Impact of Venture Capital on Startup Success and Economic Growth in Nepal

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Abstract

This study examines the impact of venture capital on startup success and economic growth. Startup success and economic growth are the dependent variables. The selected independent variables are Venture capital, access to capital, networking, innovation & technology, government policies & regulations and market conditions. The study is based on primary data of 120 respondents. To achieve the purpose of the study, structured questionnaire is prepared. The correlation and multiple regression models are estimated to test the significance and importance of venture capital, access to capital, networking, innovation & technology, government policies & regulations and market condition on economic growth and startup success.

The study showed a positive impact of venture capital on startup success and economic growth. It indicates that increase in venture capital leads to increase in startup success and economic growth. Likewise, access to capital has a positive impact on the startup success and economic growth. It indicates that increase in access to capital leads to increase in startup success and economic growth. Similarly, networking has a positive impact on startup success and economic growth. It indicates that increase in networking leads to increase in startup success and economic growth. The study also indicates that market condition has a positive impact on startup success and economic growth. It indicates that increase in market condition leads to increase in startup success and economic growth. Moreover, innovation and technology have a positive impact on startup success and economic growth. It indicates that increase in innovation and technology leads to the increase in startup success and economic growth. Furthermore, government policies and regulations has a positive impact on the startup success and economic growth. It indicates that increase in government policies and regulations leads to the increase in startup success and economic growth.

Keywords: Venture capital, access to capital, networking, innovation & technology, government policies & regulations and market condition, economic growth, startup success.

1. Introduction

Venture capitalists invest in companies that have the potential for high returns but also carry a high degree of risk (Jeng and Wells, 2000). Venture

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capital (VC) firms, which are among external startup investors, have attracted the attention of many scholars due to their influential role in the establishment of young companies (Barry *et al.,* 1990). Governments around the globe have implemented various policies to spur venture capital investments (capital gains holidays, R&D subsidies etc.), which has contributed significantly to the rise of venture capital (Gompers and Lerner, 1998). Venture capital is a type of financing that provides funding to companies in exchange for ownership in the company. Venture capitalists invest in companies that have the potential to become successful and profitable, and they work closely with the management team to help them achieve their goals (Da Rin *et al.,* 2006). The venture capitalists provide financial support, as equity to support fast growth, and non-financial support as guidance and expertise (Sapienza, 1992). Venture funded firms are generally very small and young, often called innovative start-up, and are plagued with very high levels of uncertainty and an important information asymmetry between investors and entrepreneurs (Gompers and Lerner, 2001). Venture capital, the funding of high-potential companies through equity investments by professional financial intermediaries, has existed in the United States for more than sixty years. Despite some prominent early success stories, these intermediaries nonetheless played only a minor role prior to the 1980s (Gompers & Lerner, 1998).

Da Rin *et al.* (2006) concluded that despite the growing interest in venture capital as a catalyst for economic growth, there is a lack of consensus on the actual contribution of venture capital to economic growth and development. Lerner (2010) found that venture capital can help finance innovative startups that have the potential to generate new products, services and jobs. Moreover, Huang and Pearce (2015) found that venture capital may not be equally accessible to all entrepreneurs, particularly those from underrepresented groups. Furthermore, Baum and Silverman (2004) found that the experience and expertise of the entrepreneur were important factors in the success of startups, and that venture capital investors tended to prefer entrepreneurs with prior experience in the industry. Tykvova and Schertler (2017) found that venture capital investment was positively associated with the availability of skilled human resources and the quality of the regulatory environment.

Chen *et al.* (2015) examined the impact of venture capital on the innovation activity of Chinese entrepreneurial firms. The study found that venture capital-backed firms are more likely to introduce new products and

services to the market. The study also found that venture capital-backed firms are more likely to engage in innovation activities such as R&D and patent applications than non-venture-backed firms. Similarly, Chemmanur and Yan's (2014) found that venture capital investors with greater bargaining power are more likely to extract favorable terms, such as higher equity stakes and lower valuations, and that these terms are associated with higher levels of startup performance. The study also found that competition among VC investors can lead to more favorable terms for startups.

