Scientific Research Publishing

Open Journal of Business and Management, 2023, 11, 3237-3254
https://www.scirp.org/journal/ojbm
ISSN Online: 2329-3292
ISSN Print: 2329-3284

Growth of Venture Capital in International Markets

Mathan Liu[1,2]

[1]Kellogg School of Management, Northwestern University, Evanston, USA
[2]Carlson School of Management, University of Minnesota, Minneapolis, USA
Email: mathanliu@gmail.com, liu02375@umn.edu

How to cite this paper: Liu, M. (2023). Growth of Venture Capital in International Markets. *Open Journal of Business and Management, 11,* 3237-3254.
https://doi.org/10.4236/ojbm.2023.116176

Received: August 23, 2023
Accepted: November 21, 2023
Published: November 24, 2023

Abstract

Venture capital (VC) has become a sizable fraction of aggregate private investment in the United States and globally. This paper examines the structure of venture capital investments as well as the benefits and drawbacks of VC investments relative to other sources of corporate financing. This paper attempts to determine and find the effect of public popularity and media interest on VC investments globally. Utilizing data garnered from the OECD, Statista and Pitchbook, this paper analyzes the increase in the amount of VC investment that has occurred globally. Furthermore, Google Trends and WeChat trends data are all standardized in order to compare the popularity of VC in countries around the world. Finally, this paper investigates the growth in VC's internationally and how this growth has related to consumer and media interest in venture capital, finding that these variables are highly correlated. This paper finds a correlation between the increasing public popularity of VC and the growth of VC internationally.

Keywords

Venture Capital, VC, Funding

1. Introduction

Venture capital plays a critical role in fueling innovation and supporting the growth of high-potential startups. While venture capital investing addresses a different portion of the market relative to traditional bank lending or other private equity, it remains subject to many of the same forces that drive other investment sectors (Gompers et al., 1998), with regulation, taxes, and economic growth rates greatly affecting VC investment activity. Despite this, early-stage venture capital is a rapidly evolving field, which has recently faced substantial

changes. One instance of this is rapid digitization of the VC process. The rise of the internet and the recent COVID-19 pandemic has caused significant changes in the communication between startups and VC firms (Bellavitis, Fisch, & McNaughton, 2022).

Another key change being made in the VC industry is one that matches up with the societal change today. Many VC firms are increasingly looking to develop sustainable products that promote the values of diversity and equity. There has been a significant push for VC firms to invest into underrepresented founders. Though minority founders were typically underrepresented in VC portfolios (Cassel, Lerner, & Yimfor, 2022), there is a more positive trend today as VCs seek out investments in such founders.

Founders have always encountered a variety of advantages and inherent disadvantages when deciding to pursue venture capital funding for their startups (Cochrane, 2005). However, these long-standing benefits and drawbacks have changed overtime and have impacted the new industries and innovations of today.

Even with the unique nature of VC investments, the economy will always have a great effect on VC investments, as is the nature of most corporate investments. That is, although VC firms are not investing into public companies, the public market still holds a sway on both the destination and the timing of VC investment (Gompers, Kovner, Lerner, & Scharfstein, 2005). **Figure 1** plots the number of IPOs (Initial public offerings) compared to the rate of venture investments in each industry (Gompers, Kovner, Lerner, & Scharfstein, 2005). This chart is significant because the correlation between IPOs and VC investments is potentially a good indicator of the success of VC investments.

This paper examines the benefits and drawbacks of VC funding and analyzes the growth of VC funding not only in the United States, but also the recent growth of VC funding internationally. This extends the work of others who have attempted to analyze the reason behind the growth in VC investment internationally (Lerner, Schoar, Shokolinski, & Wilson, 2016).

The graphs show years on the x-axis, the number of venture investments in the industry as a line calibrated on the left y-axis and the number of IPOs as bars calibrated on the right y-axis.

