Internship Report On

Current Situation of Alternative Financing Opportunities in Bangladesh- Venture Capital Perspective

Prepared By

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Department of Business Administration

Faculty of Business & Entrepreneurship

Internship Report On

Current Situation of Alternative Financing Opportunities in Bangladesh- Venture Capital Perspective

Submitted To

Md. Kamruzzaman Didar

Senior Lecturer, Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

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LETTER OF TRANSMITTAL

November 26, 2018

To

Md. Kamruzzaman Didar

Senior Lecturer, Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University, Dhaka-1207

Subject: Submission of Internship Report.

Respected Sir,

It was a great privilege and great pleasure for me to submit my internship report titled "**Current Situation of Alternative Financing Opportunities in Bangladesh- Venture Capital Perspective"** that has been prepared as an essential part of my academic curriculum. As you know, I had completed my internship in main office of Bangladesh Venture Capital LTD Which I got the chance to prepare my internship report on above topic. I have keep my best effort in making this report and to make it a worthy one.

I hope to fulfill your expectation from this report. If any confusion awake or any further explanation is needed, I will be readily available to interpret the matter to you.

Sincerely Yours,

Md. Tanimul Islam

Program- BBA

Major in Finance

ID. 151-11-4367

Bachelor of Business Administration

APPROVAL CERTIFICATE

This is certify that Md. Tanimul Islam ID# 151-11-4367, BBA (Finance), is a regular student of Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. He has successfully completed his report on **"Current Situation of Alternative Financing Opportunities in Bangladesh- Venture Capital Perspective"** and has prepared this research under my direct supervision. I think that this research paper is worthy of fulfilling the partial requirements of BBA program. I also declare that the study has been prepared for academic purpose only and this paper may not be used in actual market scenario.

I have gone through the research report and found it a well written. He has completed the report by himself. I wish him every success in life.

Mr. Md. Kamruzzaman Didar

Senior Lecturer

Department of Business Administration

Faculty of Business & Entrepreneurship

STUDENTS DECLARATION

I am Md. Tanimul Islam, student of Business Administration, Id. 151-11-4367, Daffodil International University, here by state that the report offered in the name **"Current Situation of Alternative Financing Opportunities in Bangladesh- Venture Capital Perspective"** Main office, Sukrabad, Dhanmondi, Dhaka, have been prepared and carried by me under the observation of **Md. Kamruzzaman Didar Senior Lecturer,** Department of Business Administration.

I also mention that no part of this report has been or is being submitted elsewhere for the award of any degree, diploma or recognition.

Md. Tanimul Islam

ID. 151-11-4367

Major. Finance

Bachelor of Business Administration

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ACKNOWLEDGEMENT

First, I keep in mind Almighty Allah for helping me to successfully prepare this report. I am grateful to the Bangladesh Venture Capital LTD authority that has assisted me by giving useful information from their portal. I shall have to put my heart rending respect and appreciation for the consideration and fellowship which is given to full filled my project work assigned report on the topics **“Current Situation of Alternative Financing Opportunities in Bangladesh-Venture Capital Perspective”**

I express my profound thanks to Md. Kamruzzaman Didar, senior Lecturer, Daffodil International University, for being a co-operative and very accommodating advisor and providing me adequate direction in carrying out my internship report, as a part of the obligatory prerequisite for the Bachelor of Business Administration Undergraduate Program.
I diligently thank all the officials of BVCL and my friends who directly or indirectly provided me their assistance in this regard.

Finally, I would like to humble thanks all of my family members who gave me physical, psychological and economical supports to fulfilled my BBA Program.

EXECUTIVE SUMMARY

This report is prepared as requirement of the BBA program of Daffodil International University. This focus on current situation of Bangladesh Venture Capital industry. I tried my best to provide a clear idea about current situation of Venture Capital industry. In Bangladesh new entrepreneurs do not often have the entrance to the capital to materialize their ideas or bring high growth prospects into their innovations especially at their early stages. An enough flow of risky capital in our economy could play a leveraging role to upward entrepreneurial operation. Generally the angel investors and venture capital firms build this portion of risky capital for the new companies.

In this report I highlighted my visualization through the chapters. First Chapter is introductory part of my study, the second part is focus on Venture Capital industry history and corporate profile of venture capital Companies that is organizational overview as the study required. In third chapter I describes about the operational Business cycle of venture capital, fourth chapter is the problem and prospects of venture capital in Bangladesh. In this chapter, I have shown descriptive interview from some expert on relevant field, common problem and opportunity in present time.