Brouthers and Nakos (2004) found that SMEs that receive venture capital backing are more likely to enter foreign markets through joint ventures or acquisitions, rather than through wholly-owned subsidiaries. The study also found that SMEs that receive venture capital backing are more likely to experience higher growth rates in terms of sales and profitability. Furthermore, Avnimelech and Teubal's (2006) found that venture capital funding can lead to increased innovation in startups by providing them with the resources they need to develop and commercialize new technologies. Likewise, Kortum and Lerner (2000) found that venture capital backed firms produce more and more valuable patents. Hellman and Puri (2000) showed that venture capital backed firms are faster in developing products and introducing them in the market and they have a higher rate of executive turnover. Similarly, Xu and Wang (2014) found that venture capital can play an important role in fostering innovation and creating new businesses in emerging markets. The study also found that venture capital can overcome the lack of funding and support for start-ups in these economies, providing access to networks and expertise that can help them grow and thrive. Furthermore, Huang and Pearce (2015) found that venture capital may not be equally accessible to all entrepreneurs, particularly those from underrepresented groups. For example, women and minority entrepreneurs may face systemic barriers in accessing venture capital, which can limit their ability to start and grow successful business.

Dessi and Yin (2012) concluded that venture capital investment and innovation are mutually reinforcing, with venture capital financing leading to greater innovation, and innovative firms being more likely to receive venture capital funding. Moreover, Baum and Silverman (2004) found that venture capitalists prefer to invest in startups with strong alliances with other firms, as well as those with valuable intellectual and human capital resources. The study also found that venture capital investment is positively associated with the creation of new businesses. Similarly, Köhn (2018) concluded that financial factors such as the size of the market opportunity and the level of

innovation are important determinants of startup valuation, non-financial factors such as the quality of the management team and the strength of the startup's intellectual property also play a crucial role. Furthermore, Florida and Kenney (1988) found that there is a positive relationship between venture capital financing and innovation, which shows venture capital plays a crucial role in funding and supporting innovative ventures, leading to technological advancements and economic growth.

Hellmann e*t al.* (2002) found that seed-stage venture capital investments were more likely to result in radical innovation, while later-stage investments were more likely to result in incremental innovation. Cumming and Johan (2013) concluded that the availability of early-stage venture capital funding is positively associated with the level of innovation in the economy, while later-stage funding has a negative association. Similarly, Lerner and Tåg (2013) found that the overall level of innovation in the economy is positively associated with the availability of venture capital funding for early-stage startups. Lee and Kim (2019) found that startups that received moderate levels of funding were more likely to develop high-quality patents, while startups that received too little or too much funding were less likely to do so. Cumming and Johan (2013) found that venture capital investment is positively correlated with the growth and survival of European startups. Similarly, Gompers and Lerner (2001) found that venture capital investment is positively correlated with the success of US start-ups. Moreover, venture capital has proven particularly effective in stimulating innovation and the development of new technologies. Furthermore, Hellmann and Puri (2002) found that venture capital investors not only provide a source of funding, but also expertise, networks, and advice to assist start-ups in developing innovative technologies and business models.

In the context of Nepal, Khatiwada and Shrestha (2018) found that the venture capital industry in Nepal is in its early stages, with few investors and limited investment opportunities. The study also found that regulatory and legal constraints, lack of awareness among entrepreneurs, and a shortage of skilled human resources as significant challenges to the growth of the industry in Nepal. Similarly, Gautam and Thapa (2019) concluded that venture capital investors should consider the social and environmental impact of their investments and should work closely with startups to ensure that their business models are aligned with sustainable development goals.

Bhattarai (2019) found that venture capital plays a crucial role in promoting entrepreneurship in Nepal by providing access to capital, expertise, and networks. Similarly, KC and Bhandari (2019) found that venture capital

funding has a significant potential to promote innovation and startup success in Nepal, but its impact depends on the availability of supportive policies, infrastructure, and networks. The study showed that lack of diversity may limit the potential impact of venture capital investment on the overall economy and may exacerbate regional inequalities (Shrestha and Bhattarai, 2019). Furthermore, Subedi (2019) found that venture capital funding has a positive impact on new business creation and innovation in Kathmandu by providing access to capital, expertise, and networks.

