

Venture Capital as a Catalyst for Entrepreneurship Development and Startup Growth in India: Implications for Viksit Bharat

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Abstract

Entrepreneurship Development is need of country that is having goal toviksititself. When we talk about India Viksit Bharat 2047 is its mission and for achieving this role of Entrepreneurship is nor the less. For supporting this mission Indian Government is working on venture capital funds so that India's startup ecosystem reach a new height. For businesses that can't get money from banks venture capital is very important. Venture capital is a fund that gives investors money to start their ventures. This study focuses on role of venture capital in businesses growth in India, especially in light of the country's goal of Viksit Bharat. The objective of this study is to analyse the impact of venture funding on startups in India. The study utilises secondary data such as academic journals, government publications, industry reports. It concludes that companies that get venture capital funding support businesses to grow faster. Paper also reveals some limitations such as not having enough money in rural areas and not being able to get investments in the early stages. So it ends with suggestions that how these limitations can be tackled for using venture capital fund for entrepreneurship development in India that leads to fulfillment of vision 2047 of Viksit Bharat.

Keywords: *Venture Capital, Entrepreneurship Development, Startups, Economic Growth, Viksit Bharat*

INTRODUCTION

In country like India development of entrepreneurship is required as entrepreneurs come up with new ideas, generate employment and increased GDP. Entrepreneurship is rising at large scale in India because of government support and population composition of India that is comprises of young generation. We know that young minds always have new ideas and ready to take risk. But getting money is still very hard for new businesses. Banks don't usually want to take risks so not provide easy funding to startups. At this time Venture capital emerged

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as a big source of funding. Venture capitalists support startups by providing them advice on how to run a business and provide finance on easy terms. Venture capital provide assistance in many fields like healthcare, software services, e-commerce, and fintech. To become Viksit Bharat @2047 by the 100th anniversary of its independence venture capital plays a big role. Venture capital and startups work together to turn ideas into big and successful businesses. Even though venture capital is becoming more and more important but still suffering from many limitations such as uneven distribution of businesses across regions, lack of political support and policies. The objective of this study is to analyse role of venture capital fund in promoting entrepreneurship specially startups in India and its impact on India vision of Viksit Bharat @2047.

LITERATURE REVIEW

Many researchers study impact of venture capital in development of any country. Kaplan and Lerner explained in their paper that venture capital is a long-term investment approach. It combines equity funding with active participation in business decisions.^[1] Da Rin et al. States that venture capital is an active form of finance in which investors closely monitor startups and provide strategic guidance and not only provide finance^[2]. Gompers et al. notified that venture capital differs from traditional bank financing as investors share both risk and reward with entrepreneurs. This makes it suitable for innovative and uncertain ventures^[3]. Chemmanur et al. find that venture capital funding improves firm efficiency by showcasing better management quality and resource utilization^[4]. Puri and Zarutskie compare venture-funded and non-venture-funded firms in their paper. Their findings stated that VC funded businesses have faster growth and higher survival rates^[5]. Kortum and Lerner emphasizes that there is a strong connection between venture capital and innovation as venture capital financed firms produce more patents and innovative technologies^[6]. Tian and Wang argue that venture capital increases tolerance for failure by providing fund to new investors for new ideas. This encourages experimentation and supports innovation^[7]. Hellmann and Puri highlight the role of venture capital in bringing professionalism in startups. Investors not only provide funds but also assists in governance, recruitment, and organisational development^[8]. Samila and Sorenson highlighted that venture capital contributes to regional economic growth. Areas with higher VC activity experience stronger entrepreneurial development. But also emphasizes that there is uneven distribution of VC financing in different states^[9]. Kerret et al. describe entrepreneurship as an experimental process. Venture capital supports this by financing risky and new innovative ideas and also to persons who are first time entering into business^[10]. Bernstein et al. emphasise the monitoring role of venture capitalists in businesses where they have provided funds that improves firm performance and strategic decision-making^[11]. Ewens and

Rhodes-Kropf suggested that strong venture capital partnerships improve startup outcomes. collaborative expertise adds value to business beyond financial investment^[12].

