

The Economics of Venture Capital Firm Operations in India

This book studies diverse categories of venture capital (VC) firms in India based on their ownership type (domestic versus foreign), stage of investment (early versus growth stage), and VC investment team composition (entrepreneurial experience versus investing experience). For each category of VC firms, the nuances in their investment, portfolio involvement, and exit strategies are separately analysed. Employing the framework of information asymmetry, the book studies how different categories of VC firms rely on distinct mechanisms such as deal syndication and domain specialization to address the ensuing adverse selection and agency risks. It also delves into the macro context by assessing whether the emergence of VC in India has been driven by ‘pull’ or ‘push’ factors. This is accomplished by analysing in depth the supply and demand of VC funds. Finally, it critically reviews the existing policies of entrepreneurial finance and arrives at recommendations for future directions of the same.

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