

Problems/Issues/Challenges of Venture Capital

The various issues and difficulties of venture capital financing are as follow;

1. Requirement of an experienced managerial team.
2. Requirement of high rate of return on investment.
3. Payback period is normally long.
4. Uncertainty regarding the success of the product in the market.
5. Problems and issues regarding the infrastructure details of production like plant location, accessibility, relationship with the suppliers and creditors, transportation facilities, labour availability etc.
6. The category of potential customers regarding products and service offerings.
7. The size of the market.
8. Major rivals and their market share.
9. Skills and Training required and the cost of training.
10. Financial considerations like return on capital employed (ROCE), cost of the project, the Internal Rate of Return (IRR) of the project, total amount of funds required, ratio of owners investment (personnel funds of the entrepreneur), borrowed capital, mortgage loans etc. in the capital employed.

Growth of Venture Capital in India

- Venture Capital in India was known since nineties era. It is now that it has successfully emerged for all the business firms that take up risky projects and have high growth prospects as well. Venture Capital in India is provided as risk capital in the forms of shares, seed capital and other similar means.
- In 1988, ICICI emerge as a venture capital provider with unit trust of India. And now, there are a number of venture capital institutes in India. Financial banks like ICICI have stepped into this and have their own venture capital subsidiaries.

- Apart from Indian investors, international companies too have settled in India as a financial institute providing investments to large business firms. It is because of foreign investors that financial markets have developed in India on a large scale.
- Introduction of western financial philosophies, tight contracts, focus on profitable projects and active involvement in finance was contributed by foreign investors only.
- The financial investment process has evolved a lot with time in India. Earlier there were only commercial banks and some financial institutes but now with venture capital investment institutes, India has grown a lot.
- Business forms now focus on expansion because they can get financial support with venture capital. The scale and quality of the business enterprises have increased in India now.
- With international competition, there have been a number of growth oriented business firms that have invested in venture capital.
- All the business firms that deal in information technology, manufacturing products as well as providing contemporary services can opt for venture capital investment in India.