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Abstract of Doctoral Dissertation

Venture Capital backed IPOs in India : Issues of Underpricing and Longrun Performance

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I. Introduction

CAPITAL IS THE fundamental need of a business entity. The new entrepreneurs do not have any track record of their consistent performance, reputation and having high risk, therefore, due to all these reasons, banks and financial institutions invariably do not give preference for financing their innovative projects. As a result of this, the niche is created between the capital provided and the capital needed. To exploit this niche market a new concept is developed called "Venture Capital". Venture capital is considered the synonyms of risky capital and significant financial innovation of the twentieth century. Venture capital as a source of funding consists of high risk due to the unpledged investment in the ventures. The increased awareness level of innovation in the modern economy increases the better prospect for the venture capital. Venture capital-backed entrepreneurship is the key origin of the innovation and the technological spread. Due to the historical contribution of venture capital in the economic growth of the US and some European countries, the government of the developing nations also encouraging the development of venture capital by laying down the framework and by issuing the guidelines.

The ventures or the projects in which venture capitalists make an investment they got the funds without any collateral that raise the risk level in the investment. So, venture capitalists expect a higher return on their investment than the other investment options. To gain the desired rate of return from the initial investment is the result of the availability of exit routes and the timing of the decision to exit from the ventures. Venture capitalists gained the higher return from the firms that lastly go public.

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