At the end of the chapter, finding and recommendation chapter, I provide my findings and recommendations all over the venture capital industry.

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Chapter: 01

Introduction

1.1 Introduction:

Venture capital is a private company that finances newly established business with a high potential for growth. In countries, venture capital is very important because it creates employment opportunities, advanced technology, which in turn increases the country's economic growth. Customer service/stakeholder satisfaction is the main key when measuring the success of Venture Capital companies. Without the innovation of its entrepreneurs, a modern economy cannot reach its full potential. Venture Capital has enhanced the global awareness that realization has increased risk capital prospects. Venture Capitalist provides equity or other financing for small and medium - sized enterprises with growth potential. Venture Capital is allocated to cash not elsewhere with active management assistance. Its main objective is to achieve long - term capital gains to justify their financial risks.

The days are coming when the young generation would tend to take an entrepreneurial leadership rather than focusing only on jobs. Capital may not be a cause of concern. Venture Capital introduced operation in Bangladesh. Dhaka Chamber of Commerce and Industry (DCCI) and Bangladesh Bank have unitedly constructed a program title "DCCI entrepreneurship and innovation Expo" seeking proposal from entrepreneurs with a view to supporting 2000 entrepreneurs. Clearly, these initiatives support entrepreneurship and venture capitalists. Venture capitalists are trusted good partners with an equity investment success story. Venture capitalists can demonstrate that capital is not a question of strong and efficient entrepreneurial leadership with an innovative future goal.

1.2 Background of the study:

As a prerequisite for the Bachelor of Business Administration (BBA) degree from Daffodil International University (DIU), it is required to complete a research on an important topic & prepare a report. As a student of BBA, I have completed research **Current situation of alternative financing opportunities in Bangladesh of Venture Capital perspective**: A study on all Venture Capital company's in Bangladesh.

1.3 Scope of the Study:

This study considers all Venture Capital companies in Bangladesh. This study is also based on my practical work experience with Bangladesh Venture Capital LTD. It will also help the interested people to understand the present situation of venture capital industry in Bangladesh. The entrepreneur will also know how venture capital is alternative financing option and financing process to carry their business. This study is determinate the present and near future situation of the Venture Capital industry in Bangladesh.

1.4 Objectives of the Study:

The specific objectives of the study-

- To know the overall alternative financing options in Bangladesh especially equity financing from venture capital companies.
- To evaluate the operational business cycle of venture capital companies of Bangladesh.
- To identify the problem and perspectives of equity financing of venture capital companies.
- To find the overall problem and make some recommendations for venture capital operation in Bangladesh.

1.5 Methodology of the Study:

The population for this research is reported from all Venture Capital companies in Bangladesh and related organizations. We have focused all financial organizations and venture capital companies in Bangladesh. I have planned methodology of the study in the following way-

1.5.1 Data Collection:

Methodology is a basic principle and organizational rules that work as a background to the study. The problem of research was explained in an orderly and systematic manner. Various data and information are gathered from different sources. Data and other information can be collected in the following ways for this study -

Primary Data-

- One to one interview
- Questionnaire/interview to venture capitals stakeholders
- Personal Observation

Secondary Data-

- Structured interview
- BVCL office records
- Other Venture Capital companies website
- Bangladesh Bank Website

1.5.2 Data Analysis Instrument:

According to the nature and type of the analysis, we have used computer software MS Word and take one to one interview to make the comprehensive analysis.

1.6 Limitation of the Study:

From the beginning to end, the study has been directed with the desire of making it's a complete and truthful one. However, many problems appeared in the way of conducting the study. There are some limitations are completing the report with resources. Some of the crucial limitations are-

- The time is not sufficient to do a complete research.
- Lack of experience to prepare such kind of report.
- This type of report preparation is expensive.
- In some cases, actual data cannot be gathered for non-availability of sources.
- It is very difficult to collect all the actual information from selected companies because of their organizational secrecy.

Chapter: 02

Overview of Venture Capital Industry

2.1 Definition of Venture Capital:

Venture Capital is a financial organization who provides financing newly merged companies and small businesses. Venture Capital always focusing long term growth potential in their investing organization. Venture capital generally collect their finance from investors, investment banks and other financial institutions. Venture Capital does not always provide financial help, it can be prepared technical or managerial expertise for their investing organization.

