International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

A Study on Uses of Venture Capital For Large Scale Organizations in the Context of the Development of the Economy

Ms. Divya Rastogi

Assistant Professor Galgotias Educational Group, Gimt, Mba Department

Abstract
This research paper explores the role and impact of venture capital in large-scale organizations and its broader implications for economic development. While venture capital is traditionally associated with startups and early-stage businesses, its application in large organizations is increasingly significant. This study aims to analyze how large-scale organizations utilize venture capital, the benefits and challenges of these investments, and their overall impact on economic growth.

Keywords: financial high-technology projects, highly risky, high rate of return, Long-Term Investment, Achieve Social Objectives, Investment Is Illiquid.

INTRODUCTION:

Venture Capital is a form of equity financing especially designed for funding high-risk and high-reward projects.

Venture Capital is a means of financial high-technology projects. The term Venture Capital represents financial, investment in highly risky projects to earn a high rate of return. Venture Capital is an investment in long-term finance. Venture Capital is a high-risk Venture.

FEATURES:

1. HIGH DEGREE OF RISK: Venture Capital financing is, invariably, an investment in a highly risky project to earn a high rate of return.
2. EQUITY PARTICIPANTS: Venture Capital financing is, invariably, an actual or potential equity participation where the objective of venture capital is to make capital gain by selling shares once the project becomes profitable.
3. LONG-TERM INVESTMENT: Venture Capital financing is a long-term investment. It generally takes a long period to encash the investment in security made by the venture capitalist.
4. ACHIEVE SOCIAL OBJECTIVES: It is different from the development capital provided by several central and state-level government bodies in that the profit objective is the motive behind the financing but venture capital profits generate employment and balanced regional growth indirectly due to setting up successful new business.
5. INVESTMENT IS ILLIQUID: Venture Capital is not subject to repayment on demand as with an overdraft or following a loan repayment schedule. The investment is realized only when the company is sold or achieves a stock market listing. It is lost when the company goes into liquidation.

MODES OF FINANCING:

1. EQUITY: Most of the Venture Capital funds provide financial support to entrepreneurs in the form of equity by financing 49%of total equity. This is to ensure that the ownership and overall control remain with the entrepreneur.
2. CONDITIONAL LOAN: From a Venture Capital point of view, equity is an unsecured instrument hence, a less preferable option than a secured debt instrument a conditional loan usually involves either no interest at all or a coupon payment at a nominal rate.
3. CONVERTIBLE LOAN: The Convertible Loan is subordinate to all other loans which may increased to be converted into equity if interest payments are not made within an agreed time limit.

LITERATURE REVIEW:

A review of existing literature reveals several key areas where venture capital impacts large-scale organizations:

- **Innovation and R&D**: Venture capital funding has been shown to significantly boost research and development activities within large organizations, leading to breakthrough innovations.
- **Market Expansion**: Studies indicate that VC can provide the necessary resources for large organizations to enter new markets and diversify their operations.
- **Corporate Venturing**: Large organizations often create their own venture capital arms to invest in innovative startups, fostering symbiotic relationships that drive growth.
- **Economic Development**: The infusion of venture capital into large organizations can stimulate economic growth by creating jobs, advancing technology, and enhancing global competitiveness.

OBJECTIVES:

- The paper compares corporate venture investments with independent venture groups
- It explores the impact of strategic focus on corporate venture fund success
- The research addresses moral hazard and information asymmetry in private equity organisations
- It aims to understand organizational structures affecting corporate venture capital outcomes

RESEARCH METHODOLOGY:

This research employs a mixed-method approach, combining quantitative data analysis with qualitative case studies. Data is collected from financial reports, venture capital databases, and economic performance indicators. Case studies of prominent large-scale organizations utilizing venture capital provide insights into real-world applications and outcomes.

RESEARCH DESIGN

The research design utilizes a mixed-methods approach to address the following research questions:

1. How do large-scale organizations utilize venture capital?
2. What are the benefits and challenges associated with these uses?
3. How does the utilization of venture capital by large-scale organizations impact economic development?

DATA COLLECTION

Quantitative Data Collection:

1. Secondary Data:

- Financial reports and filings from large-scale organizations.
- Venture capital investment databases such as Crunchbase, PitchBook, and CB Insights.
- Economic indicators from sources such as the World Bank, International Monetary Fund (IMF), and national statistical agencies.