The above discussion shows that empirical evidence varies greatly across the studies concerning the impact of venture capital on startup success and economic growth. Though there are above mentioned empirical evidence in the context of other countries and in Nepal, no such evidence using more recent data exists in Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The major objective of the study is to examine the impact of venture capital on startup success and economic growth in Nepal. More specifically, it examines the relationship of venture capital, access to capital, networking, innovation & technology, government policies & regulations and market condition with startup success and economic growth in Nepal.

The remainder of this study is organized as follows: section two describes the sample, data, and methodology. Section three presents the empirical results and final section draws the conclusion.

2. Methodological aspects

The study is based on the primary data. The data were gathered from 120 respondents through questionnaire. The respondents' views were collected on venture capital, access to capital, networking, innovation & technology, government policies & regulations and market condition with startup success and economic growth in Nepal.

The model

The model used in this study assumes that the startup success and economic growth depends upon venture capital, access to capital, networking, innovation & technology, government policies & regulations and market conditions. The dependent variable selected for the study startup success and economic growth. Similarly, the selected independent variables are venture capital, access to capital, networking, innovation & technology, government policies & regulations and market conditions. Therefore, the model takes the

following form:

$SS= \beta_0 + \beta_1 VC + \beta_2 MC+ \beta_3 AC+ \beta_4 IT+ \beta_5 GP +\beta_6 NW + e$

$EG= \beta_0 + \beta_1 VC + \beta_2 MC+ \beta_3 AC+ \beta_4 IT+ \beta_5 GP +\beta_6 NW + e$

where,

VC = Venture capital

MC = Market conditions

NW= Networking

AC= Access to capital

IT = Innovation and technology

GP = Government policies and regulations

SS= Startup success.

EG= Economic growth

Venture capital was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Venture capital is an important source of funding for startups in Nepal", "Venture capital investments can help spur economic growth in Nepal". The reliability of the items was measured by computing the Cronbach's alpha (α =0.766).

Market condition was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "The market conditions in Nepal enable startups to achieve their growth targets with the help of venture capital", "The market demand for innovative products/services is high in Nepal". The reliability of the items was measured by computing the Cronbach's alpha (α =0.778).

Networking was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Networking opportunities provided by venture capital firms positively affect economic growth in Nepal", "Networking opportunities provided by venture capital firms can help startups access new markets and customers". The reliability of the items was measured by computing the Cronbach's alpha (α =0.838).

Access to capital was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Access to capital is a major obstacle for startups in Nepal", "Nepali startups can easily access foreign investment capital". The reliability of the items was measured by computing the Cronbach's alpha (α =0.710).

Innovation and technology were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Venture capital firms play a crucial role in supporting innovative startup.", "The availability of venture capital has helped to foster a culture of innovation and entrepreneurship in Nepal". The reliability of the items was measured by computing the Cronbach's alpha (α =0.859).

Government policies and regulations was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Government policies and regulations support the growth of the venture capital industry in Nepal", "Government policies and regulations in Nepal are favorable towards startup companies". The reliability of the items was measured by computing the Cronbach's alpha (α =0.669).

Startup success was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Venture capital funding can provide startups with the necessary resources to accelerate growth and improve their chances of success", "Access to venture capital funding is essential for a startup's success". The reliability of the items was measured by computing the Cronbach's alpha (α =0.787).

Economic growth was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Venture capital plays an important role in promoting economic growth in Nepal", "Venture capital-backed startups have a higher chance of contributing to Nepal's economic growth". The reliability of the items was measured by computing the Cronbach's alpha (α =0.785).

The following section describes the independent variables used in this study along with the hypothesis formulation.