2.2 Brief history of Venture Capital Industry:

Generally Bangladesh financial system is bank-based. At present time Securities market has introduced developing day by day, but Non-Bank Financial Institutions (NBFIs) market is not developing like securities market. Banks is the most important sources for both short-term and long-term capital for the entrepreneurs.

Venture capital is a financing institutions are primarily registered with the Registrar of Joint Stock Companies (RJSC) as limited companies under the Companies Act 1994. Venture Capital companies are need to obtain individual registration from the Bangladesh Securities and Exchange Commission (BSEC) for establishing the fund as per the Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015. According to the rules, alternative investment funds must regulate by Bangladesh Securities and Exchange Commission. According to BSEC rules BSEC is controlling all registration and regulation process for alternative investment funds.

All venture capital companies is enjoy government declared tax advantages. These rules is compulsory for venture capital companies from June 22, 2015. At present total 12 companies got registration for alternative investment fund under the BSEC rules. Though 12 companies got registration and to start their operation in full swing. Registered companies can give three types of funds under this rules which are private equity fund, venture capital fund and impact fund.

2.3 No. of Venture Capital companies:

- ❖ Bangladesh Venture Capital Limited
- ❖ BD Venture Limited

- ❖ SEAF Bangladesh Ventures
- ❖ Maslin Capital Ltd
- ❖ Venture Investment Partners Bangladesh Ltd
- ❖ Faster Capital Bangladesh

2.3.1 Bangladesh Venture Capital Limited:

Bangladesh is one of the populated country in the world with a large number of youth population. If they are prepared with necessary skills, good health and effective choices they present a plenty opportunity to transfer the future. One of the major problem in overpopulated country is unemployment. Every year almost 2 million graduates enters the job market but they hardly get jobs unfortunately rest of the stay unemployed. It is really a big obstacle for Bangladesh government to create new employments for them without entrepreneurship development.

New entrepreneurs in Bangladesh cannot easily access the market to prove their ideas and innovations. They are facing lots of obstacle especially at their beginning stages. Our economy could play a vital role to push up entrepreneur activities for ample flow of risky capital.

Venture /Angel investment culture is just at primary stage in Bangladesh. Bangladesh Venture Capital Limited (BVCL) is provide beginning stage funds for the new business. BVCL wants to make an investment eco-system for the start-up firms in Bangladesh. It also wants to create a healthy economic culture for all stakeholders. BVCL wants to inspire entrepreneurs to come up with innovation and creation so that they contribute to the national economy.

(A) Some start-up companies of Bangladesh Venture Capital:

(i) G-ROBOTICS

(ii) GREEN SHADE

(iii) Digital Manush

(B) Some Investment Companies of Bangladesh Venture Capital:

(i) AMAR Drinking Water

(ii) OVAL Furniture

(iii) APNARE. Com

(iv) SECURE You

(v) PRIMAX

2.3.2 BD Venture Limited:

BD Venture Limited is a Venture capital company in Bangladesh. They provide financing for the new entrepreneurs and firms. They creates a financial ecosystem for the start-up firms. They want to promote especially which organization have innovative and potential ideas. They give various types of financing like as seed, early and growth stage entrepreneurs and enterprise to carry their business expansion through facilitating investment. They are capable to address and accommodate the waves of a venture.

BD Venture was started operation with the command to invest in innovative business concepts in emerging and high-growth sectors. When financing is easy for the new entrepreneurs they can get encourage to prove their greater mission by their innovation. BD Venture brings with it a strong lineage of leadership across the sectors to build companies. Our team consist of professionals with some cumulative experiences and best practices cultured. Generally BD Venture works with a large pool of funds and guarantees. Its gives full commitment to its investee companies. 80% of their shares are held by institutions such as Mutual Trust Bank Limited, National Bank Limited, Green Delta Insurance Company Limited, Bangladesh General Insurance Company Limited, Lanka Bangla Finance Limited, Data Edge Limited, Asia

Pacific General Insurance Company Limited, MIDAS Financing Limited, and IPE Capital Limited & EBL Securities Ltd. The company is governed by an expert board constructing a set of leading financial professionals.

