

# VENTURE CAPITAL INVESTMENTS IN TECH STARTUPS- AN OVERVIEW

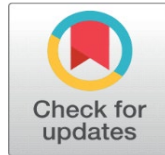
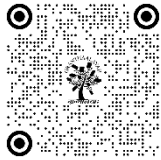
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## ABSTRACT

Venture capital funding in India surged 50.4% year over year to \$8.3 billion in the first three quarters of 2024. This resulted from an increase in transactions for above \$100 million each in VC investments in Indian startups declined considerably, totalling more over \$8 billion as opposed to more than \$18 billion in 2022. Additionally, there were 472 agreements in 2023 compared to 815 in 2022. Seed stage, early stage, and later stage are the three segments of the Indian venture capital sector. Accel and Sequoia Capital are prominent participants in the market in 2024. According to research by Global Data, venture capital (VC) spending in India surged 50.4% year over year to \$8.3 billion in the first three quarters of 2024. The jump was ascribed by the data analytics and consultancy organisation to a boost in transactions valued above \$100 million each. Between January and September 2024, 883 deals were announced, reflecting a 7.3% increase in volume over the same period in 2023. Between 2023 and 2024, the stated value of these transactions climbed from \$5.5 billion to \$8.3 billion. According to GlobalData, the growth was boosted by high-value transactions, such as \$665 million and \$340 million raised by Zepto in two different investment rounds, \$300 million by Meesho, \$216 million by PharmEasy, and \$210 million by PhysicsWallah. The present study is to explore the Venture capital in Tech startups in India.

**Keywords:** Venture Capital, Startup India, Credit Guarantee plan for Startups (CGSS), International Finance Corporation (IFC), AI enables SaaS [Software- as- a- Service] Providers

## 1. INTRODUCTION

The Economic Survey 2023-24 revealed that India's technology startup industry has grown significantly, reaching almost 31,000 in 2023. The most popular industries include edtech (16%), enterprise tech (12%), BFSI (10%), retail tech (6%), media and entertainment (5%), consumer tech (5%), advertising and marketing (7%), professional services (4%), and gaming (4%). Over 12.42 lakh direct jobs have been created by government-recognized startups, with over 1.17 lakh as of December 2023. The number of Department for Promotion of Industry and Internal Trade (DPIIT) has increased due to government efforts in simplification, funding support, and industry academia partnership. Retail IT firms have become more prevalent due to shifting consumer habits and rising internet usage. The banking, financial services, and insurance (BFSI) industry has seen a boom of startups since 2016, driven by the launch of UPI. Software-as-a-services (SaaS) firms

have also expanded, with 21 unicorns emerging since 2014. The Covid-19 pandemic has encouraged the creation of industries like healthtech and edtech. Over 45% of acknowledged companies emerged from tier-II and tier-III locations, with at least one female director in more than 47% of these businesses. Between 2016 and March 2024, startups submitted over 12,000 patent applications. India's e-commerce industry is predicted to reach a value of \$350 billion by 2030. However, the lack of skills necessary for online selling, including cataloguing, and data privacy concerns and rising online fraud are limiting its growth. With both governmental and private actors, as well as official and informal organisations, India boasts a comprehensive financial system. The majority of capital resources in India are primarily sourced from the banking system, with retail banks dominating lending. The Indian information technology industry relies on a steady flow of investment opportunities that can yield significant annual returns. Non-resident Indians (NRIs) have been a significant source of investment in India since the 1950s. After realising the potential advantages of a robust venture capital industry in the late 1990s, the Indian government enacted new rules in 1999 that permitted banks to invest up to 5% of their new funds in venture capital each year.

India's startup eco system, which has experienced tremendous expansion in recent years, is a top location for venture capital investment: The world's third-largest startup ecosystem is located in India. According to data from 2023, there were 68,000 companies and 115 unicorns in India. The Indian startup ecosystem has received billions of rupees in investments from private equity and venture capital. It was anticipated that over \$150 billion would have been invested in startups overall by 2020. assistance from the government through programs like the Credit Guarantee plan for Startups (CGSS), Through the Fund of Funds for Startups (FFS) strategy and the Startup India Seed Fund Scheme (SISFS), the Indian government has encouraged a sector's startup ecosystem domination.