Market condition

These market conditions can have a significant impact on the competitive dynamics, opportunities, and challenges faced by businesses (Nakata and Sivakumar, 1997). Similarly, Hellmann and Puri (2002) revealed that venture capital funding was positively associated with the adoption of professional management practices in startups, which can help these firms to navigate challenging market conditions. Moreover, market conditions can also have implications for the types of startups that receive venture capital funding. Furthermore, Klotz *et al*. (2014) found that venture capital firms were more likely to invest in startups with disruptive technologies during periods of economic expansion, while they were more likely to invest in startups with incremental innovations during periods of economic downturn. Likewise, Karki and Thapa (2019) found that the lack of access to capital was one of the primary challenges faced by startups in Nepal. In addition, Adhikari *et al.* (2020) found that venture capital funding was associated with higher levels of innovation in Nepalese startups, even in the face of challenging market conditions. Based on it, this study develops the following hypothesis:

H_1: There is a positive impact of market condition on startup success and economic growth.

Venture capital

Venture capital is defined as equity or equity-linked investments in young, privately held companies, where the investor is a financial intermediary who is typically active as a director, an advisor, or even a manager of the firm (Kortum and Lerner, 1998). Similarly, Hellmann and Puri (2002) found that venture capital-backed startups tend to have higher growth rates, higher survival rates, and a higher likelihood of going public compared to non-venture-backed startups. Gompers and Lerner (2001) stated that venture funded firms are generally very small and young, often called innovative start-up, and are plagued with very high levels of uncertainty and an important information asymmetry between investors and entrepreneurs. Moreover, Sirri and Tufano (1993) demonstrated that venture capital organizations to provide new evidence about the relation between performance and capital raising and its implications for fund managers' incentives. Specifically, young venture capital firms bring companies public earlier than older venture capital firms in an effort to establish a reputation and successfully raise capital for new funds. Likewise, Kerr *et al.* (2014) found that venture capital has a significant positive effect on innovation, which in turn drives economic growth. The

study highlighted the role of venture capital in financing high-risk, high-reward projects that can spur technological advancements. Based on it, this study develops the following hypothesis:

H_2: There is a positive impact of venture capital on startup success and economic growth.

Access to capital

Gompers and Lerner (2001) investigated the impact of venture capital on access to capital for startups. The study found that venture capital-backed firms are more likely to obtain additional funding from other sources, such as public equity markets or bank loans. Similarly, Beck & Levine (2000) found that countries with better access to financial services experience higher GDP growth rates. Similarly, Rajan and Zingales (1998) found that countries with better access to capital tend to have higher economic growth rates. Likewise, Berger & Udell (1998) revealed that access to both equity and debt capital is crucial for the growth and development of small businesses, which, in turn, contributes to overall economic growth. Similarly, Wright and Lockett (2003) found that the equipped growth-oriented start-ups with essential resources will support them in their evolution and eventual success. Furthermore, Shane and Stuart (2002) showed that having direct or indirect ties with reputable venture capital investors improves the entrepreneur's fundraising ability, and getting a lower valuation from highly reputable investors is usually preferred to the opposite situation. Based on it, this study develops the following hypothesis:

H_3: There is a positive impact of access to capital on startup success and economic growth.

Networking

Johannisson (1995) argued that networking is simply taken for granted. In contrast, strategy is seen as more formalized and a very specific activity. Cumming (2007) found that younger and lower status venture capital firms have better performance when they join a cohesive network with other venture capital investors, while a network with structural holes is more beneficial for more mature and higher status firms. Similarly, Stuart & Sorenson (2001) revealed that firms with higher levels of embeddedness in local networks contribute to attracting investment, acquiring customers, and accessing resources. Aral *et al.* (2012) found that startups leveraging network effects, such as platforms and social networks, had higher growth rates compared to those that did not. Moreover, Uzzi & Dunlap (2005) suggested that

strong social networks facilitate information exchange, resource access, and collaboration, which can positively impact startup success. Likewise, Fleming & Sorenson (2001) found that networking facilitates knowledge exchange, cross-pollination of ideas, and the development of innovative solutions, which are crucial drivers of economic growth. Furthermore, Granovetter (1973) found that weak ties in social networks can provide access to novel information and resources beyond an individual's immediate network. Based on it, this study develops the following hypothesis:

H_4: There is a positive impact of networking on startup success and economic growth.

