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Research Paper

# Policy Reforms and Managerial Practices in India's Venture Capital Ecosystem: A Conceptual Perspective

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## Abstract

The rapid expansion of India's startup ecosystem has significantly increased the importance of venture capital (VC) as a source of entrepreneurial finance. While previous studies have primarily examined the influence of policy reforms or VC management independently, limited attention has been given to understanding their combined role in shaping VC investment. Drawing on Institutional Theory and Resource-Based View, the study proposes that supportive policy reforms create an enabling institutional environment, whereas venture capital firms' effective managerial practices enhance investment quality and long-term portfolio performance. This study adopts a qualitative conceptual approach grounded in the constructivist research paradigm. It employs qualitative document analysis of secondary data, including SEBI, RBI regulations and circulars, Government of India policy documents, DPIIT, IVCA, IVCR & industry reports, and peer-reviewed academic literature. These documentary sources are synthesized to develop three theoretical propositions explaining how policy reforms and managerial practices influence VC investment in India's VC ecosystem. The findings show that policy reforms have strengthened India's VC ecosystem, while managerial capabilities have become equally important for improving investment decisions and outcomes. Together, supportive policies and effective management provide a stronger foundation for India's sustainable VC growth. By combining these two perspectives, the proposed framework adds to the entrepreneurial finance literature and offers practical insights for policymakers, venture capital firms, entrepreneurs, and future researchers seeking to strengthen India's startup and innovation ecosystem.

**Keywords:** *Venture Capital Investment, Policy Reforms, Managerial Practices, Institutional Theory, Resource-Based View*

## INTRODUCTION

India has become one of the world's fastest growing startup ecosystems, fueled by rapid digital transformation, rising entrepreneurship, and supportive government initiatives. As of January 15, 2025, DPIIT has recognized over 159,000 startups, making India the third largest startup ecosystem in the world. The ecosystem is supported by more than 100 unicorns and is not restricted to established innovation hubs such as Bengaluru, Hyderabad, Mumbai, and Delhi-NCR but also tier-2 and tier-3 cities that are increasingly helping to grow entrepreneurs (Ministry of Commerce & Industry, 2025; Tracxn, 2024). The rapid growth of India's startup ecosystem has been closely supported by the expansion of VC investment. As a key source of financing for innovative ventures, VC not only helps startups scale but also has the potential to contribute to broader economic growth (Chaudhary and Singh, 2025). VC funding increased from US$4.6 billion in 2014 to a record US$38.5 billion in 2021, before moderating to US$13.7 billion in 2024. Although investment has declined from its peak, funding levels remain significantly higher than they were a decade ago, reflecting a more mature and selective investment market rather than reduced confidence in India's startup ecosystem (India Venture Capital Report, 2025). According to Gompers and Lerner (2001), beyond providing finance, VC firms contribute strategic guidance, governance, industry expertise, and professional networks that help startups scale and commercialize innovation, making VC an important driver of entrepreneurship and economic


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development.

As mention by North (1990) government policies, legal structures and regulatory systems reduce uncertainty and create an environment conducive to investment, according to institutional theory. Policy reforms in emerging economies can boost VC markets by enhancing investor confidence, lowering regulatory obstacles, and fostering innovation-driven entrepreneurship (Ahlstrom & Bruton, 2006). As mention by Banaag et al. (2026) & Mani, S. (2004) digital and institutional transformation requires alignment between technological capacity, organizational systems, and supportive policies. Similarly, organizational effectiveness, particularly through leadership, communication, and efficient work processes, can contribute significantly to improved institutional performance and service outcomes (Capungan et al., 2026). In line with this, India has introduced several initiatives over the past decade to strengthen its startup and venture capital ecosystem. These include Startup India, Fund of Funds for Startups (FFS), reforms to Alternative Investment Fund (AIF) framework, liberalized foreign investment regulations, and measures to improve ease of doing business. Recent studies also suggest that government policies and institutional support play an important role in promoting entrepreneurial finance. However, they emphasize that long-term impact of these reforms needs to be continuously assessed through empirical research (Sultana & Gupta, 2023; Gonzalo et al., 2024; Devarakonda & Liu, 2023).

Kaplan and Strömberg (2001) noted that while a supportive policy environment is important, VC firms' managerial capabilities are equally critical in determining investment outcomes. They identify promising startups, conduct due diligence, design investment agreements, closely monitor portfolio companies, and offer strategic guidance that helps businesses grow and succeed after investment. Gompers et al. (2020) and Majumdar and Mittal (2023) showed that VC investment decisions are shaped not only by financial factors but also by VC firms' entrepreneurial capability, market potential, business models, risk assessment, and managerial judgment.

The above literature indicates two important but largely distinct research strands. The first strand emphasizes the role of policy reforms and institutional support in creating a favorable environment for VC investment (North, 1990; Dossani and Kenney, 2002; Dossani and Kenney, 2002; Ahlstrom & Bruton, 2006; Sultana & Gupta, 2023; Gonzalo et al., 2024; Devarakonda & Liu, 2023). The second strand focuses on venture capital firms' managerial and investment practices, highlighting the importance of investment evaluation, due diligence, monitoring, strategic guidance, and managerial judgment in influencing investment outcomes (Kaplan & Strömberg, 2001; Gompers et al., 2020; Majumdar & Mittal, 2023). However, these two strands have largely developed independently, providing limited understanding of how the institutional environment created through policy reforms interacts with VC firms' managerial capabilities to influence investment in India. Rehman et al. (2024) also point to the need for greater attention to the relationship between these dimensions. This study bridges that gap by examining both perspectives together, providing insights that can support policymakers, VC firms, and other stakeholders in strengthening India's VC ecosystem.

## LITERATURE REVIEW

This section reviews the existing literature on VC investment with a particular focus on policy reforms and managerial practices. This study synthesizes prior studies to establish the theoretical foundation of the study, identify existing research gaps, and provide the basis for developing the proposed conceptual framework and research propositions.

### Policy Environment and Venture Capital Investment

A supportive policy environment is a key driver of venture capital market development. Because VC involves high risk, long investment horizons, and significant uncertainty, it relies on strong legal systems, investor protection, efficient financial markets, and government policies that encourage investment and support successful exits. According to institutional theory, these formal institutions reduce uncertainty and create a favorable environment for entrepreneurial finance (North, 1990). Similarly, Black and Gilson (1998) argued that strong legal institutions and well-developed capital markets are essential for providing reliable exit opportunities.

Several studies have shown that a strong institutional environment is important for venture capital development. Jeng and Wells (2000) and Armor and Cumming (2006) found that IPO activity, government policies, and macroeconomic conditions influence VC investment by improving investment and exit opportunities. Bonini and Alkan (2012) highlighted the importance of institutional quality, investor protection, financial market development, and government support. Startup funding decisions are also shaped by human capital, business sector, social media presence, and founder characteristics (Hans & Prasetio, 2023). Similarly, investors' confidence is strengthened by stable regulations, effective legal systems, investor protection, and government support, whereas weak institutions increase uncertainty and investment risk (Ahlstrom & Bruton, 2006; Zacharakis et al., 2007).

In India, Pandey (1992) emphasized government support during the early development of the VC industry, whereas Dossani and Kenney (2002) linked its growth to domestic policy reforms and international influences. A strong institutional base can create a positive cycle in which successful investments attract entrepreneurs and investors, further strengthening the VC ecosystem. In recent years, initiatives such as Startup India, the Fund of Funds for Startups (FFS), AIF reforms, liberalized foreign investment regulations, and ease-of-doing-business measures have further supported VC development. In India, recent evidence also links improved institutional quality, simpler regulations, stronger legal frameworks, and government support with greater investor confidence and VC growth (Raza & Natarajan, 2023; Kumar & Khattar, 2024; Gonzalo et al., 2024; Kato, 2025).