## 2. I.A. GLOBAL PERSPECTIVE OF STARTUP'S

The global tech sector, valued at \$5.3 trillion, is a desirable option for startups, with 1.35 million startups in 2020. Fintech startups experienced a financial surge due to affordability, efficiency, and ease of use, with global funding reaching \$131.5 billion in 2021. The U.S. leads the world in fintech funding, followed by Asia (\$8.2 billion) and Europe (\$5.6 billion). GoTo was the top equity deal in 2021, raising almost \$1.5 billion through initial public offerings from Indonesia. The construction sector has over 6,200 startups, raising more than \$5 billion in 2021. Startup funding is expected to reach around \$9 billion in 2022. The top five startups in the construction sector are View, Katerra, EquipmentShare, Workrise, and Procore. The real estate sector has seen a significant impact on the startup industry, with proptech and real estate startups growing in popularity. In 2021, VC-backed firms raised \$10.6 billion in the first half of this year, up from \$8.3 billion in 2020. Real estate technology companies have collected \$32 billion, a 28% increase since 2020. Proptech investment in the UK hit a new high of almost two billion dollars, four times more than in 2020. Airbnb is the most well-known real estate startup, with SilverLake contributing \$350 million to the business in 2020 alone.

Startup failures are a common issue in the startup industry, with 21% of startups failing in their first year in 2020, while 38% either ran out of money or were unable to find fresh investors. Burnout or lack of passion was the least common reason for startup failure, with only 5% of respondents mentioning it. Technology is driving transformation in the startup sector, with fintech, internet software and services, D2C and e-commerce, artificial intelligence, and healthcare being the top sectors and industries. Global funding increased 79% from 2020 to \$57 billion in 2021, with the total number of unicorns in digital health increasing to 85. Stanford University leads the startup space with 465 graduates launching a firm in 2020, followed by M.I.T. with 367 students and Harvard with 293. In 2021, the US startup industry saw a significant increase in funding, with 15.4% of Americans employed by or having a stake in startups. The majority of African company entrepreneurs were men, with women occupying only 15% of all C-suite or co-founder positions. In 2020, more than three million jobs were created by startups, and 15.4% of Americans were employed by or having a stake in startups.

In Britain, the startup culture is expanding, with 65% of British people saying that starting their own business was a good idea. Startup funding statistics show that early finance can make or kill a corporation due to the competitive startup market. Between 2012 and 2021, V.C. Funding increased by an astounding 92%. The average amount of Series A funding for startups in the United States is increasing, with an average of \$22.2 million between 2020 and 2021. Investors focus more on the product, company plan, and solution during a Series A sales pitch, with investors choosing a lead investor based on a well-known brand name. Google Ventures is one of the leading investors in Series B fundraising, typically amounting to \$26 million. Series C venture financing for firms has the highest average amount at over \$52 million. Venture capitalists spend \$20 billion on firms co-founded by men, compared to \$5 billion on startups launched solely by women. All-female startups raised 25% less in 2021 compared to all-male businesses. India's startup ecosystem is

expected to draw \$1 billion in fresh venture capital in 2024, with AI-focused businesses receiving a sizable amount of investment. The SaaS market in India is expected to grow to \$50 billion by 2030. AI will become widely used in 2024, signaling a significant change from a cutting-edge technology to a vital component of commercial and industrial processes.