Ayyagari et al. Study highlighted the importance of VC in emerging economies. Venture capital helps overcome institutional and market limitations in developing countries^[13]. Lerner and Tag argue that institutional quality affects venture capital development in any country. So clear legal and regulatory frameworks are required to attract more investors^[14]. Bruton et al. focused on that that venture capital fills financing gaps in developing economies. It supports firms and young entrepreneurs that lack access to traditional funding sources^[15]. Kenney and Zysman discuss the role of venture capital in digital platform development by enabling scalability and technological transformation^[16]. Wonglimpiyarat highlighted the importance of venture capital in Asia. It supports innovation, industrial upgrading, and global competitiveness in Asian countries^[17]. The Government of India identifies venture capital as a key driver of startup growth. To support VC policy reforms have improved that leads to development of overall investment environment^[18]. NITI Aayog emphasises innovation-led development. As per Niti Aayog venture capital is critical for achieving long-term national growth objectives so it frames many policies for its development^[19]. The Reserve Bank of India reports that venture capital supports fintech and digital innovation. It strengthens India's financial ecosystem as digitization is need of today's world^[20]. Ghosh and Tripathi stated that Indian startups get funded by venture capital perform better. They show higher innovation and growth compared to traditional funded firms^[21]. Bhatia and Thakur show that venture capital improves efficiency, GDP productivity and employment generation in India^[22]. KPMG reports strong venture capital activity is seen in Indian technology sectors. Fintech and SaaS attract significant investment through VC^[23]. PwC observes increasing domestic and foreign venture capital inflows in India in recent years. Policy stability has boosted Indian as well as Foreign investor trust and confidence^[24]. The World Bank states venture capital is positively linked with employment. VC-backed firms generate skilled and knowledge based employment as it is mostly found in technology oriented firms^[25]. Mukherjee and Chatterjee highlighted that there is regional imbalance in venture capital distribution. Most funding is concentrated in metro cities like Bengaluru, Delhi and Mumbai^[26]. McKinsey confirms that Bengaluru, Mumbai, and Delhi-NCR dominate the venture capital share with Bengaluru at top^[27]. NASSCOM reports that startups in tier-2 and tier-3 cities face funding challenges. The reason for this is weak ecosystems that limits venture capital access^[28]. Banerjee and Duflo argued that early-stage firms face strong financing constraints in case of VC. Limited seed funding restricts innovation^[29]. SIDBI also highlights the shortage of early-stage venture capital in India. Most investments focus on later-stage startups i.e is growth and maturity stage^[30]. EY identified that there exists a regulatory

complexity and tax challenges that acts as major barriers to venture capital growth in any country^[31].

SEBI points out that there is exit-related limitations in India's venture capital market. Limited exit options are available that affect investor returns^[32]. OECD stresses the importance of stable and transparent policies in every country. If regulatory certainty is there than only global venture capital can be attracted^[33]. The World Economic Forum supports public-private partnerships to promote inclusive entrepreneurship. In today's world no sector can develop fully without public private ownership^[34]. IFC emphasises the role of government-backed venture funds in developing countries. These funds help to reduce investment risks in underserved regions^[35]. UNDP links venture capital with sustainable and inclusive development. Venture funding can support environmental and social goals^[36]. NITI Aayog aligns venture capital with the Viksit Bharat @2047 vision. Innovation-led growth remains a national priority^[37]. Deloitte also projects steady growth in India's venture capital ecosystem. Digital and green sectors continue to attract investors^[38]. Bain & Company report resilience in India's venture capital market. Long-term growth fundamentals remain strong^[39]. The World Bank concludes that venture capital supports innovation-led development. Inclusive policies enhance its impact on economic growth^[40].

OBJECTIVES OF THE STUDY

1. To study the role of venture capital in entrepreneurship development in India
2. To analyze trends in venture capital investment in India
3. To assess the contribution of venture capital on India's vision of Viksit Bharat

RESEARCH METHODOLOGY

This study utilizes a descriptive and analytical research design to study venture capital financing and startup growth in India. This design facilitates a systematic study of the venture capital environment. It also supports analytical examination of the impact of venture capital on entrepreneurial development. The study relies exclusively on secondary data as there are a lot of sources of information is available i.e. published reports, academic studies, and institutional databases. The research is based on both quantitative and qualitative secondary data. Quantitative data includes statistical details regarding venture capital investments in particular sector and area. Qualitative data includes policy papers, research papers help us understand working of venture capital. Secondary data has been collected from authoritative sources to make sure the information is correct and makes the analysis stronger. The study employs trend analysis to examine changes in venture capital investment patterns over time. comparative analysis is also used to make a comparison between venture capital-backed startups and those relying on traditional sources of finance.

