PREFACE

In a scenario where newer technologies are being developed at a fast pace the future growth of any economy depends to a large extent on how fast technical innovations can be commercialized. But new and untried ideas have a high level of uncertainty and thus are not able avail funds from the traditional financial sources such as equity and debt. Therefore there is a need to explore other sources of funds suitable for financing new and innovative proposals.

Financial intermediaries such as venture capital funds can promote technological innovation and industrial growth by providing risk capital and funds to those entrepreneurs who have the highest probability of developing new products, production processes and competitive production facilities. Studies conducted on venture capital have highlighted its role related to the various aspects of economic development along with the problems faced in venture capital funding.

The present research tries to study the problems and prospects of venture capital for an economically underdeveloped state such as Uttar Pradesh. This thesis is divided into six chapters. Chapter 1 introduces the concept of venture capital, which emerged as a source of finance in USA after the II world war and has subsequently been used in different parts of the world.

Chapter 2 highlights the economic conditions of Uttar Pradesh. It shows that Uttar Pradesh lags behind other developed states on various economic parameters. Further it has been suggested that industrialization is necessary for the economic development of Uttar Pradesh.

Chapter 3 focuses on the existing research related to the problems and prospects of venture capital. It starts by stating the role of venture capital in economic development and value creation. After which the issues in venture capital funding are discussed.
Finally an overview of the investment criteria used by venture capitalist in previous studies is discussed and the limitations of venture capital funding are stated.

Chapter 4 deals with the research methodology. It focuses on the justification of the study and it highlights the methods used in the study.

Chapter 5 presents the analysis of data collected in this study. Firstly, a descriptive analysis of the underlying variables is presented which is followed by statistical analysis of the data collected from the venture capitalist and the entrepreneurs.

Chapter 6 gives the conclusions and recommendations, which are followed by the limitations and directions of future research.

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