2. Primary Data:

- Surveys and questionnaires distributed to executives and managers in large-scale organizations that have utilized venture capital.
- Key data points include the amount of venture capital raised, areas of investment, and financial performance metrics post-investment.

Qualitative Data Collection:

1. Case Studies:

- In-depth case studies of selected large-scale organizations that have effectively used venture capital.
- Interviews with key stakeholders, including venture capitalists, corporate venture capital managers, and industry experts.
- Review of company documents, press releases, and news articles related to venture capital investments.

SAMPLING

Quantitative Sampling:

1. **Population:** Large-scale organizations across various industries that have utilized venture capital.
2. **Sample Size:** A representative sample of approximately 100 large-scale organizations to ensure statistical validity.
3. **Sampling Technique:** Stratified random sampling to ensure representation across different industries and regions.

Qualitative Sampling:

1. **Case Study Selection:** Purposeful sampling to select case studies that provide rich, detailed insights into venture capital utilization.
2. **Interview Participants:** Snowball sampling to identify key stakeholders with relevant experience and knowledge.

DATA ANALYSIS:

Quantitative Data Analysis:

1. Descriptive Statistics:

Summarise data using means, medians, standard deviations, and ranges to provide an overview of venture capital use in large-scale organizations.

2. Inferential Statistics:

Regression analysis to examine the relationship between venture capital investment and economic indicators such as job creation, revenue growth, and market expansion.

Hypothesis testing to assess the statistical significance of observed trends and patterns.

3. Comparative Analysis:

Compare performance metrics of large-scale organizations before and after receiving venture capital investment.

Analyze differences across industries, regions, and types of venture capital (e.g., corporate venture capital vs. traditional venture capital).

Qualitative Data Analysis:

1. **Thematic Analysis:**

Identify and analyze themes and patterns in qualitative data from interviews and case studies.
Use coding techniques to categorize data and draw insights into how large-scale organizations leverage venture capital.

2. **Content Analysis:**

Examine company documents, press releases, and news articles to understand the context and outcomes of venture capital investments.

3. **Cross-Case Synthesis:**

Integrate findings from multiple case studies to identify common strategies, benefits, and challenges associated with venture capital use in large-scale organizations.

Validity and Reliability

1. **Internal Validity:** Ensure the research design accurately measures the impact of venture capital on large-scale organizations through triangulation of data sources and methods.
2. **External Validity:** Generalize findings to a broader population of large-scale organizations by using a representative sample and considering diverse industries and regions.
3. **Reliability:** Maintain consistency in data collection and analysis procedures by using standardized instruments (e.g., survey questionnaires) and protocols for qualitative data collection.

Ethical Considerations

1. **Informed Consent:** Obtain informed consent from all survey respondents and interview participants.
2. **Confidentiality:** Ensure the confidentiality of participants' data and protect sensitive information.
3. **Transparency:** Clearly communicate the purpose of the research, the use of data, and the potential benefits and risks to participants.

LIMITATIONS OF THE RESEARCH:

1. **Data Availability:** Limited access to detailed financial data for some organizations may affect the comprehensiveness of the analysis.
2. **Response Bias:** Potential bias in survey responses and interviews due to self-reporting.
3. **Generalizability:** While efforts are made to ensure a representative sample, findings may not be fully generalizable to all large-scale organizations or industries.

FINDINGS:

1. **Innovation and R&D**

Large-scale organizations often use venture capital to fund R&D projects that might otherwise be too risky or capital-intensive. For instance, pharmaceutical giants like Pfizer and Johnson & Johnson have leveraged venture capital to develop new drugs and medical technologies. These investments not only lead to product innovation but also drive advancements in science and technology.

2. **Market Expansion**

Venture capital enables large organizations to explore new markets and business models. For example,

Amazon's venture capital arm, Alexa Fund, invests in startups developing voice technology, facilitating Amazon's entry into the smart home market. Such expansions contribute to economic diversification and growth.

3. Corporate Venturing

Corporate venture capital (CVC) has become a strategic tool for large organizations. Google Ventures, for example, has invested in numerous startups, enhancing Google's innovation pipeline and market reach. These CVC activities create ecosystems of innovation, benefiting both the parent company and the startups.

4. Economic Development

The impact of venture capital on economic development is multifaceted. By funding innovative projects and market expansions, venture capital contributes to job creation, technological progress, and increased competitiveness. Regions with active venture capital markets often experience higher economic growth rates.