The report's main predictions are as follows:

1. SaaS and AI-enabled software will coexist.
2. AI Will Increase India's Market Dominance for Professional Services
3. Cybersecurity Firms in India Will Grow to Serve Both Local and International Markets
4. The next breakthrough in the Indian wealth landscape will be driven by cloud software providers.
5. Cloud Deployments Will Replace On-Premise Industrial SaaS

The industrial sector is rapidly adopting AI and cloud technologies due to global ESG rules and manufacturing expansion. By 2024, over 60,000 companies will be required to publish ESG reports, with this number expected to increase by 50% in the next three to four years. Cloud-based industrial SaaS solutions enable real-time data analytics, predictive maintenance, and improved supply chain management, enhancing sustainability and productivity. Venture capital funds aim to find investments that yield significant returns on invested capital quickly. Tech businesses are an ideal fit for venture capitalists due to their unique qualities, such as rapid growth, low initial funding requirements, and ability to create barriers to entry.

VCs play a crucial role in determining the expansion and evolution of digital businesses, making them a significant part of the private company development process. They invest in companies at every stage of development, making it difficult for entrepreneurs to secure necessary funding. Timing is essential for tech startups to secure VC investments, as they must balance resources for scaling with being established before seeking venture investments. To secure VC funding, IT businesses must evaluate their maturity and readiness, assess their technology, personnel, and business strategy, and determine if they have a strong value proposition and are ready for expansion. The timing of seeking VC funding depends on the stage of growth, with seed-stage startups focusing on developing prototypes or producing MVPs. Networking and partnering with VCs can help startups make connections with investors.

### **There are several considerations for assessing venture capital funds.**

#### **This comprises:**

- \*Their range of businesses, the amount of funding they can provide,
- \*Their track record of achievement, the industries they concentrate on, and the VC network's strength.
- \*A comprehensive picture of a VC fund's potential is given by these components.

Seed stage venture capital funds (VC funds) are early investors that provide capital to transform ideas into businesses. India Quotient, founded in 2012, provides seed funding to startups in India, focusing on Fintech, Consumer tech, and SaaS sectors. Your Nest Venture Capital, founded in 2011, invests in the new connected economy, focusing on deep tech sectors like SaaS, AI, IoT, and Robotics. 3one4 Capital, founded in 2016, invests in technology and data-driven businesses across various sectors. Beenext, founded in 2015, has backed over 180 companies globally and has invested in sectors like e-commerce, fintech, healthtech, agtech, and software services. Notable exits include Citrus Pay, acquired by PayU for \$130 million in 2016.

Here's the summary table of the seed stage VC funds covered in this section

<b>VC Investment Fund</b>	<b>Inception Year</b>	<b>Notable Investments</b>	<b>Investment Focus</b>	<b>Recent Fund Size</b>	<b>Mentors</b>
India Quotient	2012	Share Chat, Lendingkart	Tech, Fintech	\$60M	Anand Lunia, Madhukar Sinha

VC Investment Fund	Inception Year	Notable Investments	Investment Focus	Recent Fund Size	Mentors
Your Nest Venture Capital	2011	Uniphore, myGate	Tech, Deep Tech	\$45M	Sunil Goyal, Girish Shivani
3one4 Capital	2016	Licious, BetterPlace	Tech, Consumer	\$100M	Pranav Pai, Siddharth Pai
Beenext	2015	Shadowfax, Open	Tech, Fintech	\$110M	Teruhide Sato

Source: <https://quintedge.com/venture-capital-firms-in-india/>

Early-stage venture capital (VC) funds are crucial for startups to grow and scale their operations. Accel India, the Indian arm of global VC firm Accel, has invested in several sectors including Consumer, Enterprise SaaS, Fintech, Healthcare, and B2B. Matrix Partners India, an affiliate of global VC Matrix Partners, has made over 60 investments in India, including Ola, Practo, Dailyhunt, and Quikr. Blume Ventures, an India-centric VC fund, provides seed and pre-series A funding in various sectors. Kalaari Capital, an early-stage technology-focused VC firm, invests in E-commerce, Mobile, Technology, and SaaS. Lightbox Ventures, a Mumbai-based VC firm, focuses on technology-enabled startups in the Consumer Services and Products sectors. Stellaris Venture Partners, founded in 2016, primarily invests in global SaaS, applications for Indian SMBs, and Consumer tech. Notable exits include Vogo, Shop101, and Swiflearn.

