

# **An empirical analysis of relationship between venture capital investments and national development**

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**Abstract:** Venture capital is distinguished with its unique nature of providing financial support in the form of equity or equity linked instruments to young and novice entrepreneurial firms. This enables the growth of potential entrepreneurial ventures which has no track record of performance and no collaterals. These series of impact of venture capital investment sways the national development. This paper is an attempt to provide an empirical analysis to assess the relationship between venture capital investments and national development. Vector Error Correction model is used to test the short run and long run relationship between venture capital investments and national development. Granger Causality test is used to test the direction of causality between venture capital investments and national development. The result of the VECM model confer that there is both long run and short run causal relationship flowing from the GDP to Venture capital investments. This endorses that national growth and development is determinant for venture capital investments. The results also endorses that venture capital investments impacts the national growth and development.



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