Innovation and technology

Kortum and Lerner (2000) performed an aggregate evaluation of the relation between venture capital and innovation. Yang *et al.* (2022) revealed that the important role of venture capital in regional GI activities, enriching the research on the innovation effect of venture capital and providing a theoretical and practical reference for economic development. Similarly, Samila and Sorenson (2011) suggested that venture capital is more strongly associated with innovation and growth in technology-based sectors compared to traditional sectors. Likewise, Williams *et al.* (2014) found that venture capital has a significant positive effect on innovation, which in turn drives economic growth. Similarly, Engel and Keilbach (2002) revealed that firms with an innovative performance, proxied by a patent performance indicator, are able to benefit from venture funds with a higher probability. Moreover, Gompers and Lerner (2001) found that venture capital-backed companies were more likely to introduce groundbreaking innovations and obtain patents compared to non-venture-backed firms. Furthermore, Jones (2015) found that technological advancements, driven by investments in research and development (R&D), shows significant positive impact on economic growth. Based on it, this study develops the following hypothesis:

H_5: There is a positive impact of innovation and technology on startup success and economic growth.

Government policies and regulations

Government policies can have a significant impact on the growth and success of the venture capital industry (Colombo & Grilli, 2005). Government policies related to venture capital investments can include tax incentives, subsidies, and regulatory frameworks designed to encourage investment

and support the growth of new businesses (Gompers & Lerner, 2001). Entrepreneurial activity and startup success rates are higher in countries with less burdensome regulations and lower entry barriers (Parker, 2009). Likewise, government policies can also impact the level of innovation and entrepreneurship in a region (Kuratko & Audretsch, 2009). Moreover, Kaplan & Strömberg (2003) revealed that regulations related to securities laws, disclosure requirements, and investor protections can impact the ability of venture capital firms to operate and make investments. Based on it, this study develops the following hypothesis:

H_5: There is a positive impact of government policies and regulations on startup success and economic growth.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with mean and standard deviation has been computed and the results are presented in Table 1.

Table 1

Kendall's Tau correlation coefficients matrix

This table presents Kendall's Tau coefficients between dependent and independent variables. The correlation coefficients are based on 120 observations. The dependent variables are EG (Economic Growth) and SS (Startup Success). The independent variables are VC (Venture Capital), AC (access to capital), NW (networking), IT (innovation and technology), MC (market conditions) and GP (government policies).

Variables	Mean	S.D.	EG	SS	VC	AC	NW	IT	MC	GP
EG	1.806	0.562	1							
SS	1.883	0.646	0.528**	1						
VC	1.903	0.614	0.517**	0.563**	1					
EC	1.883	0.603	0.448**	0.528**	0.589**	1				
NW	1.918	0.721	0.456**	0.554**	0.589**	0.652**	1			
IT	1.866	0.692	0.470**	0.483**	0.537**	0.545**	0.660**	1		
MC	1.813	0.639	0.344**	0.399**	0.367**	0.541**	0.497**	0.538**	1	
GP	2.018	0.621	0.240**	0.299**	0.327**	0.465**	0.390**	0.367**	0.436**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

Table 1 shows the Kendall's Tau correlation coefficients of dependent and independent variables. The study indicates that venture capital is

positively correlated to startup success. Likewise, venture capital is positively correlated to the startup success. This implies that venture capital leads to the enhancement in startup success. The study indicates that venture capital is positively correlated to startup success. Likewise, access to capital is positively correlated to the startup success. This implies that access to capital leads to startup success. Moreover, networking is positively correlated to startup success. This implies that networking leads to startup success. The study also indicates that Market conditions is positively correlated to the startup success. This implies that Market conditions leads to startup success. However, innovation and technology are also positively related to startup success that leads to the increment in success in business. Moreover, market conditions are positively correlated to the startup success which indicates that market conditions impact the startup success. Likewise, government policies are positively correlated to the startup success. This implies that government policies lead to startup success.

