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Ingeneral, venture capital comes from well-off investors, other financialinstitutions or investment banks but its not necessary for it to be in monetaryform, it can be provided in managerial expertise or technical form.

Investingin ventures can be risky, but the above-average returns are an attractivepay-off for investors. Becoming popular these days, especially, if the businessor a firm does not have access to capital markets, bank loans or any other debtinstruments present in the market. Another key aspect of venture capital isthat the investors put up their funds usually get a say in the company. Focusingon the term venture capital, it is like large ownership chunks of a company arecreated and sold to few investors through independent limited partnershipscreated by venture capital firms. Venture capital focuses on the companies that are developing and lookingfor significant amount of funds for the first time. It is different fromprivate equity as they tend to provide funds mainly to well-established andlarger companies. Another term associated with the venture capital is angelinvestors. The capital or funds provided as the venture capital are given byhigh net worth individuals called the angel investors.

National venture capitalassociation comprises of hundreds of venture capital firms that offer funds tovarious ventures, small businesses or to innovative enterprises. Many times, angel investors are the entrepreneurs themselves, or they tend to be often executivesretired recently from business empires they’ve built. General keycharacteristics of self-made investors are that they look to invest incompanies that are well-managed, have a fully settled business plan. Certaininvestors mostly invest or offer their funds to businesses that are involved insimilar industrial or business sectors with they are familiar or have know-howof. Another common feature of angel investing is co-investing, where one angelinvestor provides funds alongside a trusted associate or partner, mostlyanother angel investor. Ageneralised venture capital process can be regarded to have the followingsteps. The first step for the venture of start-up firm that is looking outventure capital funds is to submit a business plan to the venture capital firmor the angel investor who is interested in funding or capitalising his money. The interested investor or the venture capital firm if interested shouldinvestigate and perform the due diligence of the companies’ model, products, management and plans.

Most of the venture capitalists or you can say angelinvestors have a prior experience in as equity research analysts or some mighthave Masters in Business Administration (MBA) degrees. Usually the investors ofthe venture capital focus in a specific industry. After the completion of thedue diligence process, the investor pledges the investment of capital againstthe equity in the company. The venture may be provided as a lump sum amount allat once, but mostly it is in rounds or chunks. The venture capital firm or theinvestor then after providing the funds might take active role in the fundedcompany, directing and supervising the progress and development beforereleasing the rest of the funds.

The venture capitalist or the angel investor exitsthe company after a certain period usually which is five to six years after theinitial investment. Nowhaving a closer look at the venture capitalist. A person or the firm who eithergives the capital to start-up ventures or those who support small companiesthat wish to expand but do not have excess to capital to meet their demands isthe venture capitalist. Venture capitalist are ready to invest in these firmsbecause they hope to earn an enormous and massive amount of return on theirinvestments in these companies, if these companies are successful. These kindsof investors also experience great amount of losses if their choice fails, butthese are generally wealthy enough that they can afford such kind of risksassociated with funding these small businesses or start-up ventures whichapparently have an impressive idea and an efficient management team. Venturecapitalists mainly search for a strong management team, a large capable marketand a different and unique type of product or service that has a very strongcompetitive advantage.

They also look for the prospects in industrial sectorsthey are familiar with, also an opportunity to own a sizeable percentage of thefirm they are investing in to also have a say or influence in its direction. Lookingat the brief history that how venture capital investment started. First venturecapital firms started in the United States of America the mid to early 1900s. Georges Doriot, a Frenchman who moved to the U. S. to get a business degree andended up staying to teach at Harvard’s business school and work at aninvestment bank would go on to found what would be the first publicly ownedventure capital firm, American Research and Development Corporation, or ARDC. What made ARDC extraordinary was that for the first time, it was an organisationthat brought money from places other than exclusively wealthy families.

In theU. S., wealthy families like the Rockefellers or Vanderbilt’s were the ones tofund start-ups or provide capital for growth for the first time. ARDC’s hadmillions in its account from educational institutions and insurers. Firms likeMorgan Holland Ventures, and Greylock Ventures were founded by ARDC alums, andstill other firms like J.

H. Whitney & Company popped up around the mid-20thcentury. Venture Capital began to look like the industry it is known as todayafter the Investment Act of 1958 was passed. The act made it so small commercialinvestment companies could be licensed by the Small Business Association thathad been established five years earlier by then President Eisenhower.

Thoselicenses were capable to provide private equity fund and gave them access tolow-cost, government-guaranteed funds to make investments in small businesses.”