### 3. LITERATURE SURVEY

Venture capitalism is a challenging concept to establish in emerging countries like India due to volatile macroeconomic environments and state participation. However, the booming software services industry in 1985 provided the necessary raw material for venture capital expansion. Despite failures, progress has been made through shaping laws and permissible institutions. Collaborative efforts between policymakers and practitioners are needed for completion. India's state-directed institutional development was hostile to capitalism due to its government's ideological opposition and corruption. However, India had strengths such as a large native software sector, a public equity market, a large number of small enterprises, and low pay for skilled labor. A set of possible transfer agents was created by Indian engineers who immigrated to the US and went on to become entrepreneurs and venture capitalists. Prior to 1985, venture capital in India was unlikely to emerge, but it has since changed and is reliant on a number of organizations, including the government and outside parties like Silicon Valley entrepreneurs and foreign financing organizations. J.M. Pandey (1998) investigated the venture capital development process in India, detailing the experiences of TDICI, the biggest venture capital firm in India, in both learning about the venture capital industry and launching and growing the venture capital concept. Modern venture capital in India has a relatively recent history, dating only to the middle of the 1980s. Venture capital firms (VCFs) in India faced several challenges in their early years as they developed their companies. According to the detailed case study of TDICI, the company had to overcome the first barrier of not having a thorough understanding of the venture capital industry and had to learn by doing. It first concentrated its investment in the high-tech industry before progressively shifting its attention to other industries that could see significant growth and profitability. Fabio Bertoni et al. (2011) conducted a study to determine the impact of venture capital investments on new technology-based businesses (NTBFs) in Italy. The study used a 10-year longitudinal data set for 538 Italian NTBFs, mostly privately held, and estimated dynamic panel-data models of the Gibrat-law type with time-varying variables to represent firms' venture capital status. The study found that venture capital investments have a significant economic impact, particularly on job growth, acquired just after the initial round of funding. However, in the Italian setting, the selection effect of VC seems to be minimal. There is a strong positive statistical treatment effect of VC investments on the expansion of NTBF sales and employment, over and beyond the effect of selection.



Hegeman, Puck D. et al. (2021) investigated the reasons behind corporate venture capital (CVC) investments in cleantech firms, focusing on the diverse types of investors and their motivations. The research includes 26 examples of well-known businesses that invested in cleantech firms launched in Norway between 1999 and 2012. This study reveals that CVC investors are more diverse than previously thought, with small and medium-sized businesses being actively invested. Policymakers have often overlooked CVC investment when creating policies to assist clean tech firms, but these investors may be crucial in helping new cleantech companies close the equity gap. Promising research prospects include expanding the scope of CVC research by moving away from its current emphasis on big businesses and investments made through CVC units. Investigating the function and position of SMEs as CVC investors and the organizational learning that SMEs acquire from CVC investing is also important. Future studies should also examine the impact on investment firms and the green innovation and learning that large CVCs aim to get out of their cleantech investments. Massimo G. Colombo and Luca Grilli's 2010 study examined the effects of venture capital (VC) funding and the human capital of founders on the expansion of 439 new technology-based businesses (NTBFs) in Italy. The study employed econometric models to account for endogeneity of VC funding and survivorship bias. The competence-based claim that NTBFs' talents align with those of its founders was validated, but this coincidence disappears once an NTBF secures venture capital, indicating the "coach" role played by VC investors. The human capital of the founders positively impacts the growth of the company both directly and indirectly through access to venture capital funding. The likelihood of obtaining venture capital is positively impacted by the founders' university-level management and economics knowledge.