Overall, the literature suggests that VC markets grow not only because of the availability of finance but also because of a strong institutional environment. Supportive policies, effective legal systems, investor protection, and well-functioning market institutions, especially in emerging economies, reduce uncertainty, encourage innovation, and create favorable conditions for venture capital investment. However, while these studies explain how institutional and policy reforms create an enabling environment for VC, they provide limited discussion of how VC firms' internal managerial practices interact with these institutional conditions to influence investment outcomes.

**Managerial Practices and Venture Capital Investment**

While a supportive policy environment encourages VC activity, successful investment also depends on VC firms' managerial practices. Venture capitalists actively identify, evaluate, monitor, and support startups to help reduce investment risk and improve business growth. Tyebjee and Bruno (1984) described VC investment as a structured process involving opportunity identification, evaluation, deal structuring, monitoring, and exit planning. Similarly, MacMillan et al. (1985) found that management quality, entrepreneurial capability, market potential, and product differentiation are key factors influencing investment decisions.

VC investment decisions extend beyond financial analysis and strongly depend on managerial assessment. VC firms create value through strategic guidance, governance, networking, and operational support (Sapienza, 1992). Their managerial role includes screening opportunities, structuring contracts, monitoring investments, and aligning incentives to reduce agency conflicts (Kaplan & Strömberg, 2001, 2004). Recent evidence indicates that VC decisions consider entrepreneurial capability, market potential, business models, due diligence, and post-investment involvement (Gompers et al., 2020). Organizational capabilities and managerial practices also influence how firms convert resources and strategic orientations into competitive outcomes from a strategic management perspective (Iqbal & Sabir, 2026). Therefore, effective VC investing requires a combination of analytical evaluation and managerial judgment. Governance, monitoring, and industry expertise help VC firms manage risk and improve portfolio performance (Cumming & Johan, 2013).

Evidence from India reinforces the importance of managerial decisions. Mishra and Bag (2017) found that Indian VC firms widely use syndication to share risk, combine expertise, and improve investment quality. Mehta et al. (2022) identified investment size, VC experience, portfolio diversification, and portfolio-company characteristics as important factors in exit strategy selection, highlighting exit planning as an integral part of VC management. Dominic and Gopalaswamy (2022) found a nonlinear relationship between investment duration and returns. Dominic and Joseph (2023) showed that holding periods, portfolio management, and exit timing affect investment performance, with relatively small differences between domestic and foreign VC funds. Overall, managerial capabilities, effective investment decisions, portfolio management, and planned exits are central to long-term value creation.

Although the literature provides substantial evidence on the individual importance of policy reforms and managerial practices, these two streams have largely evolved independently. The institutional literature primarily explains how regulatory reforms, legal systems, and government support create a conducive environment for VC investment (Black & Gilson, 1998; Ahlstrom & Bruton, 2006; Lerner, 2009), whereas the managerial literature focuses on how VC firms create value through investment screening, due diligence, monitoring, governance, portfolio management, and exit strategies (Kaplan & Strömberg, 2001; Cumming & Johan, 2013; Gompers et al., 2020). Understanding how external institutional conditions and internal managerial capabilities jointly shape venture capital investment has received limited attention, particularly in the Indian context (Gonzalo et al., 2024; Rehman et al., 2024, North, 1990; Ahlstrom & Bruton, 2006; Kaplan & Strömberg, 2001, 2004; Gompers et al., 2020). This gap provides the theoretical motivation for integrating institutional theory and the Resource-Based View (RBV) to develop the proposed conceptual framework.

## Theoretical Foundation

This study combines institutional theory and RBV to explain VC investment in India. Institutional Theory emphasizes the role of policy reforms and government support in creating a favorable investment environment (North, 1990), while RBV highlights the importance of VC firms' internal capabilities, such as investment evaluation, monitoring, and exit planning (Barney, 1991; Wagnerfelt, 1984). Together, these perspectives provide the foundation for the conceptual framework of the study.

1. **Institutional Theory**

   North (1990) developed institutional theory to explain how formal institutions, such as laws, regulations, government policies, and legal systems, shape economic behavior by reducing uncertainty and transaction costs. In VC, supportive institutions, investor protection, efficient capital markets, and effective exit mechanisms strengthen investor confidence and encourage VC market development (Ahlstrom & Bruton, 2006; Black & Gilson, 1998; Jeng & Wells, 2000). Public policies also play an important role in promoting entrepreneurship, innovation, and access to finance (Lerner, 2009). This theory is particularly relevant to India, where initiatives such as Startup India, the Fund of Funds for Startups (FFS), reforms in the AIF framework, and liberalized foreign investment regulations have strengthened the institutional environment for VC investment.

2. **Resource-Based View**

   The resource-based view, introduced by Wernerfelt (1984) and developed by Barney (1991), explains how valuable, rare, inimitable, and non-substitutable resources and capabilities contribute to sustained competitive advantage. In venture capital, the theory highlights that superior investment outcomes depend not only on financial resources but also on investment evaluation, portfolio management, governance, networking, and exit planning. Previous studies have shown that management quality, market potential, product differentiation, strategic guidance, screening, contract design, and monitoring are important in VC decision-making and value creation (MacMillan et al., 1985; Sapienza, 1992; Kaplan & Strömberg, 2001, 2004; Gompers et al., 2020). Thus, RBV provides a useful framework for explaining how venture capital firms' managerial capabilities influence investment decisions and portfolio performance.

## Research Objectives

1. To examine the influence of policy reforms on venture capital investment in India.
2. To analyze the role of managerial practices in venture capital investment decisions.
3. To explain how policy reforms and managerial practices jointly shape venture capital investment in India.

## Conceptual Framework

Accordingly, this study integrates the institutional perspective, which explains how policy reforms shape the external investment environment, with the resource-based view, which emphasizes the managerial capabilities of venture capital firms' strategic importance. This integrated perspective provides a theoretical basis for explaining how policy reforms and managerial practices jointly influence VC investment in India.

