

## VENTURE CAPITAL INVESTMENT IS A WAY FOR INNOVATIVE ECONOMIC DEVELOPMENT- A STUDY

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### **Introduction**

In recent days each and every business has heavy competition. So the entrepreneur has not got successes very easily. An entrepreneur is one who plays significant role in the economic development of a country. Basically an entrepreneur can be regarded as a person who has the initiative, skill and motivation to set up a business or an enterprise of his own and who always looks for high achievement. He is a catalyst of social change and works for the common good. He looks for opportunities, identifies them and seizes them mainly for economic gains. An entrepreneur is a person who is able to express and execute the urge, skill; motivation and innovative ability to establish a business or industry of his own either alone or in collaboration with his friends. His motive is to earn profit through the production or distribution of socially beneficial goods or services. He is enriched with the inborn qualities of adventurism, willingness to face risks, innovative urge and creativity and is eager to make dynamic changes in the production process, introduce innovations and to find out new uses of goods. But now there is so many challenges faced by new entrepreneurs that is lack of patience in solving problems, lack of sustained motivation, inability to dream and use subconscious etc. In addition to this the other challenges includes; developing vision and ideas, raising capital, assembling a team, finding the right location, finding the right employees, finding good customers, overcoming competition, unforeseen challenges and expenses, keeping up with industrial changes and trends.

An entrepreneur is an economic leader who possesses the ability to recognize opportunities for the successful introduction of a new product, new sources of supply, new technique of production and so on and who assembled the necessary resources and organizes them into a going concern. An entrepreneur is a person who finds out and evaluates a new situation in his environment and directs the making of such adjustments in the economic system as he deems necessary. He always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.

Change in trends is a challenge to an entrepreneur. Hence, he must be prepared for when starting a small business. Trends have made and broken lot of businesses. Profitable businesses that have been wiped out by slight industrial changes and trends. A typical example is the Dot com trend, where many established industrial based businesses were

wiped out by new web based dot com companies. Seasoned entrepreneurs know that trend is a friend and are always willing to swiftly adjust their business to the current trend.

### **Venture Capital**

Venture capital is money invested in businesses that are small; or exist only on paper as a concept, but have the potential to grow and become immense. The people who invest this money are called venture capitalists or, simply, VCs. The businesses VCs choose to invest in are; typically, privately owned, their shares are not listed on the stock exchange and also carry restrictions regarding their transfers. The venture capital investment is made when a VC buys shares of such a company and becomes a financial partner in the business. As the VC investment is made in a company's equity, it is also referred to as risk capital, denoting that, unlike loans that are secured by lenders through charges made against the assets of the company.

### **Statement of the Problem**

An entrepreneur is one who organizes, operates and assumes the risk of a business venture. The intensity of the challenge to promote an entrepreneurship culture as well as to evolve new enterprises is a sustainable and competitive fashion. Starting a business and becoming an entrepreneur is an exciting. It is also terrifying while starting a new business, face so many challenges; such as instability, stress, negative mindset, overwhelming feelings, lack of support, feelings of wanting to give up, growing a business, problems of raw material, problems relating to marketing, outdated technology, lack of infrastructural facilities, lack of skilled labors and so on. In order to conduct an efficient business an entrepreneur must to overcome the challenges. Competition is the next challenge of an entrepreneur who will face when starting a business. Most individuals see competition as a plague but competition is a good challenge. Competition is a benchmark for creativity. Without competition, there will be no innovation and without innovation, the world will be stagnant. Most brilliant ideas and products never get funded because the entrepreneur is trying to raise capital as an individual. A business team is a vital, yet often ignored key to raising venture capital successfully.

### **Objective of the Study**

The following are the objectives of present study:

- To analyse the problems of venture capitalists in Mumbai city
- To offer suitable suggestions to encounter the venture capitalists problems based on the findings of the study.

### **Methodology**

The researcher has adopted survey method to study extent of venture capital used by the entrepreneur in Mumbai city. The researcher has used primary data for the present study. The information collected from the survey constitutes primary data and gathered

from concerned respondents. The primary data were collected to understand the performance of entrepreneurs. To collect the primary data, a detailed interview schedule was drafted, pre-tested and used in field survey.

### Sampling Design

Mumbai city comprises of wide area. But the sample respondents are selected from the Mullund areas. There are five zones in those areas. From each zone 25 samples are selected as samples for the study. Hence, the sample size is 125. The researcher has collected data from the 125 sample respondents. The researcher has interviewed the entrepreneur of all the five areas in Mullund areas of Mumbai city.