Cristian Negrutiu's 2022 study identifies the factors that influence venture capital investments in tech start-ups. A multifactorial regression model is proposed to describe the inclination of venture capital funds to participate in tech start-ups. As the number of unicorns and exits rises, start-up funding will also rise. Kartikeya Singh and Chandra Sekhara Rao Nuthalapati (2019) conducted a study on technology, venture capital, and innovVatiVe startups in India. They found that venture capital serves as a valuable tool for sharing risk and guiding innovators into profitable business ventures. In developing nations like India, efforts to replicate this institution have been successful due to supply-side factors such as the introduction of venture capital funds, legislative support, and demand creation from the increase of risk-taking entrepreneurs.

Kartikeya Singh and Chandra Sekhara Rao Nuthalapati (2019) conducted a study on technology, venture capital, and innovVatiVe startups in India. They found that venture capital serves as a valuable tool for sharing risk and guiding innovators into profitable business ventures. In developing countries like India, efforts to replicate this institution have been successful due to supply-side factors such as the introduction of venture capital funds, legislative support, and demand creation from the increase of risk-taking entrepreneurs. The growth of telecom, IT, pharmaceutical companies, and contemporary start-ups like Flipkart, Paytm, Ola, and Oyo has been greatly aided by venture capitalists. Sutan Emir Hidayat et al. (2022) conducted a study on the technology aspects of venture capital equity-based investing's value drivers for startup valuation. The study examined 4903 startups across 13 subregions and found that startup equity valuation is influenced by sectoral and technological disparities, as well as financial and nonfinancial variables like revenues and social media. The research also found that big data, clean tech, mobile, and augmented reality technologies are significant premiums for stock value, regardless of the subsectors in which the companies are based. Mobile, big data, and e-commerce are efficient technologies that new businesses can use to raise short-term funding. The growing global trend towards Islamic finance demonstrates how closely VC equity-based investing resembles Islamic finance, which keeps equity finance and risk sharing at the heart of its operations. Future studies should consider variables pertaining to VCs and the VC business in various geographical areas to better understand their relationship to startup valuation. Benedetta Montanaro et al.'s 2021 study examined the factors influencing the exit value of technology businesses financed by venture capital in Europe, focusing on the presence of investors, founders' human capital, and various exit options. The research was based on a sample of 107 European companies that were supported by venture capital investors and exited through mergers and acquisitions (M&A) or initial public offerings (IPOs) between 2010 and 2017. The exit value had a positive correlation with both leaving through an IPO and keeping a larger ownership position. Higher valuations were linked to the presence of non-governmental venture capital firms and business angels. Johannes M. Bauer and Tiago S. Prado (2022) investigated venture capital funding for innovation and the acquisition of start-ups by Big Tech platforms. They examined 392 tech start-up purchases by Google, Facebook, Amazon, Apple, and Microsoft, as well as 32,367 venture funding transactions between 2010 and 2020. The results showed that Big Tech start-up acquisitions have a positive, statistically significant, average impact on global venture capital activity, with the United States and Europe showing positive benefits. However, the effects are temporary and disappear after a few quarters.

Henry Lahr and Andrea Mina (2016) conducted research on venture capital investments and portfolio firms' technological performance. They developed a modelling and estimate approach to determine whether venture capital (VC) improves a company's patenting success or if this effect results from the choice of previous investments based on the patent output of the company. The study found that the effect of venture capital on patenting is negligible or negative when the endogeneity of investment is fully taken into account. Venture capitalists are more likely to reduce, as opposed to increase, the patenting output of portfolio firms, and they follow patent signals to invest in businesses with commercially viable know-how.

There is a trade-off between maintaining or increasing the amount of knowledge production activities (innovation) and capitalising on existing assets, even when a small but expanding company may have developed valuable intellectual property and drawn outside funding on this basis. Venture capitalists are "impatient" investors, as they can enter the market after early R&D expenses have been incurred and bargain with firms that are both cash-poor and knowledgeable, focusing on later stages and more measurable results. Douglas Cumming and colleagues (2016) conducted a global study on cleantech venture finance. Cleantech venture capital investments are typically more capital-intensive and have higher technology risks related to technology operation, scalability, and exit needs. The advantages of cleantech cannot be fully realized by the venture capitalist because many of these benefits flow to society in the form of improved health and quality of life outcomes and less environmental destruction.