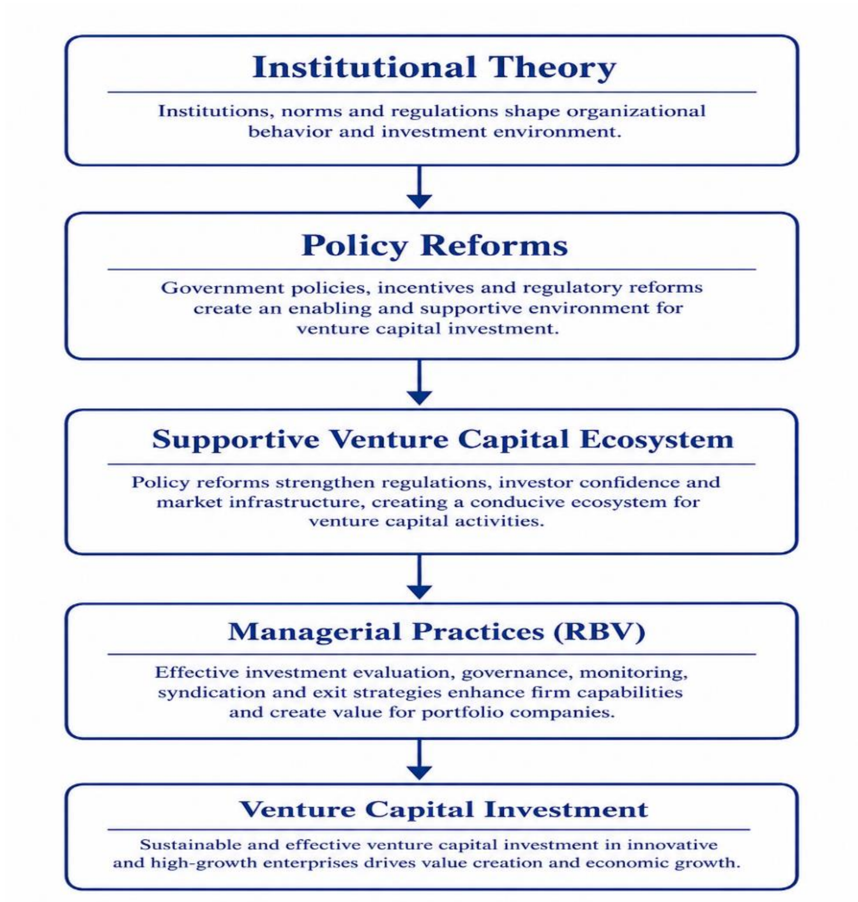


**Figure 1**. Integrated Conceptual Framework of Policy Reforms, Managerial Practices, and Venture Capital Investment in India

This conceptual framework explains how policy reforms and managerial practices jointly influence VC investment in India. Based on institutional theory, it proposes that supportive policies, regulatory reforms, and institutional support reduce uncertainty and strengthen investor confidence. From an RBV perspective, managerial capabilities in investment evaluation, portfolio management, and exit strategies enable VC firms to identify and support promising ventures. Thus, VC investment is shaped by the combined influence of a supportive institutional environment and effective managerial capabilities, leading to three research propositions.

**Proposition Development**

Based on the conceptual framework and literature review, this study develops three research propositions to explain the individual and combined effects of policy reforms and managerial practices on VC investment in India.

1. **Proposition 1**
   Supportive policy reforms strengthen the institutional environment by reducing regulatory uncertainty and increasing investor confidence, thereby encouraging VC investment.
2. **Proposition 2**
   Effective managerial practices adopted by VC firms are expected to enhance VC investment.
3. **Proposition 3**
   The combined influence of supportive policy reforms and effective managerial practices creates a more conducive environment for VC investment in India.

## RESEARCH METHOD

### Research Approach and Paradigm

This study adopts a qualitative conceptual research approach grounded in the constructivist research paradigm. The constructivist paradigm assumes that knowledge is developed through the interpretation and synthesis of existing evidence rather than hypothesis testing using primary data. Accordingly, the study employs qualitative document analysis to examine how policy reforms and managerial practices influence VC investment in India. The objective of this study is to integrate insights from existing literature and policy documents to develop a conceptual framework and three theoretical propositions.

### Research Design

This study follows a conceptual research design based on secondary data. This study reviews and synthesizes existing academic and policy literature to identify key themes, theoretical relationships, and research gaps. The conceptual framework is developed by integrating the institutional theory and the RBV perspectives.

### Data Sources

Secondary data were collected from SEBI regulations, circulars, and AIF guidelines, the Department for Promotion of Industry and Internal Trade (DPIIT), the Reserve Bank of India (RBI) Reports, Government of India policy documents, including Startup India, Fund of Funds for Startups (FFS), and DPIIT publications, reports published by the Indian Venture Capital Association (IVCA), and India Venture Capital Reports (2020–2025). In addition, peer-reviewed articles indexed in Scopus, Web of Science, and Google Scholar were reviewed to establish a theoretical foundation and identify existing research gaps.

### Data Analysis

This study employed qualitative document analysis to systematically examine and synthesize information from secondary sources, including government policy documents, regulatory reports, industry publications, and peer-reviewed literature. The documents were analyzed to identify key themes related to policy reforms and managerial practices and to explore their relationship with VC investment in India. The synthesized findings informed the development of the conceptual framework and three theoretical propositions.

## FINDINGS AND DISCUSSION

### Findings

The study relies on secondary data collected from reliable sources, including SEBI, RBI, IVCA, government reports, and relevant industry databases. The data cover VC investment, policy reforms, regulatory developments, and related economic and market indicators in India.

### Policy Framework Analysis: Venture Capital Funds and Major Reforms

India's VC ecosystem has evolved through a series of regulatory, taxation, and investment policy reforms. Initially, VC funds operated under legal structures such as trusts and companies and were subject to provisions of the Indian Trusts Act, 1882, Companies Act, 1956, securities laws, taxation provisions, and foreign investment regulations. The SEBI gradually became the principal regulatory authority for domestic VC funds, while the RBI and other government authorities played important roles in foreign investment and related financial matters (Reddy, 2015).

A major milestone was the SEBI (Venture Capital Funds) Regulations, 1996, which formally established the registration and regulatory framework for VCFs. The regulations prescribed investment and disclosure requirements and provided SEBI with powers of inspection, supervision, suspension, and registration cancelation (SEBI, 1996). The 2000 amendments introduced greater flexibility by modifying investment conditions, reducing earlier restrictions, and removing the three-year profit-track-record requirement for VC-backed companies. Recognizing VC as a priority sector for bank lending and increasing permissible investment in a single enterprise from 5% to 25% of the corpus. Subsequent amendments in 2006, 2008, and 2010 further expanded investment opportunities, permitted investment in foreign securities subject to regulatory conditions, reduced registration fees, and facilitated participation in SME-related market activities (SEBI, 2006; SEBI, 2008; SEBI, 2010a; SEBI, 2010b).

Tax policy has also influenced VC investment development. Section 10(23FB) of the Income Tax Act, 1961 provided specified tax exemptions to eligible SEBI-registered VCFs that invest in qualifying venture capital undertakings. Over time, changes in tax treatment and investment restrictions have sought to reduce fiscal barriers and improve the attractiveness of VC investment (Dhinesh, 2023). The introduction of the SEBI (Alternative Investment Funds) Regulations, 2012 marked a major transition from the earlier VCF-specific framework to a broader regulatory structure for AIFs. SEBI subsequently provided existing VCFs with mechanisms to migrate to the AIF framework. The SEBI (Alternative Investment Funds) Regulations, 2012, mark a major shift, with legacy VCFs being provided a separate "Migrated Venture Capital Fund" sub-category under the SEBI (AIF) (3rd Amendment) Regulations, 2024. SEBI introduced specific migration provisions in 2024–25, requiring eligible VCFs to apply for migration by 19 July 2025. To provide additional time for legacy investments, the liquidation period was extended until 19 July 2026. Further, the VCF Settlement Scheme, 2025, operational from 21 July 2025 to 19 January 2026, was introduced to help migrated VCFs settle regulatory issues relating to unliquidated investments. In addition, SEBI amended the SEBI (FVCI) Regulations, 2000, effective 1 January 2025, to streamline registration and regulatory requirements for foreign venture capital investors. SEBI has also strengthened the regulatory framework for Angel Funds under the AIF regime and continued reforms to improve investor accreditation and onboarding. Collectively, these measures seek to modernize the regulatory framework, facilitate a smoother transition of legacy funds, strengthen compliance, and support greater participation in India's venture capital ecosystem. (SEBI, 2024a; SEBI, 2024b; SEBI, 2025; Planify, 2025; The Economic Times, 2024; The Economic Times, 2025a; Shubhi, 2025; Kumar, 2026; The Economic Times, 2025b).