(A) Some Projects of BD Venture-

(i) DOCTORALA. Com

(ii) SPL

(iii) BRAIN STATION 23 LTD

(iv) INTERACTIVE artlafact

2.3.3 SEAF Bangladesh Ventures:

SEAF Bangladesh Ventures is an investment company. They invest medium sized business and small business in Bangladesh. SEAF Bangladesh Ventures is managed by SEAF ventures management LLC, Which is a part of SEAF family. They construct partnership with entrepreneurs to provide financial solution. They also provide business assistances to growing small and medium enterprises in Bangladesh. They provide financing to those firms who face difficulty to get financing from banks and other institutions.

(A) Some investment companies in SEAF Bangladesh Ventures-

(i) Solar Intercontential LTD

(ii) Devante Limited

(iii) AND Telecom Ltd

2.3.4 MASLIN Capital Ltd

MASLIN Capital Ltd is one of the fastest growing alternative company in Bangladesh. MASLIN Capital Company is born to reverse the situation and excellence in the whole domain of the economy. They are investing to the newly born but growing company. MASLIN is a symbol of unique and excellence.

(A) Some Projects of MASLIN Capital Ltd-

(i) Maslin Teach

(ii) Maslin Health

(iii) Maslin Satellite City

(iv) Maslin Firms and Fruits

2.3.5 Venture Investment Partners Bangladesh Ltd:

Venture Investment Partners Ltd is a venture capital firm especially in growth capital. It invest in equities ranging from tk 10 million. Venture Investment Partners Ltd is founded in 2005.

2.4 What is Venture Capitalist?

The person who deal with the newly merged company or start-up firms from a venture capital company authority. He always search the person who carry new invention business idea and completed a proper research based on relevant market.

2.5 Vision:

A venture capital company always wants capital based investment. As well as the company can contribute the social and economic development of a particular country or business.
They aim to maximize shareholder wealth and client's wealth and create a new pardon to the venture capital industry.

2.6 Mission:

Their mission is to generate a proper business model and take a leadership role in investment in the venture capital industry.
They are focusing to encourage the entrepreneur or small medium enterprise for the growth and development of their business.

2.7 Values:

Their values of representation, innovation, creation and client focus, proper management, and consent with the rules and principles in our personal and professional behavior.

Chapter: 03

Operational Business Cycle of Venture Capital

3.1 Factors considered for investment proposal:

There are generally four key components in ventures financing. These are-

3.1.1 Management- A proper management team consist of power, experience and consistency of the key people significant authenticity to the organization. All members are should be enough mature, experienced possessing working knowledge of business.

3.1.2 Potential for Capital Gain- Venture capitalist wants to kept average rate of return is above about 30-40%. The rate of return is also depend on the stage of the business cycle where funds are being more organized.

3.1.3 Realistic Financial Requirements and Projections- The venture capitalist essential a realistic view about the present situation of the organization like as future projections regarding scope, nature and performance of the company.

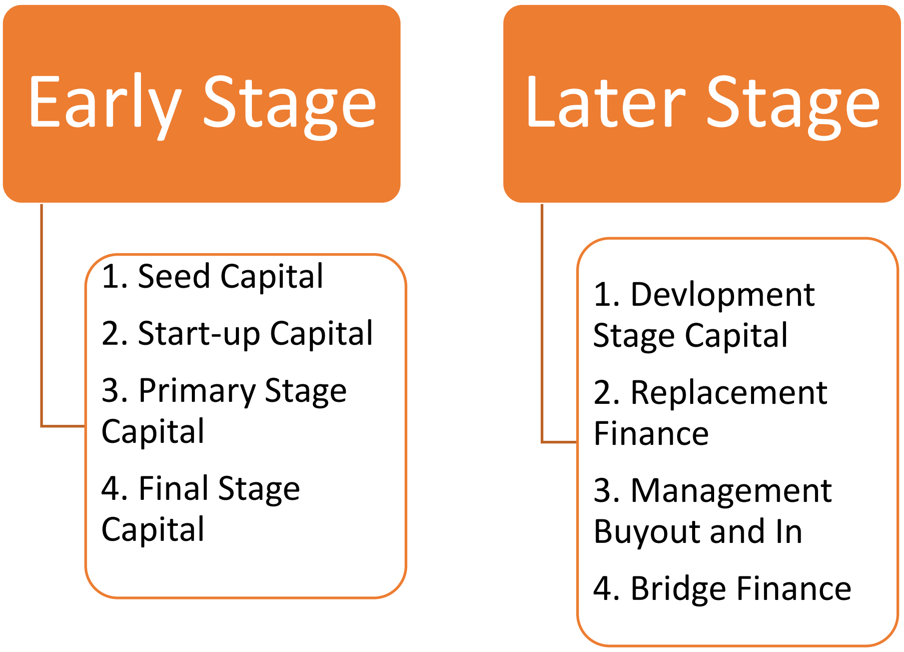
3.1.4 Owners Financial Stake- Entrepreneur owned and performed financial resources in the business. Entrepreneur provide funds from family, friends and relatives also they play a very important role to increasing the permanency of the business. Venture capitalist should kept an open eye to stakeholders because they play an important role.