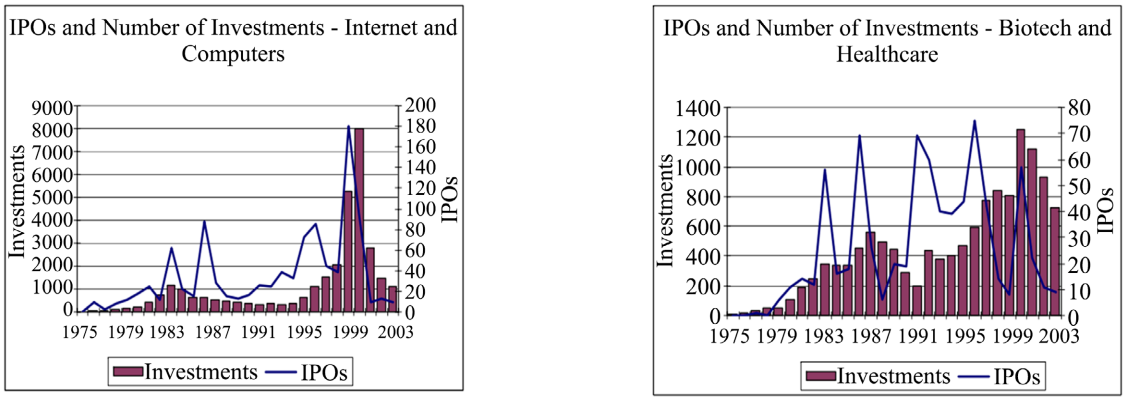

Figure 1. The graphs show the relationship between the changes in the number of IPOs and the number of VC investments occurring. (Source: Venture capital investment cycles: the impact of public markets, Gompers, Kovner, Lerner, & Scharfstein, 2005).

Furthermore, this paper also analyzes up-to-date country-specific Google trends data reflecting the prevalence of internet searches about VC as well as local news media coverage to understand trends in public perception of venture capital across countries. In order to increase accuracy, this paper uses the WeChat Index to analyze the search popularity of venture capital in China due to the ban of Google in China. This data is then compared to the rate of change in the value of VC investments over the same time period.

From this analysis, it is clear that VC investment does heavily correlate with the popularity of the concept in the media with the general populace. The charts show that the spread of the popularity of venture capital throughout the world has been accompanied by an increase in local VC investments.

2. Benefits and Drawbacks of VC Funding

2.1. Growth of VC

As seen in **Figure 2**, VC funding has grown dramatically over the past decades, buoyed by its numerous benefits relative to other funding sources (Mathur, 2022). Its most basic benefit is perhaps that venture capital provides entrepreneurs with access to substantial financial resources that are challenging to secure through traditional funding sources. This capital enables startups to fuel their growth, invest in research and development, scale their operations, and penetrate new markets. However, while VCs are often willing to provide large amounts of financing to startups without much in the way of profits or collateral, this "generosity" is not without consequence. This section will detail some of the benefits and drawbacks of VC funding.

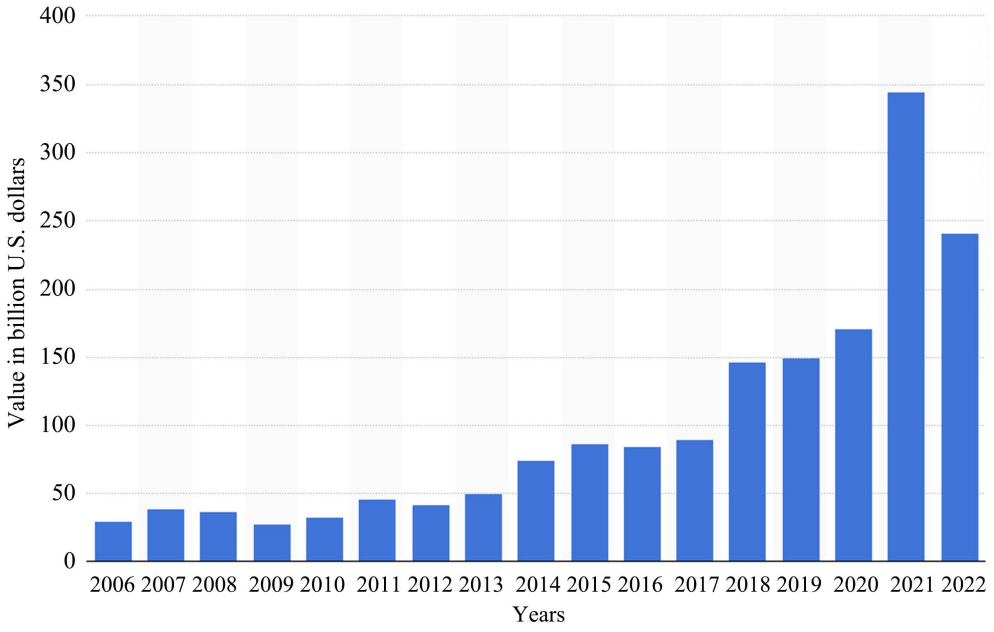

Figure 2. This graph shows the growth in aggregate deal value (in billions of USD) from 2006-2022. Source: Statista.