The Startup India Initiative, launched in 2016, further strengthened the investment ecosystem through tax incentives, regulatory simplification, self-certification, incubation support, seed funding, and the Fund of Funds for Startups (Medhi, 2025). The liberalization of foreign investment rules and reforms relating to foreign venture capital investors have also improved access to international risk capital. More recent SEBI measures, including simplified investor procedures and initiatives such as the SWAGAT-FI framework, reflect continued efforts to improve the ease of doing business and attract foreign investment (TaxGuru, 2025).

Overall, India's VC policy framework has gradually shifted from a relatively restrictive and fragmented system to a more flexible, transparent, and investment-oriented regulatory environment. These reforms have improved regulatory clarity, expanded investment opportunities, facilitated domestic and foreign participation, and strengthened India's venture capital ecosystem's institutional foundations.

**Other timeline of major policy reforms**

1. **Startup India Initiative (2016) -DPIIT, 16 Jan 2016 (official launch) Department for**

**Promotion of Industry and Internal Trade**
Direct link to VC: Launched on January 16, 2016, the Startup India Initiative aims to build a strong startup ecosystem and promote entrepreneurship through DPIIT's various programs. Aimed at boosting VC inflows by supporting early-stage startups (tax benefits, self-certification, easier exit, and funding support through Fund of Funds).
Impact on VC: Expanded investible startup base-increased deal activity and investor confidence (DPIIT, 2025).

2. **Fund of Funds for Startups (FFS, 2016) -SIDBI**
Direct link to VC: Managed by SIDBI, this ₹10,000 crore corpus invests in registered VC funds and supports SEBI-registered Category I and II AIFs investing in Indian startups. Eligible funds must have a corpus under ₹1,000 crore and invest at least twice the FFS contribution to strengthen early-stage VC in India.
Impact on VC: Domestic VC funds are provided with capital supply and leverage to attract private investors (SIDBI, 2025).
3. **Liberalization of FDI policy (various, latest consolidated 2020)**
Direct link to VC: The Consolidated FDI Policy (effective October 15, 2020) along with later liberalisations allowed Foreign Venture Capital Investors to invest in unlisted startups under an automatic route and eased multiple sectoral caps, making it easier for VC-backed startups to attract foreign investment.
Impact on VC: Attracted global VC/PE players, leading to higher inflows in the technology and innovation sectors (DPIIT, 2020).
4. **Tax Pass-Through Provisions (Section 10(23FB) & Section 115U, Income Tax Act), April 1, 2013**
Direct link to VC: Section 10(23FB) exempts income earned by SEBI-registered VC companies/funds from investments in eligible VC undertakings. Section 115U ensures tax pass-through, meaning that income is taxed in the hands of investors as if they invested directly in the startup.
Impact on VC: Reduced double taxation, improved fund viability, and increased attractiveness for domestic and foreign VC investors, especially after the shift from the SEBI VCF Regulations (1996) to the AIF Regulations (2012) (Taxguru, 2013).
5. **Section 115UB-Tax Regime for Investment Funds (AIFs), Finance Act, 2015, effective from FY 2015-16.**
Direct link to VC: Section 115UB provides a pass-through tax system for Category I and II AIFs, where non-business income is exempt at the fund level (Section 10(23FBA)) and taxed directly in the hands of investors in the same nature and proportion. However, losses cannot be passed through and must be carried forward by the fund.
Impact on VC: Increased tax clarity and reduced double taxation for early- and growth-stage VC funds However, the section remains silent on Category III AIF taxation, creating ambiguity for hedge-style funds investing in late-stage or structured VC deals (Taxguru, 2018).
6. **Recent SEBI and RBI amendments (2023-2024)**
Direct link to VC: Between October 2023 and October 2024, the SEBI and the RBI issued several updates to the AIF regulations, strengthening investor due diligence, foreign investor screening, and transparency norms. These amendments also refined pass-through tax treatment and improved disclosure requirements, making the VC investment environment more compliant and transparent.
Impact on VC: Increases compliance but strengthens investor trust, ensuring sustainable fund governance (SEBI, 2024b).

**The Role of the Indian Venture Capital Association in the Indian Venture Capital Ecosystem**

Established in 1993, the IVCA is the apex industry body for India's alternative capital ecosystem. It works with the government, regulators, and policymakers to strengthen the AIF regulatory framework and promote entrepreneurship, innovation, and investment. IVCA represents major segments of the alternative investment industry, including venture capital and private equity, with over 480 domestic and global members.

## 1. IVCA Members

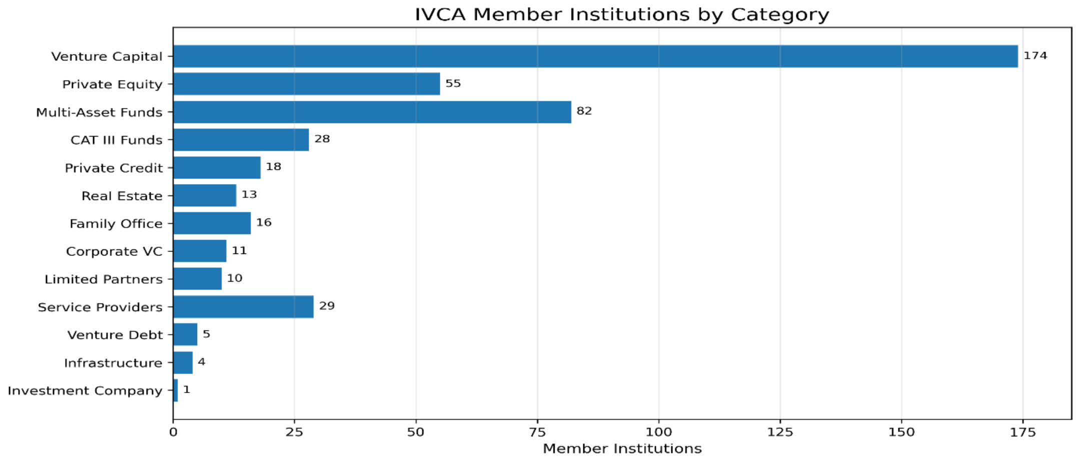


**Figure 2.** Category-wise distribution of the IVCA member institutions prepared by the authors

Figure 2 presents the distribution of IVCA member institutions across different categories. VC has the highest representation with 174 member institutions, followed by multi-asset funds with 82 members and private equity with 55 members. In comparison, categories such as Investment Company, Infrastructure, and Venture Debt have fewer member institutions. This distribution shows that VC represents the largest share of IVCA membership, highlighting its significant role in India's alternative investment ecosystem. (IVCA, 2026a).

## 2. Key Roles and Functions

a. Policy Advocacy and Regulatory Engagement
IVCA works closely with the Government of India, SEBI, and other regulatory bodies to represent the interests of the VC/PE industry. It contributes to discussions on policy development, regulatory clarity, tax reforms, ease of doing business, and fund registration requirements (IVCA, 2026a).

b. Industry Representation and Networking
IVCA brings together venture capital firms, private equity funds, institutional investors, family offices, legal and financial advisors, and knowledge partners. This provides a common platform for networking, collaboration, and sharing industry knowledge (IVCA, 2026a).

c. Research and Market Intelligence
IVCA publishes reports, market data, and research on investment trends, sectoral funding, exits, and emerging opportunities. It also works with organizations, such as Bain & Company, to provide useful insights into the changing VC/PE market (IVCA, 2026b).

d. Events and Industry Forums
Through events such as the IVCA Conclave, the association brings policymakers, investors,

fund managers, and entrepreneurs together to discuss investment trends, regulatory changes, and emerging opportunities (Business Standard, 2025; NVCA, 2025).

e. Capacity Building and Best Practices
IVCA conducts training programs, workshops, and other initiatives to improve professional skills, governance, ethical practices, and fund management capabilities. #VC101 supports emerging managers and new funds (The Economic Times, 2023).

f. Ecosystem and Entrepreneurship Development
IVCA connects investors, startups, academia, and public institutions to support innovation, entrepreneurship, job creation, domestic capital formation, and startup growth. These efforts contribute to a stronger investment ecosystem and India's development as a global fund management hub (IVCA, 2026a).