3.2 Length of investment:

Venture Capitalist always wants company's growth that is why they search those type of business the investment in three to seven years. A primary stage investment take seven to ten years to settled on the other hand later stage investment take a few years. All newly merged firms are hunger for liquidity. The investment life cycle must be similar with the limited partnerships. The venture investment is not only a short time but also a liquid investment.

3.3 Stages of Venture Capital Funding:

Different venture capital have follow different characteristics for funding procedure. There are different stages of venture capital funding but generally we can identify and differentiate following types of venture capital investment. These are-



3.3.1 Early Stage Finance

- Seed Capital
- Startup capital
- First stage Capital
- Third stage Capital

3.3.2 Later Stage Finance

- Development Stage Capital
- Replacement Finance
- Management Buy Out and Buy in
- Bridge Finance

3.4 Seed Capital:

Seed capital investment means which investment take 7 to 10 years. It is the most initial and dangerous stage of all Venture capital investment. A financing procedure success and elimination depends on how technology and innovations are used by the organization. A seed capital or primary stage financing risk is high rather, it also provide greater potential for getting long term gains. Most of the entrepreneur seed capital is using from their primary stage or idea generation stage.

3.5 Start-up Capital:

Start-up capital is the 2nd stage in the venture capital financing cycle. Start-up capital have some difference from seed capital investments. All most all of the firms need financing when their business is just starting. A new business is related with the startup stage. The entrepreneur must be under the rules of a going concern.

3.6 Primary Stage Capital:

It is also called early stage capital but it has some difference with the seed capital and start-up capital. Venture capitalist provide this financing which entrepreneur who has a strong product, to start commercial production, marketing and proper management team. The company obtained early success for this stage capital. This stage is more successful when organization have an expert management team and a proper research on targeted market.

3.7 Final Stage Capital:

It is also called third stage capital. An entrepreneur take final stage capital financing for established commercial production and their marketing activities. Entrepreneur using it is for market expansion, acquisition and product development etc.

3.8 Development Finance:

Development Finance requires business established in a given market increases. It's also help the long term profit gain and market durability. This development stage can be acquiring not only the business growth but also it is increases production capacity. Here economic expansion means newly merged companies wants setting up proper distribution channel. Organization needs financing for market expansion and for organic growth the firms.

3.9 Replacement Finance:

Replacement finance requires when one shareholder for another than raising new capital. Venture capitalist purchase shares from the entrepreneurs and their associates for run the business. Venture Capital purchase ordinary share from non-promoters and transfer the preferred share with fixed dividend coupon.

3.10. Buy-out/in Financing:

Buy-out/in financing option is a recent development and a new form of investment procedure for venture capitalist. Venture capitalist provided the fund for present operating management and to get long term gain. This procedure is called management buyout.

Buy-in means by a group of managers from outside the company.

