too, will indicate great self-
confidence.

11. Venture capitalists need an entrepreneur who can articulate an
idea. Many people have tremendous minds but lack the ability
to explain their thoughts to the outside world. Without an
accurate and convincing voice, most small businesses will fail.
In the early years, an entrepreneur use to persuade vendors to
give the small business credit, persuade banks to make loans to
the business, persuade employees to work long hours, and
persuade government authorities to stay off them. It is this
verbal ability that sets most entrepreneurs and who lacks the
ability to persuade, probably ends up making a mistake by
investing in a business run by him or her.

12. Compatible personalities may not be at the top of anyone’s list,
but entrepreneurs are not financed unless they are compatible
with their venture capital source. It is indeed like a marriage.
Most people don’t get married unless they like each other.
Venture capitalists don’t “marry” entrepreneurs unless they like them. Even if an entrepreneur is capable of meeting many of problems in a situation, a Venture capitalist will not invest unless the Venture Capitalist can stand “living with” the personality of the entrepreneur.

13. Along with market knowledge, Venture Capitalists would like to track people who have a track record, especially a track record relevant to the situation.

14. Given the research analysis based on which its found that they consider few parameters as an extremely important and decisive criteria for accepting a proposal, the entrepreneurs need to build on all those criteria strongly and adopt methods or procedures and systems that are sound and efficient for the requirement of their businesses.

15. It appears contrary to fundamental principle , the Venture Capital financing in India have rather been more cautious in its approach as the financing at the seed and the start up stage is generally not favoured. Bulk nof Venture Capitalist financing goes to second or later stage invstments and that too in few selected sectors. Entrepreneurs must identify those sectors

16. All these are assessments; there are no 100% answers. Everything is something venture capitalist is evaluating. Venture capitalist talk to outside experts, but use their own judgment. For these reasons venture capitalist generally focus on certain sectors because they come from those spaces. Entrepreneurs need to approach the venture capitalist relevant for them in terms of the earlier proposal they have funded.
Venture capital perspective

1. Make sure that your entrepreneur is a determined person. As per the research analysis, urge to grow is rated as an essential parameter of entrepreneurial characteristics.

2. Venture capitalist must know what is real. Entrepreneurs rarely fool themselves into accepting bad situations. They know they have a marketing program and a sales job to carry out, and they do it. However, they are not caught up in their own sales hype or their own promotional fever. They know that the real and what is fabricated. As a result, they can get to the bottom of an issue very quickly. Differentiate between entrepreneurs from a dreamer. Dreamers hope a lot. They hope that what they want will happen. There have been studies of intelligent people who make poor decisions; these studies have tried to determine why smart people make mistakes.

3. High level of energy in entrepreneurs is strongly supported by most of venture capitalists. Successful entrepreneurs must have a high level of energy in order to succeed. Being an entrepreneur involves enormous amounts of time and energy.

4. Venture capitalist must find the determination of an entrepreneur and the Risk that entrepreneurs are willing to take.

5. Venture capitalists should critically evaluate and must analyze to answer following questions:
   - How large is the market entrepreneurs are seeking to serve?
   - In how many ways have entrepreneurs measured it?
   - How fast has it grown over the last one/three/five years?
   - How quickly will it grow in the next six months or two/five/ten years?
6. The Venture Capitalist firms will have to make conscious effort to make their financing inclusive to all industries rather than remaining confined to some selected industries.

The venture capital management being relatively new phenomenon in India has not been thoroughly researched in the Indian context. While this study has made a modest attempt to fill this research gap but there is a need to thoroughly probe the functioning of venture capital functioning in India and US and do a comparative study so that the drawbacks in India can be identified and removed as this will serve a encouraging factor to entrepreneurs and potential entrepreneurs thus contributing to the economy of India and fostering entrepreneurship.