**Regulatory and Policy Initiatives for Indian Venture Capital Growth**

1. Policy Changes for Venture Capital Development in India
   a. Venture capital in India has traditionally focused on hi-tech and R&D-based projects; the scope needs to be broadened to include seed funding, buyouts, mergers, acquisitions, and other high-risk ventures, as seen in developed economies.
   b. Policy and institutional reforms are essential to strengthen the venture capital ecosystem.
2. Fiscal Incentives
   a. The government should remove the restrictive income tax norms that hamper VC fund operations.
   b. Similar to mutual funds, VCFs should be granted tax pass-through status without stringent requirements.
   c. Simplified and uniform tax exemptions are necessary to encourage long-term venture investments.
3. Chandrasekhar Committee (2000)
   The committee identified the following as critical for VC development
   a. Supportive regulatory, tax, and legal environment
   b. Simple and globally aligned fund raising, management, and exit norms
   c. Institutionalization of VC industry
   d. Global integration of Indian VC funds
4. Major Recommendations of Chandrasekhar Committee
   a. Flexible Fund Structures: VC funds can operate as LLPs, limited partnerships, and LLCs, in addition to trusts and companies.
   b. Investment Flexibility:
      - At least 70% investment in unlisted equity/equity-linked instruments.
      - Maximum 25% investment in a single company.
      - Sectoral restrictions to be replaced by a negative list approach.
   c. Buy-back Relaxation: Permit buy-back of up to 100% paid-up capital from sale proceeds; exempt such transactions from takeover code.
   d. IPO Norm Relaxation: VC-funded companies allowed to list without a 3-year track record if 10% project cost is funded by registered VCFs (one-year lock-in).
   e. Takeover Code Exemption: VC funds are exempt while call/put options are being exercised.
   f. Differential Voting Rights: Permit unlisted public companies to issue shares with differential voting and dividend rights.
   g. QIB Market Creation: Establish a trading platform for unlisted securities for Qualified Institutional Buyers (QIBs).
   h. Removal of NOC Requirement: No RBI NOC is required for securities transfer by FVCIs.
   i. RBI Pricing Norms Relaxation: Remove pricing approval requirements to enhance operational flexibility.

**Managerial Practices in Venture Capital Investment**

The managerial dimension of VC investment focuses on how VC firms make decisions, interact with portfolio firms, create value beyond capital, monitor progress, and execute exits. Unlike regulatory analysis, which examines external policy frameworks, the managerial dimension explores VC investors' internal strategic processes and value-creating mechanisms to optimize investment outcomes. While the Indian VC ecosystem has evolved through policy reforms, understanding managerial practices is essential for assessing how VC firms influence firm growth, governance structures, and innovation outcomes in investee companies.

1. **Investment Capability**
   a. **Investment Decision-Making**
      The first stage of any VC investment process involves assessing entrepreneurial ventures under conditions of information asymmetry and uncertainty. Venture capitalists choose investments based on a combination of observable business features and latent signals from entrepreneurial teams, market environment, technology strength, and business models. Empirical evidence suggests that VCs' signal quality and perceived value-added capabilities play a crucial role in determining startup access to VC financing in India. For example, startups view VCs' ability to provide non-financial value-added services as an important signal in the selection stage from a signaling theory perspective, and these signals have a significant influence on selection outcomes in digital and technology-enabled startups (Bhattacharyya & Subrahmanya, 2024). Research on VC decision-making highlights the importance of systematic evaluation models in the Indian context. Studies have shown that Indian venture capitalists differ from their global counterparts in the importance they assign to investment criteria, emphasizing the need for context-specific research on investment decisions in India (Mishra, 2004).
   b. **Specialization & Risk Management**
      Risk management is a key managerial dimension of VC investment. Indian venture capital firms reduce risk through sector specialization, staged financing, and diversification. Specialization allows managers to build industry knowledge, which improves investment decisions and monitoring effectiveness. Syndication also reduces firm-specific risk exposure. These managerial approaches are crucial in India's constantly changing and uncertain entrepreneurial environment (Sabarinathan & Thiyagarajan, 2017).
   c. **Contract Design & Performance Milestones**
      Managerial coordination among VC syndicate members significantly affects investment outcomes. Well-coordinated syndicates enhance decision-making efficiency, monitoring quality, and exit success. Research shows that coordination reduces conflicts and improves firm performance by aligning strategic objectives among investors. This managerial collaboration is important in large and complex investments common in Indian VC ecosystem (Kang et al., 2022).
2. **Portfolio Management Capability**
   a. **Monitoring and Governance**
      VCs remain actively involved in monitoring and governance to protect investor interests and support portfolio firms' performance. Their involvement includes board representation, regular reporting, and strategic oversight. Studies from global markets show that venture capital-backed firms often have stronger governance structures, suggesting that venture capitalists contribute to better monitoring and governance practices within these firms (Campbell II & Frye, 2009; Sahlman, 1990). In India, VC monitoring is typically determined by the degree of technology risk, firm maturity, and

syndicated trends of domestic and foreign VC firms. A comparative empirical study of high technology investments in India demonstrates that VC firms use different strategies to tackle risks and information asymmetry depending on firm age, social capital, and domain specialization. Such findings highlight that managerial approaches to monitoring across VC firms are strategically differentiated rather than homogeneous (Joshi, 2018).

**b. Value Addition Beyond Capital**

Beyond financing, venture capitalists often serve as strategic partners, adding value through mentorship, governance support, industry networks, and operational guidance. This managerial role is derived from the resource-based view, which argues that a sustained competitive advantage is based on unique resources and capabilities, such as VC expertise and networks. Successful VC firms routinely use their market knowledge, industry connections, and strategic advice to assist portfolio companies with hiring talent, entering markets, and subsequent funding rounds. This value-added approach distinguishes VC involvement from that of pure financial investors. VC firms also help portfolio companies by building strategic partnerships, introducing potential customers, and providing regulatory guidance, which can improve their growth prospects. Connecting startups with incubators, academic institutions, and industry networks contributes to better business outcomes. Industry reports also suggest that increasing domestic capital and the growth of smaller funds are changing the VC ecosystem, leading to more diverse managerial practices to support startups (Hochberg, 2007; Knometrix, 2024; Stripe, 2025; Malviya, 2025).

**c. Organizational Influence & Control Rights**

Venture capital investments are made under complex contractual arrangements that provide managerial control and oversight. The contracts also contain provisions regarding board representation, voting rights, liquidation preferences, and milestone-based funding. Such mechanisms allow VCs to preserve their interests and control managerial decisions in their portfolio firms. Contract structuring is key in India for aligning incentives and ensuring accountability (Yadav, 2021).

**3. Exit and Ecosystem Capability**

**a. Exit Strategies and Timing**

The choice of an exit strategy is a critical managerial decision that determines the ultimate returns of both VC firms and limited partners. In India, exits are made through initial public offerings (IPOs), strategic acquisitions, and secondary sales. Management studies on exit strategy highlight the significance of timing, firm performance, and market conditions. Existing global studies on exit decisions provide useful theoretical insight into how VC partners balance long-term versus short-term preferences and the effect of these preferences on exit timing, whereas Indian research often focuses on determinants of investment entry (Li et al., 2021; Moirangthem & Nag, 2021).