2.2. Benefits

2.2.1. Collateral and Cash Flows

One of the main reasons why VC funding is so sought after by entrepreneurs is because VC funding doesn't require collateral. That is, to obtain VC funding, a startup does not need to pledge any assets. A majority of deals financed by VC firms are in the technology industry—the internet, healthcare, computer hardware and services, and mobile and telecommunications (Hayes, Murry, & Jasperson, 2023). Many of these companies would find it difficult to access bank financing because of this lack of physical assets to utilize as collateral. Unlike banks, VCs rely on long-term payment via equity, allowing companies to focus on long-term growth rather than short-term profits.

2.2.2. Certification

In addition to their financial investment, VC funding can come with a visible stamp of approval to the business that they back, as well. Many VC firms are now well known for their successful portfolio companies, and being funded by one of these VC firms is shown to have a positive effect on the business itself simply through this certification (Lee & Wahal, 2004). VCs can also help to ensure that the companies they back are treated well by regulatory institutions and governments in order to help them grow. This certification cannot come from a bank loan, and is a unique benefit of VC funding.

VC backed startups will often gain far more visibility, prestige, and marketing based on the prestige of the VC firm that backed that company. A prime example of this is that of Sequoia Capital, one of the most successful VC firms in the world with investments in companies like ByteDance, Shein, Vision Energy, Canva, Stripe, Instacart, Chime, and FTX. A startup that is funded by Sequoia immediately gains recognition and credibility from potential customers, employees, and future financiers. While not every company that Sequoia invests in is a unicorn, the chances of it being one are far higher (Duggal, 2022) and valuations at the time of IPO are higher, as well (Dolvin, 2005).

2.2.3. Networking & Future Financing

Beyond their initial screening and investment, venture capitalists often bring valuable industry expertise and knowledge to the table. Their experience and guidance can assist entrepreneurs in navigating challenges, making informed business decisions, and avoiding potential pitfalls when scaling their businesses. Moreover, VC's have extensive networks comprising investors, entrepreneurs, industry professionals, and potential business partners.

Through these connections, entrepreneurs can gain valuable insights, access to industry experts, and connections to potential clients and customers that enhance their market positioning and product development strategies. These networks are often enhanced by the fact that VC firms often specialize in investing in certain industries, giving VC firms long-term experience within a certain field. These long histories of investments often lead VC firms to have massive

amounts of data and analytical systems, providing strong support for the success of a startup (Chachava, 2022). As one example, in a comparison between VC and non-VC backed firms, VC backed firms achieved large scale for both successful startups and startups that failed. There is generally more rapid growth and a lower failure rate in the near term (Puri & Zarutskie, 2012).

Finally, VC firms also provide value through new strategies that can help the companies grow (Kaplan & Strömberg, 2004). The presence of VCs on a board of directors can provide valuable strategic planning to help the business grow. While these boards represent some relinquishing of control by the entrepreneur, the common goal of the entrepreneur and the VC firm is still the same, to grow the startup.

2.2.4. Growth in Volatile Markets: Cryptocurrency and Artificial Intelligence

VC funding allows for rapid shifting of capital across industries and the utilization of novel financing techniques in the face of rapid technological change (Ewens & Farre-Mensa, 2022). As a recent case study, VC funding has played a pivotal role in fostering faster growth within the new and high-risk industries of cryptocurrency and artificial intelligence (AI) (**Figure 3**).

The tendency of VC to support innovative sectors has been noted by a wide range of both theoretical and empirical evidence. Indeed, more efficient innovation is almost always attributed to VC funding (Hellmann & Puri, 2000). In nascent and rapidly evolving sectors like crypto and AI, traditional funding sources often exhibit hesitancy due to their risk. Moreover, traditional means of financing firms may not be able to sufficiently participate in the upside of investments if using debt-financing rather than equity investments.