The data consistently demonstrate that oil prices have a significant influence on cleantech venture capital acquisitions, outweighing any institutional, legal, or economic factors. Cleantech media coverage is just as economically relevant as other legal, governance, and cultural factors at the national level and a statistically significant predictor of cleantech venture capital investment. Avoiding uncertainty has a moderating influence on other factors and a detrimental effect on cleantech venture capital investment. Shuai Wang's 2023 study explores the factors affecting venture capital performance in emerging technologies, focusing on China. The research uses structural equation modelling (SEM) to analyze data from 61 venture capitalists in Beijing, China, focusing on startups in developing technologies. The findings indicate that emerging technology enterprises are distinguished by their high-tech content, and venture capital executives and information acquisition have a direct impact on venture capital performance. Different venture capital strategies are developed due to varying executive backgrounds and information resource endowments, which have a moderating effect on venture capital success in developing technologies. Jihye Jeong et al. (2020) found a positive correlation between initial-stage venture capital investment and a startup's growth and performance. Data from 363 public companies between 2000 and 2007 showed that startups that obtain venture capital financing early on are more resilient and perform better. The degree of potential absorptive capacity moderated this association, indicating that in the early stages, VC investment results in sustainable growth. The study also investigated a different model that substituted underpricing as a robustness check, supporting the claim that firms that secure VC funding in their early stages are more likely to underprice than others. Maksim Malyy et al.'s 2019 study, *Drives Technology Innovation in New Space?: A Preliminary Analysis of Venture Capital Investments in Earth Observation Start-Ups*, aims to discover technological trends by analyzing venture capital (VC) investments in the Earth observation (EO) sector. The study gathered publicly available data on technology and investment-related issues for all private, non-subsidiary businesses that were attracting investment and making plans for the future. The article's main contribution is the suggested approach itself, aside from illuminating technological developments. In 2017, Kishan Kumar Shetty conducted a comparative analysis of venture capital financing's effects on Indian startups. The Indian start-up ecosystem has experienced significant growth, with over 19,000 technology-enabled firms, primarily in consumer technology and financial services sectors. Understanding how startups raise capital in challenging climates is crucial for survival and growth. Key components contributing to the success and growth of the venture capital sector in India include efficient research and development, improved financial initiatives, sufficient training, and inspiration. The government's efforts to enhance the business climate demonstrate the promising future of venture capital financing in India, potentially boosting the nation's GDP.

#### 4. SIGNIFICANCE OF VENTURE CAPITAL

Venture capital (VC) is a crucial source of finance for software firms in the early stages of their development when traditional lenders are too hazardous. VCs are willing to assume greater risk than traditional lenders and invest in businesses creating cutting-edge technological goods or services with significant growth potential. They usually make investments in businesses in return for equity, which entitles them to a stake in the company. However, there are risks associated with becoming a venture capitalist, such as the company failing and the VCs losing all of their money. It can

also be challenging for founders who wish to keep control of their firm because VCs may want a voice in how it is operated. Venture capital offers tech startups several advantages, such as the financing they require, their invaluable industry experience and contacts, and the ability to validate and establish a company's legitimacy in the eyes of prospective clients and partners.

One of the main disadvantages is that venture capitalists usually demand a great deal of control, which may include a seat on the startup's board of directors and the ability to influence important choices. Another disadvantage is that venture capitalists frequently demand a high rate of return on investment, which can put pressure on businesses to expand rapidly and earn a profit. Entrepreneurs established in other regions of the nation or the world may find it challenging to secure venture capital funding because VCs are often more interested in supporting businesses situated in Silicon Valley or other significant tech centers.