3.11. Turnaround Finance:

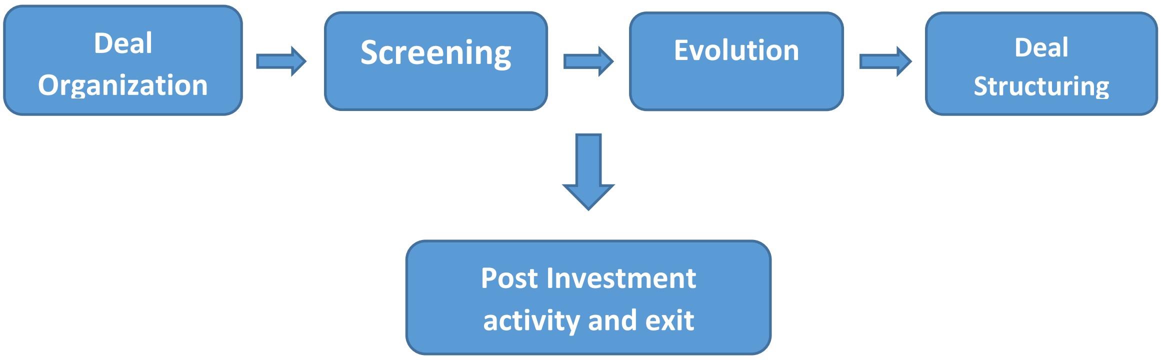
Turnaround finance is the rare from later stage finance. Most of the entrepreneurs wants avoid it because of higher degree of risk. When an established firm immediately need finance that time organization should take it.

3.12. Bridge Finance:

Bridge finance is the pre-public offering financing stage for an organization. It is the final financing before the operational exit. Venture capitalist help in constructing a stable and experienced management team that will help the company in its initial public offer. Bridge financing helps to raise the valuation of the company.

3.13. Venture Capital Investment Process:

Venture capital investment process is different from normal financing stage. The investment process is-



This activity is a five stage process-

- ❖ Deal Organization
- ❖ Screening
- ❖ Evolution
- ❖ Deal structuring
- ❖ Post investment activity and exit

3.13.1 Deal Organization-

Venture Capital search those organization which organization have a unique idea and proper management team. First stage is financing of venture capital they contact a deal with that organization. Investor can feel free for investing in. Deal may raise in various ways like as Referral system, active search system, and intermediaries. Referral system is a main source of deals.

3.13.2. Screening-

The 2nd stage of financial process is screening. Venture capital screening the organization some criteria like as their innovation idea, product, management team and probability of market expansion capacity. Venture capital also concerned about the size of investment, geographical location and stage of financing of that particular company.

3.13.3. Evolution-

The 3rd stage is evolution. VC see the company standing position on relative industry. The venture capitalists appraise the quality of entrepreneur before evaluating the characteristics of the product, market or technology. They see their market plan how it is effective in this stage.

3.13.4. Deal structuring-

The venture capitalist and the venture company negotiate the terms and conditions of the agreements concerning the amount, form and value of the investment. This process must be structured as a deal. The agreement also includes the right of the venture capitalist to control the enterprise. If necessary, the agreement is to change its management, purchase arrangements, acquisition, initial public offering (IPOs), etc.

3.13.5. Post Investment Activities-

After the agreement has been structured and finalized, the capitalist venture usually assumes the role of a partner and a collaborator. He is also linked in shaping the direction of the undertaking.

3.13.6. Exit-

In this stage Venture Capital see how they exit or complete the deal. They play a positive role in regulating the company towards particular exit routes.

- Initial Public Offering (IPO)
- Acquisition by another company
- Re-purchase of venture capitalist share
- Purchase of venture capitalist share by third party

Chapter: 04

Problem and Prospects of Venture Capital in Bangladesh

4.1 Qualitative Analysis:

One to One interview-

Interview 01

Operation manager of Bangladesh Venture Capital LTD Md. **Rashadul Islam** was discussing about the present situation of venture capital industry. He said that, **"they do not find right entrepreneur for this industry. Most of the entrepreneur don't know about the equity investment. Many of the start-up firms' want financing from venture capital based on idea only"**. He said, in venture capital perspective they always want to invest in organization, which organization has proper management team. They also wants to create a contract with start-up firms about paid up capital. Finally he expect the following scenario is changing day by day.

Findings From this discussion-

- Lack of right entrepreneur in venture capital industry
- Lack of proper knowledge about equity investment
- Most of the entrepreneurs want to start business based on only idea without proper research.
- Most of the entrepreneurs have no management team.

Interview 02

Mr. Haidul Haque Khan (Murad) Chief Investing Officer of Bangladesh Venture Capital was discussing about the present situation and problem of venture industry in Bangladesh. He said from bank perspective, **"Bank always wants to give financing to a well-established firms. On the other hand, they do not want to give loan to a newly start-up firms because start-up firms are more risky than established firms. Bankers feel hesitate to give financing startup firms"**. He also said, this situation is changing day by day. Now-a-days maximum banks wants to provide financing new entrepreneur.