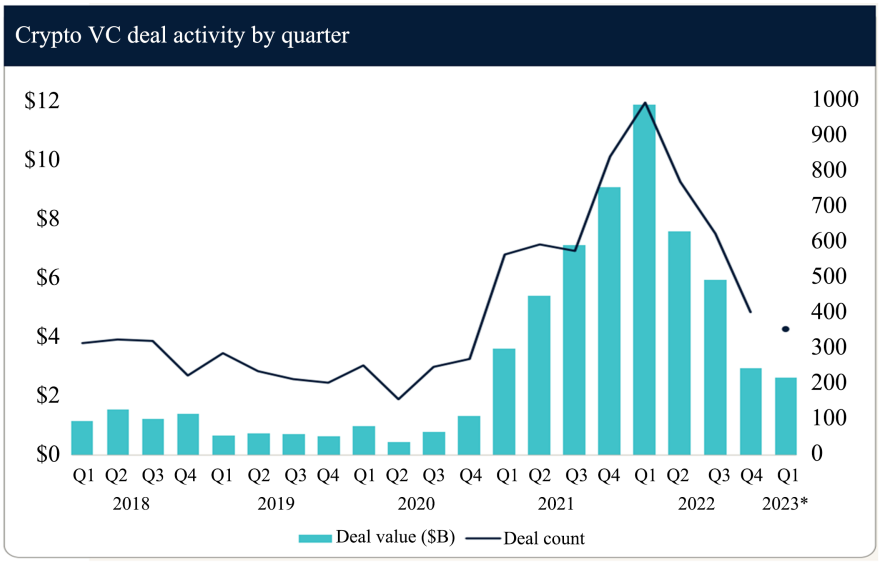

Figure 3. This graph shows on the left-hand x-axis, the total VC money invested as bars, on the right-hand y-axis the total amount of deals being made as a line, and the x-axis as the years broken into financial quarters. Source: Pitchbook.

Ultimately, VC investment helped to spur the crypto industry towards explosive growth in recent years, driven by increased scale and mainstream adoption and acceptance (Pandey & Washburn, 2023). There was a record 33 billion dollars of VC funding into startups within the cryptocurrency and block chain space in 2021 (Semenova, 2022; Reguerra, 2023). However, despite the vast potential of this industry, crypto firms still need to overcome challenges, including regulatory uncertainties and technological hurdles.

2.3. Drawbacks

This ultimately leads to some of the drawbacks of VC funding. Many of these downsides are driven by the unique nature of the venture capital industry itself. Venture capital differs greatly from the risk and return profile of bank lending. Since VC firms expect high returns and understand the riskiness of their investments, they rely on obtaining large amounts of equity to ensure high fund returns (Cochrane, 2005). This sale of equity creates large amounts of "dilution" of ownership for the founders (**Figure 4**). The equity for the founder faces significant cuts every single round of investment while the equity of the investor continues to grow at an exponential rate.

2.3.1. Equity/Control Rights

VCs will often still retain strong negotiating power by virtue of their experience with contracts. This imbalance in not only skill but also knowledge of financing and term sheets can cause founders to give up far more equity of their company than is necessary.

While the market is currently entering a VC investment downturn where investment terms may become more investor friendly, recent years have featured highly founder-friendly terms driven by intense VC competition for deals (**Figure 5**). VC firms see the value especially of investing in a good company and

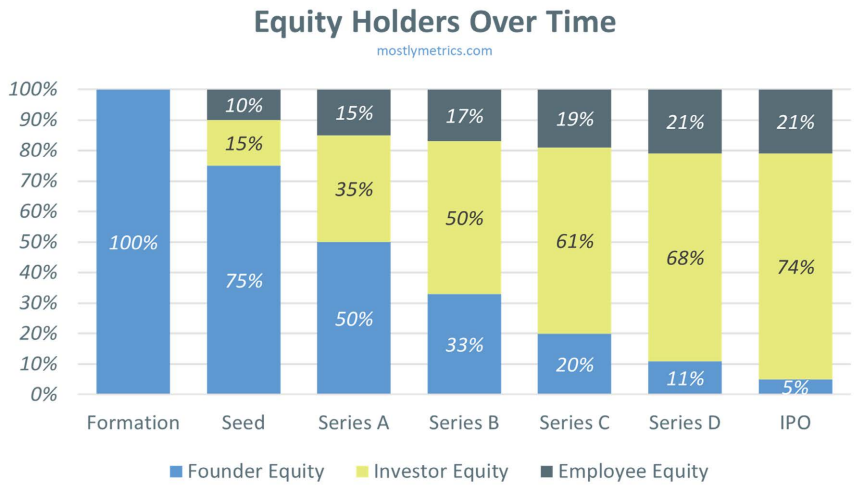

Figure 4. This graph shows the amount of equity each party and how it changes through each investment round. Source: Sinha, 2023.