The study indicates that venture capital is positively correlated to economic growth. Likewise, venture capital is positively correlated to economic growth. This implies that venture capital leads to an enhancement in economic growth. The study indicates that venture capital is positively correlated to economic growth. Likewise, access to capital is positively correlated to economic growth. This implies that access to capital leads to economic growth. Moreover, networking is positively correlated to economic growth. This implies that networking leads to economic growth. The study also indicates that Market conditions is positively correlated to the economic growth. This implies that Market conditions `leads to economic growth. However, innovation and technology are also positively related to the economic growth that leads to the increment in economic growth and success in business. Moreover, market conditions are positively correlated to the economic growth that indicates that market conditions impact the economic growth. Likewise, government policies are positively correlated to the economic growth. This implies that government policies lead to economic growth.

Regression analysis

Having indicated the Kendall's Tau correlation coefficients, the regression analysis has been carried out and the results are presented in Table 2 and 3. More specifically, it shows the regression results of result of economic growth, startup success, venture capital, access to capital, networking, innovation and technology and government policies provided for venture

capital in Nepal.

Table 2

Estimated regression result of venture capital, access to capital, networking, innovation and technology, market conditions and government policies on startup success in Nepal

The results are based on 120 observations using linear regression model. The model is SS= β_0 + β_1 VC + β_2 MC+ β_3 AC+ β_4 IT+ β_5 GP +β_6 NW + e, where the dependent variables is (SS) startup success. The independent variables are (VC)venture capital, (AC) access to capital, (NW) networking, (IT) innovation and technology, (MC) market conditions and (GP) government policies.

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		VC	AC	NW	IT	MC	GP			
1	0.618 (5.007) **	0.625 (10.126) **						0.4600	0.413	102.530
2	0.914 (6.262) **		0.474 (6.419) **					0.253	0.486	41.206
3	1.128 (8.610) **			0.354 (5.562) **				0.199	0.503	30.533
4	1.052 (8.143) **				0.404 (6.221) **			0.241	0.490	38.70
5	1.237 (8.508) **					0.314 (4.157) **		0.120	0.527	17.282
6	1.371 (8.021) **						0.216 (2.664) **	0.049	0.548	7.095
7	0.243 (1.732) *	0.602 (7.735) **	0.271 (3.258) **					0.565	0.426	78.133
8	0.787 (5.330) **			0.318 (3.395) **	0.268 (3.395) **			0.341	0.525	31.746
9	0.478 (3.506) **	0.532 (6.329) **	0.176 (1.618) *	0.149 (-1.531)	0.144 (1.834) *			0.476	0.407	28.044

Notes:

i. Figures in parenthesis are t-values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

iii. Startup success is the dependent variable.

Table 2 shows that the beta coefficients for venture capital are positive with the startup success. It indicates that venture capital has a positive impact on the startup success. This finding is consistent with the findings of Nanda *et al.* (2020). Likewise, the beta coefficients for access to capital are positive with the startup success. It indicates that access to capital has a positive impact on the startup success. This finding is consistent with the findings of Lee and Hwang (2020). In addition, the beta coefficients for networking are positive with the startup success. It indicates that networking has a positive impact on startup success. This result is consistent with the findings of Florida and Kenney (1988). Further, the beta coefficients for innovation and technology are positively related to startup success. It indicates that innovation and technology

has a positive impact on the startup success. This finding is consistent with the findings of Timmons and Bygrave (1986). Moreover, the beta coefficient for market conditions is positive with the startup success. which indicates that market condition has positive impact on the startup success. This result is consistent with the findings of Lerner (1999). In addition, the beta coefficients for government policies are positive with the startup success. It indicates that government policies have a positive impact on the startup success. This result is consistent with the findings of Islam *et al.* (2018).