Findings From this discussion-

- Bank always wants to give finance to only established firms.
- According to bank, start-up firms are more risky than existing firms.
- Bankers feel hesitate to give financing

Interview 03

Mr. Niaz Morshed Managing Director of PRIMAX.

PRIMAX is a start-up firms and they already completed a contact with Bangladesh Venture Capital Ltd. PRIMAX and BVCL both are doing business with equity investment. He said in present situation of Venture Capital industry that "Most ideas of new entrepreneurs are fallen eliminating from a venture capital company. He also said that, Lack of skilled labor is one of the major problem in now a days. Most of the start-up firms face this problem, they cannot get sufficient place to carry his business. Most of the people don't know about the venture capital industry.

Findings From this discussion-

- Lack of skilled labor.
- Start-up firms face capital problem.
- Newly merged firms cannot get enough time to go a sustainable position for threat of VC Company.
- Entrepreneur lacking of knowledge about Venture Capital

4.2 Common Challenges of Equity Investment in Bangladesh:

Venture Capitalists are trusted good partners who have recorded an investment success story. Venture capitalists can argue that capital is not a problem where entrepreneurial leadership is strong and effective in achieving an innovative target. The following matters are still limited to investments in equity -

4.2.1 Corporate legal structure:

Most SMEs are either a single owner or a company. If equity investment is not in line with this legal structure, such undertaking must be registered as a limited company (private or public) with the Registrar of Joint Stock Companies and Companies (RJSCF) to favor equity either as ordinary or preferential shares. Entrepreneurs do not show very positive interest to discrete as limited company with Registrar of Joint Stock Companies and Firms (RJSCF). They have the ability to avoid registration as a limited company because they do not want to complain to the regulators by submitting the documents concerned. They expect easy loans and reimbursements instead of profit sharing with investors who monitor their business.

4.2.2 Lack of Operational & Financial Credibility:

The entrepreneurs have aptitude to conceal operational efficiency. They also want to hide the operating result shown in the financial statements from a true and fair view. They do not like to be clear to lenders or investors and to regulators to eliminate investment and income tax repayments. At the primary level or at the start - up or growth stage, when financial and technical support from Venture Capitalists is essential, entrepreneurs must be in control of presenting the company's financial statements for continuous growth in order to obtain support from venture capitalists.

4.2.3 Lack of entrepreneurial leadership:

Most donor companies in our country tend to involve a company that sees other companies in a profitable business, despite their low business knowledge. It is sometimes investigated that sponsors expressed their willingness to do business in the industry. Where investors make investment or feel comfort to invest. Sponsorship and entrepreneurship differ completely. Enterprise is an innovative approach to a new product and market. Sponsorship and entrepreneurship are completely various from each other. The sponsors are strong and sufficiently technical in entrepreneurial leadership. In most cases, the company can be shut down or not succeed and the venture capitalists will not invest in equity.

4.2.4 Lack of source of fund of venture capitalists:

The creation of fund of venture capitalists is a big objection. Borrowing fund from banks and financial institutions will not be fit for **(i) higher cost of fund (ii) repayment mismatch** because of immediate regular payment of installments of loan contribute from banks **(iii) tremendous risk associated with SMEs and equity investments**. Private equity management against fees could be good fund-building. The management system of private equity funds other than mutual funds to be traded on the capital market was not related to lack of skills and experience, legal framework and sponsors from development partners / agents, local pension funds, insurance companies, etc. Govt. and regulators should take persuasive to formalize the management of private equity with legal framework.

4.2.5 Lack of regulations and policy assistance for quasi-equity:

Venture capital is not just an investment in limited company equity. Risk capital is a risk capital and the product can be updated in the form of equity without parallel depending on the structure of the entity. In line with the modified equity of investment, venture capitalists need a policy and regulatory organization. This regulations and policies are required to formalize the quasi equity investment made by venture capitalists.

4.2.6 Non-compliance with laws and regulations by investee:

Investors may not be interested in investing in non - compliant organizations that document their lack of integrity and sometimes risk it. The equity investors take full risk and reward of the organization in order to keep their investment safe, they must comply with all applicable laws and regulations. They also need to exercise a safe strategy.