Case Studies

Google Ventures

Google Ventures has invested in over 300 companies, including Uber, Slack, and Nest. These investments have not only provided financial returns but also driven technological advancements and job creation, contributing to economic growth.

Intel Capital

Intel Capital has been instrumental in advancing technologies like artificial intelligence and cybersecurity. Its investments have enhanced Intel's technological capabilities and driven industry-wide innovation.

GE Ventures

GE Ventures focuses on healthcare, energy, and advanced manufacturing. By funding startups in these sectors, GE Ventures has accelerated the development of cutting-edge technologies, contributing to economic and industrial growth.

Discussion

The use of venture capital by large-scale organizations presents both opportunities and challenges. While it can drive innovation and economic growth, managing the associated risks is crucial. Effective integration of acquired technologies and companies is essential to realize the full benefits of venture capital investments.

RECOMMENDATIONS:

Venture capital is a powerful tool for large-scale organizations, enabling them to innovate, expand, and remain competitive. Its strategic use can drive significant economic development by creating jobs, advancing technology, and enhancing regional and global competitiveness. As the global economy continues to evolve, the role of venture capital in supporting large-scale organizations is likely to grow, shaping the future of industries and economies worldwide.

CONCLUSIONS:

The research methodology and data analysis techniques outlined in this section provide a robust framework for studying the uses of venture capital in large-scale organizations and its impact on economic development. By combining quantitative and qualitative approaches, this methodology aims to generate

comprehensive and actionable insights that can inform both academic understanding and practical applications in the field of venture capital and corporate finance.

REFERENCES:

1. M. Ayyagari, T. Beck, and A. Demirguc-Kunt, "Small and medium enterprises across the globe," Small Business Economics, vol. 29, no. 4, pp. 415–434, 2007.
   View at: Publisher Site | Google Scholar
2. Y. Zhu, X. Wittmann, and M. W. Peng, "Institution-based barriers to innovation in SMEs in China," Asia Pacific Journal of Management, vol. 29, no. 4, pp. 1131–1142, 2012.
   View at: Publisher Site | Google Scholar
3. T. George, "Fair competition and preferential taxation policy for small & medium retail stores in China: a comparative study," Journal of Chinese Tax and Policy, vol. 3, no. 3, pp. 140–164, 2013.
   View at: Google Scholar
4. J. Yu and J. N. B. Bell, "Building a sustainable business in china's small and medium-sized enterprises (SMEs)," Journal of Environmental Assessment Policy and Management, vol. 9, no. 1, pp. 19–43, 2007.
   View at: Publisher Site | Google Scholar
5. F. Olawale and D. Garwe, "Obstacles to the growth of new SMEs in South Africa: a principal component analysis approach," African Journal of Business Management, vol. 4, no. 5, pp. 729–738, 2010.
   View at: Google Scholar
6. J. Jiang, Z. Li, and C. Lin, "Financing difficulties of SMEs from its financing sources in China," Journal of Service Science and Management, vol. 7, no. 3, pp. 196–200, 2014.
   View at: Publisher Site | Google Scholar
7. S. F. Memba, W. R. Gakure, and K. Karanja, "Venture capital (VC): its impact on growth of small and medium enterprises in Kenya," International Journal of Business and Social Science, vol. 3, no. 6, pp. 32–38, 2012.
   View at: Google Scholar
8. B. L. King, "Strategizing at leading venture capital firms: of planning, opportunism and deliberate emergence," Long Range Planning, vol. 41, no. 3, pp. 345–366, 2008.
   View at: Publisher Site | Google Scholar
9. A. A. Eniola, "The role of SME firm performance in Nigeria," Oman Chapter of Arabian Jou 10.12816/0016552 rnal of Business and Management Review, vol. 3, no. 12, pp. 33–47, 2014.
   View at: Publisher Site | Google Scholar
10. R. U. Etuk, G. R. Etuk, and B. Michael, "Small and medium scale enterprises (SMEs) and Nigeria's economic development," Mediterranean Journal of Social Sciences, vol. 5, no. 7, pp. 656–662, 2014.
    View at: Publisher Site | Google Scholar
11. O. O. Fatoki, A. Van, and A. Smit, "Constraints to credit access by new SMEs in South Africa: a supply-side analysis," African Journal of Business Management, vol. 5, no. 4, pp. 1413–1425, 2011.
    View at: Google Scholar
12. M. Ueda and M. Hirukawa, "Venture capital and industrial innovation," SSRN Electronic Journal, vol. 2008, 2008.
    View at: Publisher Site | Google Scholar