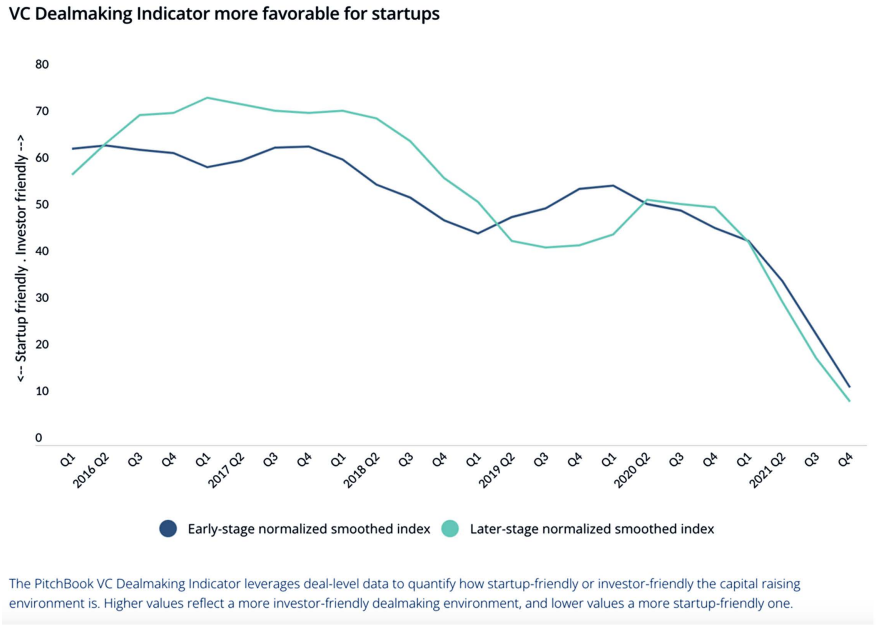

Figure 5. This graph shows on the left-hand x-axis, whether the investment is startup friendly or if it is investor friendly, the y-axis shows the years broken into financial quarters. Source: Pitchbook.

have become more founder friendly to win deals with these new startups. Startup founders retained far more equity and control in their companies especially in terms of voting rights and the board of directors, driven by the bigger amounts of capital available in private markets relative to the past (Ewens & Farre-Mensa, 2022).

Another issue arises because generally the VC firms are the minority shareholders in these startups and thus demand board seats as well as control and veto rights, as well. Even if the equity in deals may be lower for VC firms today, their power over the company is still large. Therefore, VC firms get far more value than their ownership fraction may imply (Gornall & Strebulaev, 2019).

With all of these extra rights and protection for the VCs, one may expect that their returns would be extremely high. However, average VC returns and market returns are not very far off. Most of these startups fail or return only a small amount of capital to VCs (Cochrane, 2005). Especially since VC firms tend to invest in companies that are mere concepts, these chances of failure become even greater.

2.3.2. Bias in Investing

The risk of VC can also lead to a heavy bias in where firms are investing. Despite efforts to foster diversity and inclusion, the VC industry has faced criticism for its lack of representation and bias in funding decisions. This bias can manifest in various ways, including racial, gender, and cultural biases, and it can have significant implications for the allocation of funding and the opportunities afforded to entrepreneurs.

Female entrepreneurs often face systemic obstacles in accessing venture capital as compared to their male counterparts. Studies have shown that female-led startups receive a disproportionately small share of VC funding. This gender bias is also evident in the underrepresentation of women partners in VC firms, potentially leading to a lack of diverse perspectives in investment decisions (Solal Snellman, 2023). For instance, in Gompers and Calder-Wang (2021), the authors utilize data on the gender of the children of VC general partners and find that partners with female children lead to better gender diversity in investment decisions and tend to improve deals and fund performances.

Similarly, black, Hispanic, and other minority entrepreneurs often encounter greater challenges in securing funding. Minority-led startups receive a disproportionately small portion of VC investments, even when controlling for other factors. The lack of diversity in VC firms may contribute to these biases and can perpetuate disparities in funding opportunities. Cassel, Lerner, and Yimfor (2022) investigate this issue, finding that the ability of minority groups to raise capital increases during periods of high racial awareness and when the chief investment officers of local public pension plans and endowments are minorities. Together, the results support the hypothesis that the modest representation of Black and Hispanic-owned firms in VC stems at least partially from the nature of investor demand.

2.3.3. Conflicting Incentives

VC financing requires startups to relinquish a portion of their equity in exchange for funding. Founders need to navigate the balance between retaining control over their vision and accepting the expertise and strategic direction offered by venture capitalists. There is also a huge amount of exit pressure as VC's operate within a fixed time frame and expect an exit strategy through an IPO or acquisitions. This pressure to deliver returns within a limited time can result in conflicts of interest between entrepreneurs and venture capitalists, potentially impacting long-term strategic decisions. While trust is extremely important for VC investments, it seems that these same firms will do whatever it takes to make the best deal for the firm (Bottazzi, Da Rin, & Hellmann, 2016). The motivation of the founder can often decrease if the VC firm is aiming for a quick IPO and not building the company for long-term growth.

