

# Centre for Asian Business and Economics

## CABE RESEARCH SEMINAR SERIES

<b>PRESENTER</b>	Associate Professor Vinodh Madhavan (Amrut Mody School of Management, Ahmedabad University, India)
<b>TOPIC</b>	Venture Debt Financing and Firm Development: Evidence from Indian Entrepreneurial Landscape
<b>DATE</b>	Thursday 23 May 2024
<b>TIME</b>	10:30 AM – 12.00 PM
<b>VENUE</b>	The Spot (198 Berkeley Street), Level 9, Room 9.037

### ABSTRACT

This paper explores the impact of Venture Debt (VD) funding on Indian firms' development outcomes. We define success of funding round (FR) of a firm as (a) the prevalence of a subsequent FR and (b) based on percentage increase in self-reported valuation of consecutive FRs. Analysis of 13,809 FRs in Indian firms from January 1998 to September 2022 uncovered a positive and significant association between success and VD-backing of the firm. When success is defined as prevalence of a subsequent FR, we find VD investors to have marginally higher selection effects vis-à-vis their equity counterparts. On the other hand, when success is based on self-reported valuation data, selection effects are elusive. Further, counterfactual analysis for both definitions of success indicates that the likelihood of VD-funding rounds becoming successful are not any different had they received VC funding instead of VD funding. This goes to show the absence of treatment effects of VD investors. Taken together, our findings indicate that while Indian VD investors may select better portfolio companies, they fail to have any treatment effects on firms' development outcomes. Lastly, parametric hazard model outcomes uncover reduction in investors' time to exit in the event of the firm being VD-backed.

### BIO

Dr. S Vinodh Madhavan currently serves as an Associate Professor at Amrut Mody School of Management, Ahmedabad University, India. Prior to this assignment, Vinodh served as an Associate Professor at IFMR Graduate School of Business, Krea University; as an Assistant Professor at IMT Ghaziabad, IIM Lucknow; and as an Assistant Professor on Tenure-Track at IIT Kharagpur. Vinodh successfully completed the Doctor of Business Administration program at Golden Gate University, San Francisco in Dec '09. Based on faculty recommendations, he was awarded the "2009–2010 Outstanding Graduate Student — Doctor of Business Administration" Award, by the Dean of Ageno School of Business, Golden Gate University. Vinodh's research interests are in the areas of long memory, nonlinear time series analysis, Adaptive Market Hypothesis (AMH) and volatility modelling. Recently, Vinodh was awarded the 2021 Chairman's Award for Research by Ahmedabad University. His prior works have been published in journals such as Applied Economics, International Review of Economics and Finance, International Review of Financial Analysis, Journal of Business Research, Global Finance Journal, Research in International Business and Finance, Applied Economics Letters, Journal of Economics and Finance and Journal of Asset Management.

