



- Business
- Startups
- Ecommerce
- Investments
- Technology
- Internet
- Mobile
- Gadgets
- Fundraising
- Write for us
- Subscribe
- Our Services
- For Startups
- For Investors
- For Vendors

Search iamwire

## What is the Role of Venture Capital in Funding Various Startups

January 27, 2016 by Rajarshi Datta

36 Shares

This is a Guest Post. The author, Rajarshi Datta, is a Principal with Acquisory and spearheads, the Asset Management vertical.

Venture Capital financing has seen a sea change over the past few years. Venture funding initially started with the aim of supporting talented entrepreneurs and assisting them in strengthening their growing business and providing them with the much needed financing which otherwise was not available to them.



Venture Capital bridges the gap where traditional sources of funds actively cannot participate in funding new ventures.

In India it was initially started by the Financial Institutions and Government agencies, viz., SIDBI. In other parts of the world, it was being done more in electronic, medical, data processing and computer related industry and hence was more known as technology finance. Unlike the overseas counterparts where the investors were the private sector one who not only provided funds but also guidance and mentoring to the entrepreneurs, the India Venture Capitalists were large financial institutions which had been set up to finance only. Their intervention was limited to the financial aspect.

Over a period, the country was losing out to the western world where most of the successful start-ups were being set up and run by Indians. To counter this and also to instill some confidence within the businesses in India that it was serious about assisting start-ups, the government began changing policies slowly and steadily towards venture capital financing by allowing private venture capital.

India's later success story in the area of information technology showed that there was a tremendous potential for growth of knowledge based industries. This potential was not only confined to information technology but also relevant in several areas such as biotechnology, pharmaceuticals and drugs, agriculture, food processing, telecommunications, services, etc. Given the inherent strength by way of its skilled and cost competitive manpower, technology, research and entrepreneurship, with proper environment and policy support, India could achieve rapid economic growth and competitive global strength in a sustainable manner if it allowed venture capital industry in India to fill the gap between the capital requirements of Manufacture and Service based start-up enterprises and funding available from traditional institutional lenders such as banks.

Venture Capital bridges the gap where traditional sources of funds actively cannot participate in funding new ventures. Venture Capital brought in smart advice, hand-on management support and other skills that helped the entrepreneurial vision to be converted to marketable products. It was these inputs that made Indian open its doors to private venture capital but under regulated norms so as to protect the business environment and India entrepreneurs.

Over the last decade Venture Capital financing has grown phenomenally to the extent that as per a report of Perqin, by August 2015, over 500 deals had been funded in the financial year 2015-16 with an investment of over USD 6bn. It was this phenomenal investment that made the Government of India also announce its own INR 10,000 Cr start up fund in 2016.

There are certain advantages that Venture Capital brings to the table along with funding. These advantages make venture capital take the risk of investing time and money behind new ideas. Venture Capital investors

1. are never dormant or sleeping but active;
2. allowed the entrepreneurs to run their business, but they kept a crucial watch and guided them as and when they felt necessary;
3. helped the businesses grow, be it in the form of acquiring new technology, markets, diversifying, backward/forward integration by using their resources which otherwise would not have been possible for the start up
4. are ready to invest in risk prone businesses which disrupted certain markets but then brought about growth and competition which helped the common mass in benefiting.
5. Build a base for quality IPOs in the future which would help the money market to grow.
6. Assist the companies in raising further funds and also financially aiding them at times of stress.

Venture Capital is thus no more only a financing agency but also a tool and a mentoring platform for the startup to grow and seek guidance from. Venture capital's importance rises from the fact that it is patient and risk capital without which nascent ideas would not be nurtured.

Recommended Popular Comments

Rental Marketplace WhatsOnRent Raises Angel Funding

SectorQube: Startup Making Smart Kitchen Devices

Online Tea Seller Teabox.com Raises Investment

[Video] Luke Iseman: Innovating for a Bright Green Future

Why it is Critical for Hyperlocal and eCommerce Companies in India to Get Last Mile Delivery Right

Copyright © 2015 Growthword Digital Pvt Ltd  
About us Careers Contact us Disclaimer  
Privacy Policy



(Image Source)

Disclaimer: This is a guest post. The statements, opinions and data contained in these publications are solely those of the individual authors and contributors and not of iamwire and the editor(s).

36 Shares



Category: Investments  
Tagged: Guest, IPO, Startups, Venture Capital



**About Rajarshi Datta**

Rajarshi is a Principal with Acquisory and spearheads the Asset Management vertical. An economist by training, he has more than 14 years of working experience in strategic consultancy, valuations, transaction advisory, fund based investments and asset management in real estate, infrastructure and logistics sectors. View all posts by Rajarshi Datta →

**Suggested Read**



Office Food App  
TinMen Raises  
Funding from Lead  
Angels



TrueBil: A Tech  
Startup Attempting to  
Organize Used Auto  
Industry



Hobby Class Curator  
FindUrClass Raises  
Another Round of  
Funding



Crowdfunding  
Platform Bitgiving  
Raises Funding From  
Angels

Stay Updated Follow @iamWire

0 Comments iamwire Login

Recommend Share Sort by Newest

Start the discussion...

Be the first to comment.

ALSO ON IAMWIRE

**19 Key Points of Modi's Startup India Action Plan**  
2 comments • 13 days ago  
Hyzen Media — This startup india action plans were a great success.

**LocalCircles Gets Funding from Dalmia Bharat MD, Puneet Dalmia**  
1 comment • 7 days ago  
Tarun Sharma — We can also find travel related relevant articles on travelfuntu

**What do Startups Expect of Modi Led 'Startup India' Initiative?**  
1 comment • 16 days ago  
Smart Keeda — The initiative is great considering the era when the average age of startup entrepreneurs is below 35. Kudos to the startup

WHAT'S THIS?

**A Look at IIT Kharagpur's Global Entrepreneurship Summit 2016**  
1 comment • 8 days ago  
Tarun Sharma — We were also there for travelfuntu

Subscribe Add Disqus to your site Add Disqus Add Privacy