4.2.7 Lack of high technical professional VC team:

The lack of a highly technical venture capital team is one of the main challenges. VC is a very new investment model in Bangladesh. It is a barrier to a technically experienced team. Those who work outside the country in these sectors have experience because they deserve a high salary. The new venture capitalist may not have the financial capacity to pay such a compensation package unless private equity is managed.

4.2.8 Lack of Government focus:

Venture Capital has been familiar with the most enthusiastic sectors to confirm access to finance and different government support. Government should have chosen these sectors to involve corporate capitalists in finance.

4.2.9 Extreme political unrest:

Political disturbances disturbances are making the business environment more difficult and risky. This is reaching an extreme stage that causes a serious obstacle. Basically, start-up companies are not targeting profits. Investors will not generally dare invest. The political stability exists to ensure a better business environment in the country. Due to this political unrest, many FDIs shift to another countries.

4.3 Problems Venture Capitalists should solve:

4.3.1 Reinventing communications:

Investors spend a great deal of cash in the media and entertainment during the last half decade. But they did so in a perversely risk - averse way, making investments subject to advertising and communications in the 20th century, instead of investing to reinvent it.

4.3.2 Reconceiving capital markets:

One of the most common complaints the big banks are no longer interested in opening up startups. The government should concentrate on it.

4.3.3 Discovering new sources of advantage:

Venture Capital should be able to discover sew source of ideas and technology. How to grow venture capital. It is one of the biggest financial sector.

4.4 Opportunity of Venture Capital industry:

4.4.1 Increase new entrepreneurs-

In recent years people attract risk capital. University students in particular create new ideas and innovations for financing venture capital companies.

4.4.2 Government policies to encourage investors and entrepreneurs-

The emerging global competitiveness scenario has placed considerable pressure on the industrial sector. The Government of Bangladesh declares the Venture Capital Company tax advantage. The challenge is to obtain sufficient funding with the necessary high - tech equipment to produce an innovative product and to increase the current market situation.

4.4.3 Emerging sector for investment-

The risk industry continues to accelerate and a number of geographical trends can be observed. The industry is increasingly globalized. The change leads to new approaches to how large companies interact with the entrepreneurial community.

4.4.4. Key element to economic development of a Bangladesh-

At present, the economy of Bangladesh is growing. New enterprises normally face many challenges at their growth stage, such as brand establishment, market expansion, human resource development, with the most critical need capital arrangements.

4.4.5 Decrease Unemployment-

Unemployment is one of the major problems in our country. But unemployment has decreased in recent years. Because many students want to be a businessman.

4.4.6 Technological Development-

Now businesses are technology-based, if Bangladesh's governments want, they can turn a technology - based venture capital industry into a business.

Chapter: 05

Finding, Recommendations & Conclusion

5.1 Findings:

To prepare this report, I tried to find out the problem and prospects of Venture Capital industry.

1. From this report, we have an overall idea of The Bangladesh Venture Capital industry. At present, 11 companies have a venture capital license, but most of the companies are not active.
2. Venture Capital companies usually invest later stage of a company.
3. Many start-ups complain that local Venture Capital firms often appear with rigorous term- sheets and valuation of a business.
4. Venture Capital investors keep a conservative attitude during valuation of a start-up company.
5. In Bangladesh most start-up companies they do not have a proper management team.
6. Many venture capital companies rejected to a start-up company for lacking their market research.
7. Most Venture companies of Bangladesh they have not enough individual working space for startups.

5.2 Recommendations:

Though Venture Capital industry in Bangladesh is now developing stage, but it has some essential areas to improve which are prescribed below-

1. License Venture companies of Bangladesh should be more active.
2. Venture companies should take risks in the investment process. Venture companies always should be invested in the primary stage.
3. Venture Capital companies should provide loans based on valuation, management team and market research of new companies, but before that they should provide the mentoring support to the startup.
4. Venture Capital companies should be keeping an open attitude during valuation review of a start-up company.
5. In Bangladesh most start-up companies must keep a proper management team for growth.
6. Each start-up company need proper market research before their business starting.
7. Every venture company should be keep enough space for start-up firms.

5.3 Conclusion:

Venture Capital is one of the largest micro and small businesses in a non - bank service country. Venture capital is also a way to build an institution for the private and public sectors. Which can create business network for the new firms. This institution constructs identified promising newly merged firms. Venture Capital companies provide them with finance, technical expertise, and mentoring. Bangladesh needs massive investments in startup venture to envisage growth for public and private sector.

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