2.3.4. Corporate Governance

Numerous studies and observations suggest that venture capital (VC) funding, while often celebrated for fueling innovation and entrepreneurial growth, can inadvertently lead to detrimental corporate governance practices. The intense focus on rapid expansion can compel executives to overlook crucial aspects of corporate governance, such as transparent decision-making processes and effective checks and balances.

VC investors also tend to exert considerable influence on the board of directors, potentially leading to conflicts of interest and favoring decisions that max-

imize returns for investors, rather than prioritizing the well-being of all stakeholders.

Other issues can arise when VCs are sidelined by powerful entrepreneurs, as well. For instance, several VC-backed firms have recently issued non-voting stock to avoid any dilution of control when raising additional funding. This practice has even continued into public markets. With little in the way of external oversight, firms like WeWork and Theranos have undergone widely publicized crises of leadership.

3. Methods

While analyzing the relationship between the growth in popularity of VC and the growth of VC investments, this paper utilizes numerous forms of data and trackers in order to most accurately determine the popularity and growth of VC. This section explains where data utilized in the study came from, as well as how that data is cleaned, and visualized.

In order to understand the growth of VC investments themselves, this paper utilized official OECD data for the countries analyzed within the OECD (OECD, 2023). Outside of the OECD data, Statista and Pitchbook data fill in any gaps for certain countries. The data garnered from these statistics showed the rate of change of the value of venture capital investments and was plotted in Excel to be visualized.

This paper utilizes the data to analyze correlations between the growth of VC investments internationally and its popularity in a given country. The primary analysis in this paper comes from the countries with the largest VC funding markets based on a 2021 ranking (**Figure 6**). These countries include the United States, China, the United Kingdom, India, Germany, and Brazil. These countries not only represent almost all corners of the globe, but also represent the locations where VC growth has been most prevalent.

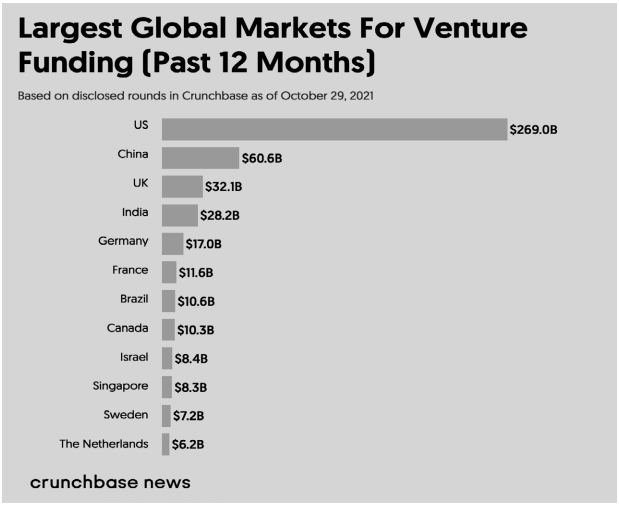

Figure 6. Chart shows the countries with the greatest amount of venture funding within the past twelve months (2021). Source: Crunchbase News.

Below, Figure 7 plots the annual rate of change in the value of VC investments over a period of fourteen years. The data for the United States, France, and Germany come from OECD data, while the data for China, India and Brazil come from independent statistics and data reporting services like Statista and Pitchbook.

To determine the popularity of VC investments, this paper uses Google Trends to determine how consumer search for various venture capital related terms has changed over time. Due to the ban of Google in China, Google Trends will yield biased Chinese search results. This paper utilizes WeChat Index, a search trend data analyzer, in order to see the popularity of VC investments in China. Furthermore, outside of search trends, local newspaper coverage of VC investment and related topics in a number of countries is also analyzed.

Google Trends is the first indicator used to determine the popularity of VC across countries. The boolean search feature of Google Trends is used to combine numerous search terms and build a more accurate model of VC-related search. The sort and filter feature is used in order to compare countries, as well. Google Trends allows me to analyze nearly all countries globally. However, with the ban on Google in China, the Google Trends data is not an accurate reflection of the popularity of VC investments in China. Therefore, this paper uses WeChat Index to analyze the popularity search trends in China. WeChat is one of the most popular social media platforms in China and is consistently used throughout China as well as outside of China.