### Tools for Analysis

#### Garret Ranking

An attempt has been made to analyse the various influencing factors of problems faced by venture capitalists by using Garret Ranking method.

Formula

$$\text{Percent Position} = \frac{100 (R_{ij} - 0.5)}{N_j}$$

### Gender-Wise Classification

The gender wise classification of the respondents are given in Table 1.

**Table 1: Gender-wise Classification of the Respondents**

Sl. No.	Gender	Number of Respondents	Percentage to Total
1.	Male	98	78.4
2.	Female	37	21.6
	Total	125	100.00

Source: Primary Data.

Table 1 shows that gender-wise distribution of the respondents, out of 125 respondents, 98 (78.4%) respondents' are male and the remaining 27 (21.6%) respondents are female. It is inferred that male respondents are highly started the business unit than female in Paramakudi.

### Age-Wise Classification

The age wise classification of the respondents is given in Table 2.

**Table 2: Age-wise Classification of the Respondents**

Sl. No.	Age ( in Years)	Number of Respondents	Percentage to Total
1.	Below 30	33	26.4
2.	31 - 35	27	21.6
3.	36 - 40	18	14.4
4.	41 - 45	23	18.4
5.	46 above	24	19.2
	Total	125	100.00

Source: Primary Data

Table 2 shows that age wise-distribution of respondents, out of 125 respondents, 33 (26.4%) respondents are in the age group of below 30 years, 27(21.6%) of them are age in the group between 31 and 35 years. 18 (14.4%) of them are age group between 36 and 40 years. 23(18.4%) of them are in the age group between 41 and 45 years and 24(19.2%) of them are in the age group of 46 and above . It is inferred that a majority (26.4%)of the respondents are in the group of below 30 years has started the business.

### Educational Qualification

The educational qualifications of the respondents are given in Table 3.

**Table 3: Educational Qualification of the Respondents**

Sl. No.	Educational Qualification	Number of Respondents	Percentage to Total
1.	Up to SSLC	13	10.4
2.	HSC	12	9.6
3.	Under graduate	38	30.4
4.	Post graduate	39	31.2
5.	Technical	23	18.4
	Total	125	100.00

Source: Primary Data.

Table 3 shows that distribution of the respondents according to their educational qualification, out of 125 sample respondents, 13(10.4%)respondents have educational qualification of upto SSLC level, 12 (9.6%) of them have educational qualification of Higher Secondary level, 38( 30.4%) of them have the educational qualification of under graduate, 39(31.2%) of them have the educational qualification of post-graduates and the remaining 23 (18.4%) respondents have the educational qualification of technical . It is inferred that graduate and post graduate respondents are interested to start the business unit than other qualified person.

### Reason to Select Venture

The reason to select venture by the respondents are given in Table 4.

**Table 4: Reason to Select Venture by the Respondents**

Sl. No.	Reason to Select Venture	Number of Respondents	Percentage to Total
1.	Experience	41	32.8
2.	Known business	32	25.6
3.	Family background	19	15.2
4.	Training	11	8.8
5.	Opportunity	10	8.0
6.	Livelihood	12	9.6
	Total	125	100.00

Source: Primary Data.

Table 4 shows that reason to select venture by the respondents, out of 125 respondents, experience is the reason of 41 (32.8 %) respondents, known business is the reason of 32 (25.6%) respondents, family back ground is the reason of 19 (15.2%)

respondents, training is the reason of 11 (8.8%) respondents ,utilize opportunity is the reason of 10 (8.0%) respondents and the remaining livelihood is the reason of 12(9.6%) respondents . It is inferred that mostly experienced respondents only had selected venture capital.

### Problem Facing

The problem faced by the respondents are given in Table 5.

**Table 5: Problem Faced by the Respondents**

Sl. No.	Problems	Total Scores	Mean	Rank
1.	Marketing	781	6.248	1
2.	Power	681	5.448	2
3.	Government	652	5.216	3
4.	Suppliers	648	5.184	4
5.	Raw material	647	5.176	5
6.	Transport	618	4.944	6
7.	Customers preferences	592	4.736	7
8.	Technical	590	4.72	8
9.	Finance	586	4.689	9