13. V. Venckuviene and A. Saboniene, "Implications for mitigating human resource and labor market restriction in low-tech sector," Procedia—Social and Behavioral Sciences, vol. 213, pp. 192–197, 2015.
View at: Publisher Site | Google Scholar
14. T. Wang, "Effect of VC to technology innovation based on regional perspective," Studies in Science of Science, vol. 34, no. 10, pp. 1576–1582, 2016, in Chinese.
View at: Google Scholar
15. S. Chahine, J. D. Arthurs, I. Filatotchev, and R. E. Hoskisson, "The effects of venture capital syndicate diversity on earnings management and performance of IPOs in the US and UK: an institutional perspective," Journal of Corporate Finance, vol. 18, no. 1, pp. 179–192, 2012.
View at: Publisher Site | Google Scholar
16. D. B. Audretsch and E. E. Lehmann, "Financing high-tech growth: the role of banks and venture capitalists," Schmalenbach Business Review, vol. 56, no. 4, pp. 340–357, 2004.
View at: Publisher Site | Google Scholar
17. J. h. Sun, "Empirical support of decline in enterprises' operating performance after the IPO from the perspective of venture capital," Finance & Economics, vol. 8, pp. 67–78, 2015, in Chinese.
View at: Google Scholar
18. A. Davila, G. Foster, and M. Gupta, "Venture capital financing and the growth of startup firms," Journal of Business Venturing, vol. 18, no. 6, pp. 689–708, 2003.
View at: Publisher Site | Google Scholar
19. T. J. Chemmanur and E. Loutskina, "The role of venture capital backing in initial public offerings: certification, screening, or market power?" in Proceedings of the EFA 2005 Moscow Meetings, Moscow, Russia, September 2006.
View at: Publisher Site | Google Scholar
20. N. Rosenbusch, J. Brinckmann, and V. Müller, "Does acquiring venture capital pay off for the funded firms? a meta-analysis on the relationship between venture capital investment and funded firm financial performance," Journal of Business Venturing, vol. 28, no. 3, pp. 335–353, 2013.
View at: Publisher Site | Google Scholar
21. B. A. Jain and O. Kini, "Venture capitalist participation and the post-issue operating performance of IPO firms," Managerial and Decision Economics, vol. 16, no. 6, pp. 593–606, 1995.
View at: Publisher Site | Google Scholar
22. R. Nahata, "Venture capital reputation and investment performance☆," Journal of Financial Economics, vol. 90, no. 2, pp. 127–151, 2008.
View at: Publisher Site | Google Scholar
23. W. Chaopeng, W. Shinong, C. Jingya, and W. Lu, "The role of venture capital in the investment and financing behavior of listed companies: evidence from China," Economic Research Journal, vol. 1, pp. 105–119, 2012, in Chinese.
View at: Google Scholar
24. J. C. Ruhnka and J. E. Young, "Some hypotheses about risk in venture capital investing," Journal of Business Venturing, vol. 6, no. 2, pp. 115–133, 1991.
View at: Publisher Site | Google Scholar
25. https://journals.sagepub.com/doi/full/10.1177/21582440211068484
26. Gompers, P., & Lerner, J. (2001). The Venture Capital Revolution. Journal of Economic Perspectives,

15(2), 145-168.
27. Chesbrough, H. W. (2002). Making Sense of Corporate Venture Capital. Harvard Business Review, 80(3), 90-99.
28. Hellmann, T., Lindsey, L., & Puri, M. (2008). Building Relationships Early: Banks in Venture Capital. The Review of Financial Studies, 21(2), 513-541.
29. Kortum, S., & Lerner, J. (2000). Assessing the Contribution of Venture Capital to Innovation. RAND Journal of Economics, 31(4), 674-692.
30. Da Rin, M., Hellmann, T., & Puri, M. (2013). A Survey of Venture Capital Research. In Handbook of the Economics of Finance (Vol. 2, pp. 573-648). Elsevier.
This comprehensive study outlines the multifaceted role of venture capital in large-scale organisations and its broader economic implications, providing a framework for future research and policy development.