Empirical evidence from the Indian VC market shows that holding periods and returns vary across different types of VC and private equity investments. These differences provide valuable insights for venture capitalists when making exit timing and portfolio diversification decisions (Dominic & Joseph, 2023).

**b. Syndication and Risk Sharing**

Syndication is an important managerial strategy used by VC firms to manage investment risk and improve deal quality. Syndication is when some VC firms come together to invest in a single venture. Idea is to spread risk, pool their expertise, and provide stronger oversight. Syndication is prevalent in India, particularly in large technology-oriented deals with high uncertainty. The coordination of syndicate partners results in better access to expertise, networks, and follow-on funding, which increases the chances of successful exits. Syndication is also a mark of market and entrepreneurial credibility (Mishra & Bag, 2017; Joshi, 2019).

**c. Networking & Ecosystem Participation**

Venture capital managers are a part of the wider entrepreneurial ecosystem of incubators, accelerators, industry bodies, and regulatory institutions. VCs need good networking skills to find good investment opportunities, find co-investors, and help portfolio companies. Associations such as the IVCA further contribute to managerial coordination and policy advocacy within the ecosystem (Pierrakis & Saridakis, 2019).

**d. Interaction with the Entrepreneurial Ecosystem**

VC firms actively participate in the entrepreneurial ecosystem through networks, incubators, accelerators, and industry associations. Their involvement improves access to investment opportunities, information, and strategic partnerships. Such ecosystem engagement contributes to India's VC environment's development and supports innovation-led growth (Cumming, 2012).

VC investment management in India involves several practices related to investment selection, monitoring, governance, value addition, and exit planning. Indian VCs operate in a different environment with information asymmetry, a different set of entrepreneurs, and different startup ecosystems. By understanding managerial practices supported by governance research and context-specific investment criteria, we offer insights into VCs' contribution to innovation, firm growth, and capital market development. This managerial perspective, together with the policy analysis, offers a complete assessment of India's VC scene.

**Table 1**. Venture Capital Trends with Focus on 2015-2024

| Year | VC Investment ($B) | No. of unicorns | Number of deals | Average deal size ($B) | No. of Exit | Exit Amount ($B) |
|---|---|---|---|---|---|---|
| 1997 | 0.13 | - | - | - | - | - |
| 1998 | 0.09 | - | - | - | - | - |
| 1999 | 0.39 | - | - | - | - | - |
| 2000 | 0.86 | - | - | - | - | - |
| 2001 | 1.15 | - | - | - | - | - |
| 2002 | 1.08 | - | - | - | - | - |
| 2003 | 0.52 | - | - | - | - | - |
| 2012 | 3.10 | 1 | 458 | 6.7 | - | - |
| 2013 | 2.90 | 1 | 593 | 4.9 | - | - |
| 2014 | 4.60 | 1 | 684 | 6.8 | - | - |
| 2015 | 6.30 | 4 | 987 | 6.4 | 186 | 2.5 |
| 2016 | 4.80 | 2 | 854 | 5.6 | 123 | 1.9 |
| 2017 | 4.70 | 1 | 589 | 8.1 | 116 | 4.2 |
| 2018 | 6.60 | 8 | 571 | 11.5 | 170 | 4.9 |
| 2019 | 11.10 | 10 | 756 | 14.7 | 116 | 4.4 |
| 2020 | 10.00 | 14 | 809 | 12.4 | 73 | 1.4 |
| 2021 | 38.50 | 44 | 1545 | 24.9 | 78 | 14.3 |
| 2022 | 25.70 | 23 | 1611 | 16 | 89 | 3.9 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2023 | 9.60 | 2 | 880 | 10.9 | 83 | 6.6 |
| 2024 | 13.70 | 5 | 1270 | 10.8 | 142 | 6.8 |

Source: India venture capital report, 2025, 2024, 2023, 2022, 2021,2020; Shelly, 2023; Kumar & Peter, 2020

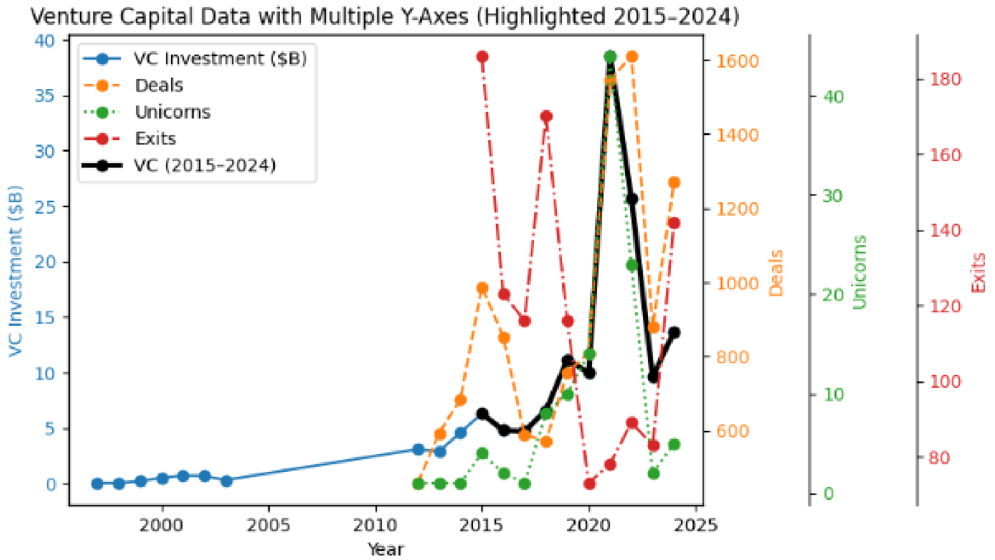


**Figure 3.** Venture capital data with multiple y-Axes (Highlighted 2015-2024)

Table 1 and figure 3, shows trends in venture capital investment, deals, unicorns, and exits from 1997 to 2024, with a focus on 2015-2024. In early years, activity was low, indicating a developing startup ecosystem. From 2015 onwards, there is a significant rise in all indicators, reflecting rapid growth in VC activity. Investment peaks in 2021, along with a sharp increase in unicorns and deals, showing strong investor confidence. After 2021, some fluctuations are observed, indicating market correction. Overall, the period 2015-2024 represents a high-growth phase in venture capital ecosystem.

**Table2.** PE/VC Investment in Technology sector ($M)

| Year | Amount ($M) | Number of Deal |
|---|---|---|
| 2011 | 704 | 52 |
| 2012 | 1,360 | 59 |
| 2013 | 1,250 | 61 |
| 2014 | 1,134 | 101 |
| 2015 | 1,931 | 142 |
| 2016 | 1,830 | 110 |
| 2017 | 1,873 | 113 |
| 2018 | 3,764 | 122 |
| 2019 | 3,934 | 147 |
| 2020 | 3,272 | 139 |
| 2021 | 16,277 | 168 |
| 2022 | 6,804 | 192 |
| 2023 | 3,827 | 125 |

| | | |
|---|---|---|
| 2024 | 5,963 | 169 |

Source: PE/VC Agenda 2021, 2022 & 2024 and IVCA EY Monthly PEVC Roundup December 2024.