Furthermore, outside of internet search, a database of newspaper articles is used to analyze how many local newspaper articles are written about venture capital or venture capital related keywords in each country. These data analysis points give the best picture of the popularity of a venture capital in each country as they provide information on a general consumer audience as well measuring the extent to which large news companies cover VC-related topics, as well. The data represented is the percent of newspaper articles written about VC out of all of the total newspapers published in that country. The data is then visualized using Excel which is represented in Figure 8.

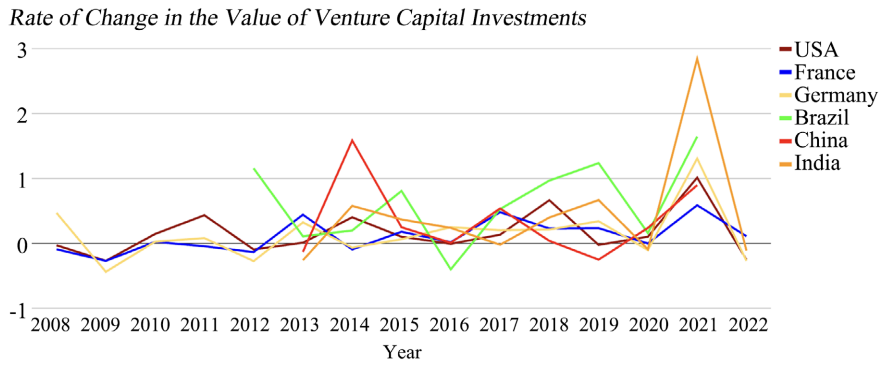

Figure 7. Chart shows the rate of change each year in the value of VC investments in the U.S., France, Germany, China, India, and Brazil. Visualized in Excel.

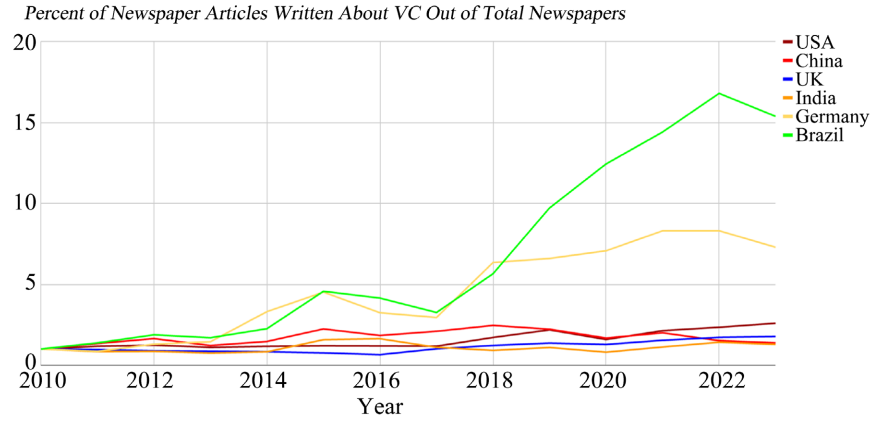

Figure 8. Percent of newspaper articles about VC investment overtime. Visualized in Excel.

For the Google Trends data which encompasses all of the countries shown in the graph, excluding China, the keywords utilized include, "Venture Capital" + "private equity" + "startups" + "Venture Investing" + "Venture Capitalist." Many more terms were tested, but, constrained by a maximum limit of 5 keywords in Google Trends, these words were chosen due to their prevalence and low levels of false-positive searches. For the WeChat Index, there is a limit of only one keyword/phrase and the term "Venture Capital" is utilized (translated to Chinese as "风险投资"). The translation results in a high number of searches for venture capital and an increasing overall trend with significant jumps every few months.

The data for both Google trends and WeChat Index now needs to be standardized and cleaned. In order to maintain accuracy in the results between the two databases, the data in the WeChat Index was converted to the same one to one hundred scale that Google trends utilizes (**Figure 8**). Google trends normalizes the search data to a certain time and location. This is done through dividing each data point by the total searches based on the criterias of geography and time range to show the relative popularity of a keyword. These resulting numbers are then scaled on a range of 0 to 100 based on a topic's proportion to all searches on all topics.

The WeChat Index allows the user to examine search activity only during the past year. The WeChat Index gives the raw amount of searches about a certain keyword for its data and charts. This is helpful in looking at the sheer number of searches, but does not match with the 0 - 100 scale of Google Trends. Therefore the WeChat Index data was standardized to the same scale using the following formula. The values are then translated to a scale between zero and one hundred and displayed in the figure above.

$$zi = \left(xi - \min\left(x\right)\right) / \left(\max\left(x\right) - \min\left(x\right)\right) * 100 \quad (1)$$

zi: The ith normalized value in the dataset.

xi: The ith value in the dataset.

min(x): The minimum value in the dataset.

max(x): The maximum value in the dataset.