**Source:** Primary Data.

Table 5 shows that the problem faced by the respondents. Out of 125 respondents, the respondents are asked to say their problems on rank wise like as the problems are relating finance, marketing, customer preference, government, power, transport, suppliers, raw materials, and technical. On the basis of the responses given by the respondents, marketing problems score 781 points. Hence, marketing problem gets first rank followed by power problem score 681 points. Hence, power problem gets second rank, problem from government score 652 points. Hence, problem from government get third rank; suppliers problem score 648 points. Hence, suppliers problems get fourth rank, raw material problem score 395 points. Hence, raw material problems gets fifth rank, transport problem scores 618 points. Hence, transport problem gets sixth rank, customer preference score 381 points. Hence, customer preference get seventh rank, technical problem scores 590 points. Hence, technical problems get eighth rank, finance problem score 589 points. Hence, finance problems get ninth rank.

### Type of Business

The type of business wise classification of the respondents are given in Table 6.

**Table 6: Types of Business Carried on by the Respondents**

Sl. No.	Type of Business	Number of Respondents	Percentage to Total
1.	Computer Centre	13	10.4
2.	Xerox	17	13.6
3.	Computer Job Work	13	10.4
4.	Fancy Shop	11	8.8
5.	Readymade Stores	14	11.2
6.	Electrical Stores	16	12.8
7.	Cell Phone Service Centre	9	7.2
8.	Online Business	6	4.8
9.	Computer Software	3	2.4
10.	Online Money Transfer	7	5.6
11.	Communication	5	4.0
12.	Milk sale	11	8.8
	Total	125	100.00

**Source:** Primary Data.

Table 6 shows that type of business carried on by the respondents. Out of 125 respondents, Computer Centre is the type of business of 13 (10.4%) respondents, Xerox is the type of business of 17 (13.6%) respondents, Computer Job Work is the type of business of 13 (10.4%) respondents, Fancy Shop is the type of business of 11 (8.8%) respondents, Readymade Stores is the type of business of 14 (11.2%) respondents, Electrical Stores is the type of business of 16(12.8%) respondents, Cell Phone Service Centre is the type of business of 9 (7.2%) respondents, Online Business is the type of business of 6 (4.8%) respondents, Computer Software is the type business of 3 (2.4%) respondents, Communication is the type of business of 5(4.0%)respondents and Milk Sale is the type of business of 11 (8.8%) respondents. It is inferred that majority of respondents are starting service unit i.e. Xerox Centre.

### Findings

The following are the major findings of the study

1. It is inferred that male respondents are highly started the business units (78.4%) in the study  
Area
2. The study reveals that out of 125 respondents 33 ( 26.4%) respondents are in the age group of bellow 30 years
3. It is known from the analysis that majority of the respondents i.e. 30.4% are having under graduate qualifications
4. It is found that 32.8% of the respondents had selected this venture capital business based on their experience
5. It is understood from the analysis that marketing is the major problem faced by the respondents with mean score of 6.248 followed by power problems score 681 points and finance problems score 589 points hence, finance problem get Ninth rank.

### Suggestions

- Entrepreneur may learn many things out of their experience and apply their experience do their business at present effectively
- Family support is very important for doing business effectively. Family members can allocate their business work individually like as supervising, management and so on. Family members do not expect salary and thereby reduce unnecessary expenses. Such support can develop their business and earn more profit.
- Entrepreneurs are doing business in their respective area. So, they know about the needs and wants of customer. There is a close interaction with area people. Hence, they can understand ideas and thoughts of customers. Entrepreneurs can know the background of customer's such type of entrepreneurs can earn more profit.
- Married person has more responsibility since they are having more commitments than others. The term commitments includes children's future, standard of living, good position I society and so on. There should be an urgent does need to motivate and to succeed in these areas.
- The strategy of Business differs from one Business to others and hence, entrepreneurs should be trained effectively.
- No relationship between educational qualification and performance of entrepreneurs. If Entrepreneurs knows the business strategy who can perform the business very well and earn more profit. The strategy of business is varying along with varying nature of business. If this is known to the Entrepreneurs he/she can do the business very effectively.

### Conclusion

The present field study highlights the problems of venture capital by the entrepreneurs and the relationship prevailing between the venture capital used and the level of performance of entrepreneurs. It is well know that more amount of investment of venture capital by the entrepreneurs force them to increase their involvement in business operation. In other words, high amount of venture capital used by the entrepreneurs, certainly, they can take more interest to earn more amount of profit. The effective performance of business units lead to grow Indian economy by encountering problems faced by the entrepreneurs and simultaneously. Introducing innovative techniques is a way for successful venture capital business in India.

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