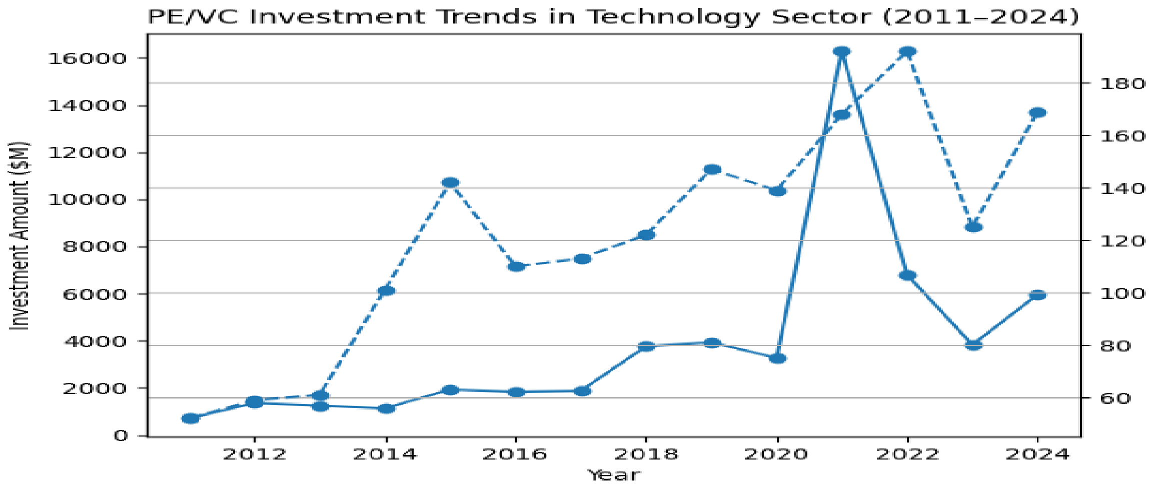


**Figure 4**. PE/VC Investment Trends in Technology Sector (2011-2024)

Table 2 and figure 4, dual-axis analysis reveals that while the number of deals increased steadily over the period, the investment amount experienced significant fluctuations. The sharp spike in 2021 indicates a funding boom driven by favorable market conditions, followed by a correction phase in subsequent years. This divergence suggests a shift in investment strategy from high-value deals to more distributed investments, reflecting increased caution and market maturity.

**Discussion**

This section discusses the proposed propositions considering existing literature and theoretical foundations. This study explains how policy reforms and managerial practices individually and collectively contribute to strengthening VC investment in India.

1. **Discussion of Proposition 1**

   Proposition 1: Supportive policy reforms strengthen the institutional environment by reducing regulatory uncertainty and increasing investor confidence, thereby encouraging VC investment.

   India's venture capital policy framework has gradually shifted from a highly regulated system to a more market-oriented and innovation-driven ecosystem. Key milestones include the 1996 Venture Capital Fund Regulations, 1996, the Alternative Investment Fund Regulations, 2012, Startup India, 2016, and subsequent foreign investment and SEBI/RBI reforms. These measures have improved regulatory clarity, operational flexibility, and investment opportunities, thereby supporting the expansion of VC activity. Although investment declined after the 2021 peak during global economic uncertainty, the subsequent recovery suggests that these reforms have contributed to India's stronger and more resilient VC ecosystem. These results are consistent with institutional theory (North, 1990), which argues that when institutions are well designed, they reduce uncertainty and create conditions conducive to investment. The results also corroborate earlier studies by Ahlstrom and Bruton (2006) and Lerner (2009), who emphasized the role of government policies, regulatory quality, and institutional support as fundamental drivers of EF and VC development. Therefore, policy reforms should be seen not as isolated interventions but as long-term institutional mechanisms for improving the efficiency and sustainability of the venture capital ecosystem.

**Table 3**. Policy-Impact Analysis (VCF Evolution)

| **Policy Reform** | **Key Reform** | **Data Trend** | **Analytical Interpretation** |
|---|---|---|---|
| 1996 VCF | Initial regulation | Low early activity (1997-2003) | Foundation stage and limited ecosystem |
| 2000 Amendment | Entry flexibility | Gradual increase | The beginning of the structured VC market |
| 2006 Amendment | Operational clarity | Moderate growth | Improved investor confidence |
| 2010 Amendment | Relaxation norms | Pre-growth stage | Prepared ground for the expansion |
| 2012 AIF | Major reform | Investment rises (2012-2015) | Structural shift and key turning points |
| 2016 Startup India | Ecosystem boost | Sharp rise post-2016 | Strong positive impact |
| 2020 FDI liberalization | Foreign inflow | Stable during COVID-19 | Resilience due to policy support |
| 2023-24 SEBI/RBI | Tightening + reforms | Correction + recovery | Market maturity phase |

Table 3 shows the evolution of VC regulations in India, demonstrating a clear transition from a restrictive framework to a more flexible and growth-oriented system. The introduction of AIF regulations in 2012 marked a structural shift, which is reflected in the increasing investment trend from 2012 onwards. Furthermore, the 2016 Startup India initiative in 2016 significantly accelerated investment activity, as evidenced by the sharp rise in funding and deal volume. Recent regulatory changes indicate a phase of market consolidation, in which investment trends stabilize after a period of rapid growth.

**Table 4**. Role analysis of IVCA

| **Area** | **Contribution** | **Impact on the Data** |
|---|---|---|
| Policy Advocacy | Recommendations to the SEBI | Improved regulations |
| Industry Support | Networking and the ecosystem | Increase in deals |
| Standardization | Best practices | Better governance |

Table 4 shows that IVCA has played a crucial role in strengthening the venture capital ecosystem by facilitating policy dialogue and promoting industry best practices. Its contribution is indirectly reflected in the increasing number of deals and improved investor confidence. The evolution of India's VC policy demonstrates a gradual shift from establishing a regulatory framework to creating an innovation-oriented entrepreneurial ecosystem. Early regulations primarily focused on legitimizing VC funds. Subsequent reforms, including AIF Regulations and the Startup India initiative, sought to improve investment flexibility, enhance institutional participation, and encourage innovation-led entrepreneurship. These developments are consistent with institutional theory, which suggests that supportive regulatory environments reduce uncertainty and strengthen investment incentives (North, 1990; Lerner, 2009).

**2. Discussion of Proposition 2**

Proposition 2: Effective managerial practices adopted by VC firms are expected to enhance VC investment.

While supportive policies create favorable investment conditions, findings indicate that VC investment ultimately depends on VC firms' managerial capabilities. Analysis of managerial dimensions shows that investment capability, portfolio management capability, and exit and ecosystem capability have become increasingly important as India's VC ecosystem has matured. VC firms do more than provide financial support; they actively evaluate investment opportunities, assist portfolio companies, manage risks, and support exit decisions. The rapid growth in investment activity between 2015 and 2021 encouraged VC firms to develop more structured investment processes and stronger governance practices. Similarly, the market slowdown after 2021 highlighted the importance of continuous portfolio monitoring, strategic support, and well-planned exit strategies to sustain performance under changing market conditions. Evidence on sector specialization and syndication also indicates that VC firms are increasingly using specialized knowledge and collaborative investment approaches to manage uncertainty and enhance investment outcomes. The RBV theory supports these observations (Wernerfelt, 1984; Barney, 1991), arguing that sustainable competitive advantage is achieved through valuable organizational capabilities rather than financial resources alone. The findings are also consistent with the work of Kaplan and Strömberg (2001, 2004) and Gompers et al. (2020), who demonstrated that VC firms create value through rigorous investment evaluation, governance, monitoring, and strategic support throughout the investment lifecycle.