DATA ANALYSIS AND FINDINGS

The analysis of secondary data reveals a significant expansion of venture capital investment in India during the period from 2015 to 2021. Study indicates India experienced a sharp rise in both the volume and value of VC investments during this phase.due to favorable government policies and increased participation of domestic as well as foreign investors. Analysis states that venture capital investments were at top 2021, followed by a moderation in subsequent years due to global economic uncertaintiesand tighter monetary policies across economies. Despite this moderation, India continues to remain as an attractive destination for venture capital.

Region-wise Venture Capital Funding in India: 2024 and 2025

This bar chart presents a comparative analysis of region -wise venture capital funding in India during 2024 and 2025. Bengaluru booked the largest share of VC funding in both years reflecting Bengaluru’s sustained position dueto many factors such as strongInformation technology hub and availability of skilled talent.



Figure 1. Comparative Share of Venture Capital Funding region wise India

Delhi-NCR takes second position and Mumbai as the third exhibiting a slight increase in their funding share in 2025. Chennai and Hyderabad bagged stable shares in both years. Others (tier-2 and tier-3 cities) account for a small proportion of total VC funding in both years.It highlights structural disparities in ecosystem maturity, infrastructure availability, and investor access leads to uneven distribution and growth of venture capital.

Sector-wise Distribution of Venture Capital Funding in India (2024–2025)

This pie chart indicates concentration of venture capital investments in technology-driven sectors

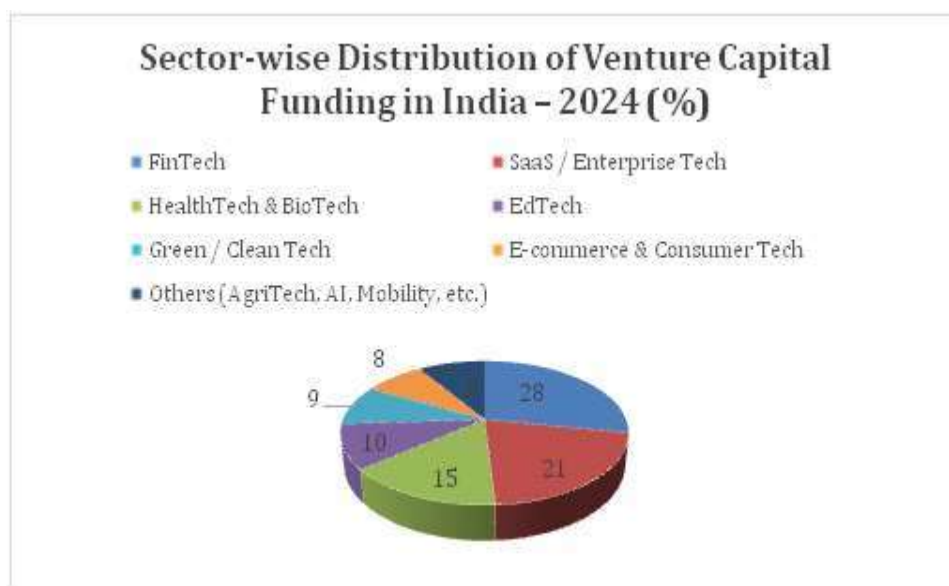


Figure 2: Sector-wise Distribution of Venture Capital Funding in India (2024–2025)

Above pie chart depicts various sectors such as Fintech, Healthcare, CleanTech, SaaS, Ed tech and E-commerce in which venture fund is invested. FinTech accounts for 28% share and SaaS accounts for 21% share of venture capital due to digital adoption. HealthTech and BioTech (15%) reflect increased demand for digital healthcare solutions. Notably, Green and Clean Technology account for 9%. It's a like of achievement as it is a new area but that focus on sustainability. EdTech (9%) and consumer technology (8%) is at very low as compared to others indicating market maturity. This pie chart reflects a gradual diversification of venture capital investments aligned with innovation and long-term development goals.

