

Essays on Venture Capital

ABSTRACT

The main focus of this doctoral dissertation is on networking and syndication activities of Venture Capital (VC) firms. VCs are highly interconnected to each other, and they tend to establish dense networks through syndication of risky investments in high growth entrepreneurial ventures. While

Even though the advantage of syndication is limited to the short-term only, this approach does help VC firms when they are trying to capture new markets. Our results suggest that while investing in India-based portfolio companies, foreign VC firms, syndicating with other foreign VC firms are more likely to exit successfully. However, foreign VC firms syndicating with Indian VC firms and Indian VC firms syndicating with other Indian VC firms do not explain the rate of successful exit. Moreover, we find syndication to have no role in explaining the exit rate for Indian VC firms. We attribute this failure of the Indian VC firms to take advantage of syndication to lack of cooperation among VC firms from different cultures and also to the thinness of the Indian VC market.

A VC firm can invest in an entrepreneurial venture in seed stage, early stage, expansion stage or late stage. An investment in seed stage and early stage is riskier compared to an investment in expansion stage and late stage. The recent gap created due to a shift in focus of VC firms to entrepreneurial ventures hift the rate of successful exit.