**Table 5.** Managerial Practices Evidence from Data

| Dimension | What VC does | Evidence from your data | Analytical inference |
|---|---|---|---|
| Investment Decision-Making | Select deals based on growth/return potential | Investment rises to \$38.5B (2021); deals 458 to 1611 (2012-2022) | Shift toward aggressive selection in high-growth phases and broader deal sourcing during expansion |
| Specialization and Risk Management | Sector focus (e.g., IT/SaaS) | IT investment of \$704M to \$16,277M (2011-2021) | Sector specialization (tech) drives higher returns; portfolios tilt toward scalable sectors |
| Contract Design and Milestones | Staged funding and performance triggers | Deal count growth + exit volatility | Managing uncertainty and downside risk with Milestone-based funding |
| Monitoring and governance | Board participation and active oversight | Sustained scaling until 2021; recovery in 2024 | Active monitoring supports boom scaling and post-correction stabilization |
| Value addition beyond capital | Mentoring, networks, and strategy | Unicorns: 1 to 44 (2012-2021) | Nonfinancial support accelerates scaling and valuation outcomes |
| Organizational | Governance rights | Stable growth and | Control rights tighten in |

| | | | |
|---|---|---|---|
| influence and control rights | and control clauses | then correction (2022-2023) | downturns; selective funding improves portfolio quality |
| Exit strategies and timing | IPO/M&A timing to realize returns | Exits fluctuate; dip around COVID-19; later recovery | Exit timing is cyclical; managers delay/advanced exits based on market |
| Syndication and Risk Sharing | Co-invest with other VCs | Large deal volumes in 2021-2022 | Bigger rounds and more deals imply syndication to share risk and pool capital |
| Networking and ecosystem participation | Use of networks for sourcing/scale | Rising deals + unicorns; post-2016 surge | Strong ecosystems increase deal flow and the probability of success |
| Interaction with the entrepreneurial ecosystem | Engage with policymakers, incubators, and talent | Post-2016 acceleration; 2020-21 digital surge | Policy + ecosystem amplify VC activity; managers align strategies to strengthen the ecosystem |

The study of managerial practices indicates that VC investment in India is influenced not only by financial factors but also by strategic managerial practices. To adapt to shift market dynamics, venture capitalists constantly modify their investment strategies, governance models, and risk management practices. The interplay of sector specialization, ecosystem engagement and strategic decision-making has been key to shaping investment patterns, particularly in the information technology (IT) sector. This underlines the importance of managerial practices to increase the efficiency and effectiveness of VC investment. While policy reforms create supportive institutional conditions, investment outcomes largely depend on venture capital firms' managerial capabilities. Activities such as investment screening, due diligence, portfolio monitoring, governance, and exit planning help VCs identify potential ventures and generate value beyond financial investment. This view is consistent with RBV, which highlights the importance of firm-specific capabilities as sources of competitive advantage (Barney, 1991).

### 3. Discussion of Proposition 3

Proposition 3: The combined influence of supportive policy reforms and effective managerial practices creates a more conducive environment for VC investment in India.

This study makes a major contribution by integrating policy reforms and managerial practices into a single conceptual framework. The extant literature has generally studied these two dimensions in isolation, but this study indicates that their interaction plays a complementary role in VC investment. By lowering regulatory uncertainty, increasing market transparency, and encouraging entrepreneurial activity, policy reforms create an enabling institutional environment. Simultaneously, VC firms transform institutional opportunities into successful investments using effective managerial practices, such as investment evaluation, governance, portfolio management, and exit planning. The Indian experience shows that policy reforms alone cannot ensure the long-term growth of the VC ecosystem. While government initiatives have strengthened the investment environment, the ability of VC firms to identify potential ventures, support portfolio companies, and adjust investment strategies has also played an important role in shaping outcomes. The continued growth of India's startup ecosystem, even during periods of market correction, reflects the combined impact of institutional support and effective VC management. Therefore, the simultaneous application of institutional theory and RBV provides a more complete explanation of VC investment than a single theory. Institutional Theory explains the influence of the external policy environment on investment, and RBV explains the effectiveness of firm-level investment decisions. Together, these views imply that the long-term evolution of India's VC ecosystem will depend on VC firms' supportive public policy and strategic capabilities.

**Contributions of the Study**

This study contributes to the venture capital literature by developing an integrated framework that examines how policy reforms and managerial practices influence venture capital investment in India. Previous studies have largely explored these factors separately, and this study combines them to provide a broader understanding of the venture capital ecosystem.

This study also contributes theoretically by integrating institutional theory and RBV. While institutional theory highlights the role of policies, regulations, and institutional support, RBV emphasizes managerial capabilities, such as investment evaluation, governance, monitoring, and strategic support. Taken together, these perspectives suggest that VC growth depends on a supportive institutional environment and effective managerial practices. This study further strengthens the Indian entrepreneurial finance literature by bringing together insights from policies, regulatory developments, industry reports, and academic research to provide a foundation for future empirical studies.

**Implications**

This study highlights important implications for strengthening VC investment in India through supportive policies, effective managerial practices, and greater entrepreneurial readiness. Policymakers should continue refining the regulatory framework by simplifying procedures, strengthening exit mechanisms, encouraging domestic institutional investment, and promoting venture capital (VC) activity beyond established startup hubs. At the firm level, VC managers should strengthen investment evaluation, due diligence, portfolio monitoring, governance, sector specialization, syndication, and exit planning to improve investment quality and manage risk. Meanwhile, entrepreneurs should focus on strong management capabilities, transparent governance, clear business models, financial discipline, and scalable growth strategies to improve their investment readiness and ability to attract VC funding.

## CONCLUSIONS

In India, VC has emerged as a critical driver of innovation, entrepreneurship, and economic growth by providing startups with financial resources, strategic guidance, governance support, and industry expertise. Over the past two decades, the Indian VC ecosystem has evolved considerably due to progressive policy reforms, regulatory developments, and the growing professionalization of VC firms. These developments have strengthened investor confidence, improved the investment climate, and contributed to the expansion of India's startup ecosystem.

This study examined the impact of policy reforms and managerial practices on VC investment in India by integrating existing literature, policy documents, regulatory frameworks, industry reports, and VC trends. Guided by institutional theory and RBV, the study developed a conceptual framework explaining how external institutional conditions and internal managerial capabilities jointly shape VC investment. The findings suggest that policy reforms, including VCF Regulations, AIF Regulations, Startup India initiative, and FVCI reforms, have created a more supportive institutional environment for VC activity. At the same time, managerial practices, such as investment capability, portfolio management capability, and exit and ecosystem capability, have become increasingly important in improving investment decisions and portfolio performance.

This study further demonstrates that neither policy reforms nor managerial practices alone are sufficient to explain the evolution of VC investment in India. This study highlights that policy support and managerial capabilities are not independent factors; rather, their interaction is essential for building a resilient and sustainable VC ecosystem. Supportive policies create favorable conditions, whereas effective managerial practices help convert these opportunities into successful investments and long-term value creation. By integrating these two perspectives, this study contributes to existing research and provides a comprehensive framework for understanding VC investment in India. The framework also offers practical insights for policymakers, VC firms, and entrepreneurs by highlighting the importance of balancing institutional support with strong managerial capabilities to promote sustainable investment and innovation.

## LIMITATION & FURTHER RESEARCH

The limitations of this study need to be considered when interpreting its results. This is a conceptual study entirely based on secondary sources such as government reports, regulatory documents, industry publications, and literature. Consequently, the conceptual framework and research propositions offered in this paper have not been empirically tested. The study is also limited to the Indian venture capital ecosystem, which limits the generalizability of the findings to other institutional settings.

Future research could empirically test the proposed framework using primary data from VC firms, entrepreneurs, and policymakers. Comparative cross-country or sector-specific studies on artificial intelligence, fintech, healthcare, and clean technology, for example, may further enhance the understanding of VC investment. Longitudinal research may also provide deeper insights into the long-term impact of policy reforms and managerial practices on India's venture capital ecosystem.

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