Venture capital businesses vary in size and kind, with some adopting a more generalist strategy or concentrating on certain industries. Some companies raise capital from big institutional investors, while others do so from smaller investors. Geographical regions also differ, with some investing exclusively in US-based businesses and others worldwide. To select the best corporation for your startup and improve your chances of obtaining finance, entrepreneurs should be aware of these types of businesses and how they operate. Investing in tech startups involves due diligence, which helps investors understand the startup's business plan, team, and risks involved in investing in the company. While there are risks, such as the potential for the business to fail, be purchased by a bigger corporation, or go public, there are also benefits to investing in digital startups, including the opportunity to watch the business develop and flourish. Before making any decisions, it is crucial to carefully consider the risks and rewards.

### **III.A. Prior Seed Investment**

New businesses can apply for pre-seed capital from VC. A startup receiving this round of funding is forming its company, writing a business plan, and producing its initial goods or services for sale. Though most pre-seed fundraising includes a firm raising money via investments from friends and family or bootstrapping, promising startups might attract the interest of venture capitalists ready to take a chance on a game-changing concept.

### **III.B. Seed Money**

The International Finance Corporation (IFC) has launched Startup Catalyst, a venture capital platform that invests up to \$225 million in businesses in Pakistan, the Middle East, Central Asia, and Africa. The platform aims to provide funding, mentoring, and networking to early-stage startups in emerging markets, with a large footprint in these markets. IFC has invested in over 1,180 startups in 24 markets and has doubled the program with a new \$60 million pool to expand support for incubators, accelerators, and seed funds in nascent venture ecosystems, as well as those focusing on climate innovations, gender, and inclusion. Despite the fact that 50 million companies are founded annually by entrepreneurs, only 10% survive into their first year, and 90% of them go out of business. Cash flow problems account for up to 82% of business failures, and investors are more inclined to take a chance on startups if they have the opportunity to fund a unicorn, a private company valued at more than \$1 billion, even if they lack additional funds or assets. Venture capital is a crucial stage for businesses to access capital as they grow. It typically takes 3 to 9 months to secure funding, which involves initiating contact, sharing the business plan, conducting due diligence, negotiating the agreement terms, and exiting the company. Pros of venture capital include secure funding without repayments, tapping into talent, and no funds or assets needed. Venture capitalists may also provide access to mentorship or other expertise, helping fill gaps in management skills for startup founders who may not have all the skills needed to manage a business. However, cons of venture capital include giving equity, which can be difficult for startups to obtain, and sharing control over the company. Venture capitalists may take between 20% and 50% equity, making them a significant owner in the business and potentially influencing the company's future in ways that the founder(s) may not always agree with. Accessing VC funding can be difficult, as startups need a solid business plan, innovative idea, and strong growth potential to stand out from competitors.

### **III.C. Process of getting funding from VC to Startup's**

Venture capital funding is a process where a company or individual invests in a business in exchange for stock. This can be beneficial for startups and small firms as it provides additional resources and knowledge to help them grow. To find the ideal venture capitalist, consider factors such as previous investments, market size, and long-term goals. To find investors, make a clever introduction through reliable contacts and follow a set procedure. An elevator pitch should be

sent to angel investors, followed by a pitch deck with a realistic four-year revenue and expense forecast. A pitch meeting should be scheduled when the investor is interested in the company. Due diligence is the next stage of discovery, examining every aspect of the company. Obtaining venture capital money from investors who have faith in your business is often more sensible. Before approaching investors, ensure a solid team is in place. Remember to have a great product and idea, convince investors, prepare for hard work, be willing to take chances, and follow up with style.

## 5. CONCLUSION

In summary, early-stage funding provides entrepreneurs with accessible financial resources, networking opportunities, and mentorship. Nonetheless, it presents problems including intense competition, securing financing, and relinquishing primary ownership. Startup owners ought to explore alternative funding avenues prior to pursuing venture capital to preserve control over their enterprise.

Due diligence is a crucial aspect of investing in tech startups, as it allows investors to understand the business model, the team behind the startup, and the risks associated with investing in the company. By considering these factors, investors can make an informed decision about whether investing in a tech startup is right for them.

## CONFLICT OF INTEREST

None

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None

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