

- **Venture Capital** is risk financing available in the form of equity or quasi-equity. A venture capitalist also provides management support and acts as a partner and adviser to the entrepreneur. Thus, he is different from a banker and an investor of the shares of an enterprise. Venture capital is available as early stage financing, expansion financing and acquisition financing.
- Venture capital activity in developed countries has been encouraged because of a large number of tax incentives available to venture capital firms and investors, well-developed avenues for buying and selling shares of the small scale enterprises and favourable social climate and government policy for encouraging entrepreneurial activities.
- **Venture Capital in India** There are about a dozen venture capital organisations in India, mainly started by central and state-level financial institutions and commercial banks. A few private sector venture capital funds have also been established. Venture capital is available in three forms in India: equity, conditional loans and income notes. Conventional loans are also made available by venture capital firms. Income notes are hybrid securities, combining the features of both conventional and conditional loans. Overall, in

India the focus in venture capital is still on debt financing. India has yet to develop reasonable mechanisms of disinvestment. The OTC market has started functioning, and hopefully, it would provide an impetus to venture capital activity. India lacks sufficient tax incentives to encourage venture capital activity. There is need for separate tax concessions for developing venture capital in India.