Table 3 shows the estimated regression results of venture capital, access to capital, networking, innovation and technology, market conditions and government policies on economic growth in Nepal.

Table 3

Estimated regression result of venture capital, access to capital, networking, innovation and technology, market conditions and government policies on economic growth in Nepal

The results are based on 120 observations using linear regression model. The model is EG= β_0 + β_1 VC + β_2 MC+ β_3 AC+ β_4 IT+ β_5 GP +β_6 NW + e where the dependent variables (EG) economic growth. The independent variables are (VC)venture capital, (AC) access to capital, (NW) networking, (IT) innovation and technology, (MC) market conditions and (GP) government policies.

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		VC	AC	NW	IT	MC	GP			
1	0.435 (3.286) **	0.6769 (11.605) **	0.655 (8.394) **					0.369	0.513	17.455
2	0.665 (4.315) **			0.499 (7.284) **				0.304	0.539	53.052
3	0.941 (6.703) **				0.501 (6.907) **			0.282	0.547	47.712
4	0.964 (6.663) **					0.504 (6.241) **		0.242	0.563	38.941
5	0.985 (6.353) **						0.216 (2.664) **	0.057	0.049	7.095
6	1.371 (8.021) **		0.124 (1.554)					0.476	0.410	53.088
7	0.529 (3.917)**	0.548 (6.958) **	0.261 (2.966) **	0.048 (-0.430)	0.340 (2.888) **			0.300	0.470	17.984
8	0.771 (5.193) **		0.176 (1.618) *	0.149 (-1.531)	0.144 (1.834) *			0.476	0.407	28.044
9	0.478 (3.506) **	0.532 (6.329) **	0.655 (8.394) **					0.369	0.513	17.455

Notes:

i. Figures in parenthesis are t-values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

iii. Economic growth is the dependent variable.

Table 3 shows that the beta coefficients for venture capital are positive with the economic growth. It indicates that venture capital has a positive impact on the startup success and economic growth. This finding is consistent with the findings of Lerner (1999). Likewise, the beta coefficients for access to capital are positive with the economic growth. It indicates that access to capital has a positive impact on economic growth. This finding is consistent with the findings of Chatterjee and Mukherjee (2021). In addition, the beta coefficients for networking are positive with the economic growth. It indicates that networking has a positive impact on economic growth. This result is consistent with the findings of Florida and Kenney (1988). Further, the beta coefficients for innovation and technology are positively related to economic growth. It indicates that innovation and technology has a positive impact on economic growth. This finding is consistent with the findings of Timmons and Bygrave (1986). Moreover, the beta coefficient for market conditions is positive with the economic growth. which indicates that market condition has positive impact on the economic growth. This result is consistent with the findings of Köhn (2018). In addition, the beta coefficients for government policies are positive with the startup success and economic growth. It indicates that government policies has a positive impact on economic growth. This result is consistent with the findings of Jeng and Wells (2000).

4. Summary and conclusion

Venture capital is a form of private equity financing that provides funding to early-stage and high-growth companies with innovative and disruptive ideas. Venture capital is a type of financing that provides funding to companies in exchange for ownership in the company. Venture capitalists invest in companies that have the potential for high returns but also carry a high degree of risk. Governments around the globe have implemented various policies to spur VC investments (capital gains holidays, R&D subsidies etc.), which has contributed significantly to the rise of venture capital. Venture capitalists invest in companies that have the potential to become successful and profitable, and they work closely with the management team to help them achieve their goals.

This study attempts to examine the impact of venture capital on startup success and economic growth. The study is based on primary data of 120 respondents.

The study showed that venture capital, access to capital, networking, innovation and technology, market conditions and government policies have

a positive impact on startup success and economic growth. This indicates that increase in venture capital, access to capital, networking, innovation and technology, market conditions and government policies will lead to increase in startup success and economic growth. The study also concludes that the most influencing factor is venture capital followed by access to capital and networking that explains the level of startup success. Similarly, the study also concludes that the most dominant factor is venture capital followed by access to capital and networking that explains the level of economic growth in Nepal.

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