Analysis of Venture Capital Investment and Startup Performance in India

This paper reports Venture capital funding support startups to invest in product development, marketing, talent acquisition, and technology infrastructure. It also provide strategic guidance. Study analyses that startups receiving venture capital funding go for higher R and D activities leads to innovative products and services. It encourage experimentation and risk-taking allowing startups to pursue innovative

business ideas that leads to the development India's position in the global innovation ecosystem. Employment generation is also an immediate outcome of venture capital investment by creating various direct and indirect jobs in high-skilled and technology-oriented roles such as engineers, data scientists, designers, and management professionals. It leads to attainment vision of India by providing opportunities to skilled as well as unskilled workforce. This study also brings to notice some challenges within India's venture capital landscape. Regional concentration of venture capital investments is one of them. As discussed in above section significant proportion of VC funding is concentrated in Bengaluru, Mumbai, and Delhi-NCR. Startups operating in tier-2 and tier-3 cities take less benefit of VC fund due to infrastructural and policy issues. Lack of Infra structure support and investor presence leads to this funding gap. Startups in these regions often rely on personal savings or informal financing, which restrict their growth potential.

Difference also exists in stage wise financing. Growth-stage and mature startups attract significant venture capital inflows while seed-stage and early-stage ventures receive relatively limited funding that discourage early-stage innovation

DISCUSSION

Venture capital-backed startups in India exhibit better performance in terms of scalability, innovation output, and market expansion. Venture capitalists always encourage research and development and support experimentation leads to higher patent activity. Sectors such as fintech, healthtech, edtech, software services, and clean energy get a great push due to Venture capital. This study also highlights that venture capital funding also provide governance and managerial benefits by introducing professional management and performance monitoring systems which contribute to improved efficiency and sustainability of startups in emerging economies like India. It is very supportive as in country like India entrepreneurs are first-generation business founders with limited managerial experience. It gives a support to potential entrepreneurs to start their business. Findings also reveal structural imbalances in the distribution of venture capital in India. Venture capital funding is more in metropolitan cities like Bengaluru, Delhi-NCR and Mumbai but very less in tier 2 and 3 areas. This uneven distribution of funding may limit growth of entrepreneurship and restrict the broader socio-economic benefits that leads to attainment of India Vision.

Venture capital has strengthened India's startup ecosystem to a great extent but its impact remains uneven across regions and stages of business development. The study suggest that targeted policy are required so that benefit of venture capital may extend to rural areas and other less befitted sectors. The vision of India @ 2047 emphasizes innovation-led growth, digital transformation, global competitiveness,

and inclusive development. Venture capital can enhance India's position in global value chains by supporting scalable enterprises and fostering innovation in all areas and sectors by aligning its strategies with developmental goals of country.

CONCLUSION

This study concludes that venture capital has emerged as a critical catalyst for entrepreneurship development in India. Venture capital has supported startups and entrepreneurs in different ways i.e. by providing seed finance, providing then operational and management support. It acts as a blessing for potential entrepreneurs having innovative business ideas but having lack of finance. Before introduction of venture capital many businesses not even start due to lack of finance. Venture capital provides not only capital but also strategic mentorship and governance support at each stage of business from initiation till maturity. Due to this venture capital-backed startups demonstrate higher levels of innovation, productivity, and employment generation compared to non-VC-funded firms. Venture capital has significantly contributed to the growth of technology-driven sectors such as fintech, healthtech, edtech, software services, and green technology. From a developmental perspective, venture capital works closely with the objectives of the Viksit Bharat @2047 which emphasizes entrepreneurship, digital transformation, global competitiveness, and inclusive growth. Study also analyses some issues related to venture capital financing in India i.e. regional concentration of investments, limited access to seed funding, and regulatory complexities. Study suggests that to take full potential of venture capital there is a need for policy interventions that promote inclusive and regionally balanced investment strategies. Public-private partnerships should also be developed in this sector so that more businesses can take its benefit. Policies should be framed to provide easy early-stage funding. Government should frame more regulations to support this sector. In conclusion venture capital can serve as a powerful instrument in development of entrepreneurship opportunities in India that leads to employment generation, innovation, increased GDP that in turn leads to India's transition from a developing country to not only developed but also paves a way to become Global leader under the Viksit Bharat vision.

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