Equation (1) is the used to normalize each value in a data set to a scale of 100 by taking each value minus the minimum value in the dataset and having the divisor be the maximum value in the dataset minus the minimum value in the dataset and finally multiplying by 100.

In order to reduce error and bias in the analysis, the trends will be analyzed on a year by year basis where each year the amount of searches and newspaper articles about VC will be matched up with the growth in VC investment that year. In that, two generally trending upwards graphs cannot simply be attributed to be causing each other without proper evidence, but if they are matched year by year and match well, there is a high probability of a correlation.

Overall, the data that has been compiled will be utilized in the analysis into the growth in VC in the U.S. and abroad as well as the correlation between general popularity in the media and real growth.

4. Growth in VC in the US and Abroad

Venture capital was a largely American phenomenon that took flight during the Gilded Age of American history. Their risky investment strategy gained large appeal throughout the United States, and eventually, due to globalization and numerous other factors (Aizenman & Kendall, 2012), VC investment grew to be an international phenomenon.

4.1. VC Investment Growth

In this section, this paper will analyze the growth of VC investments globally in relation to its popularity globally. This section will analyze whether popularity in venture capital has coincided with international growth in VC investments throughout the past two decades across startup, early, and late-stage rounds.

Overall, venture capital investment has witnessed significant growth globally, with increased funding volumes across various regions (Ernst & Young, 2023) (**Figure 7**). This trend is driven by the emergence of new startups, technological advancements, and the search for high-potential investment opportunities. Venture capital firms are increasingly engaging in cross-border investments, targeting promising startups and entrepreneurial ecosystems beyond their home countries. This trend reflects the global nature of innovation and the search for high-growth potential companies worldwide. Emerging markets, such as China, India, and Southeast Asia, have witnessed a surge in venture capital investments (Bain, 2022; Liu, 2022). These markets offer large consumer bases, untapped opportunities, and favorable regulatory environments (Glasner, 2021).

Indeed, all of the figures show substantial growth in VC investments before 2021. However, the OECD data which goes to 2022 indicates a large drop in VC investments. There are numerous causes for this decrease from overall economic

slowdown to the decrease in fund formation which can be attributed to limited partners who have exhausted their investment capacities for 2022 (Grabow, 2023). Furthemore, the denominator effect was likely a cause of the decrease in fund formations. The denominator effect refers to the impact of changes in the value of an investor's total portfolio on their allocation to specific asset classes, such as venture capital. As the overall portfolio value decreases, the allocation to VC investments may appear larger than intended, leading to hesitancy in committing more funds to venture capital. Because of this decrease venture capitalists are adopting a more cautious stance and taking longer periods to make investments compared to the prior year.

Furthermore, recent events can also cause specific reasons for the drop in VC investments in certain countries. The VC market overall in China has grown exponentially, but the recent dip can be partially explained by the increasing tensions between China and the West. Numerous large venture capital firms have decided to split off from China. For instance, Sequoia Capital split up its funds and split off its China division (Yamada, 2023). These large splits in venture capital firms could explain the recent increases in local VC investing in other countries rather than just relying on U.S. and European VC funding.

4.2. VC Search Popularity and News Coverage

It is clear that growth in VC investments globally has occurred. However, does public popularity of venture capital play a role in this significant growth in VC investments? This section utilizes numerous internet search trend indexes and newspaper attention related to venture capital to determine whether public popularity has an effect.

In general, based on **Figure 8**, the interest reflected by online consumer search is going up. For the OECD countries represented in the chart, it appears that the popularity of VC in those countries is going up rather steadily, while China has had a significant increase in VC even within the last year. For India, the popularity of VC seems to be shifting quite often with a slight declining trend until 2020, and then a spurt of popularity in 2022. This peculiar pattern of popularity could make sense as the large growth in popularity matches almost exactly with India's real growth in the value of VC investments in 2021.

Finally, **Figure 9** shows the fraction of newspaper and newswire articles in a country that discuss VC investment in a given year. In the United States the trend remains similar to that of Google Trends and there is an overall positive trend. Brazil also has a positive trend with especially huge increases after 2017. Other OECD countries like the UK and Germany have seen steady increases.

However, one outlier in this case is China, despite a growth in popularity which can be seen in WeChat Index, there is surprisingly a slight decrease in the amount of newspapers about venture capital in China in recent years. Similarly, India is also seeing a decreasing trend and matches that of China's decrease in newspaper articles about VC investments.

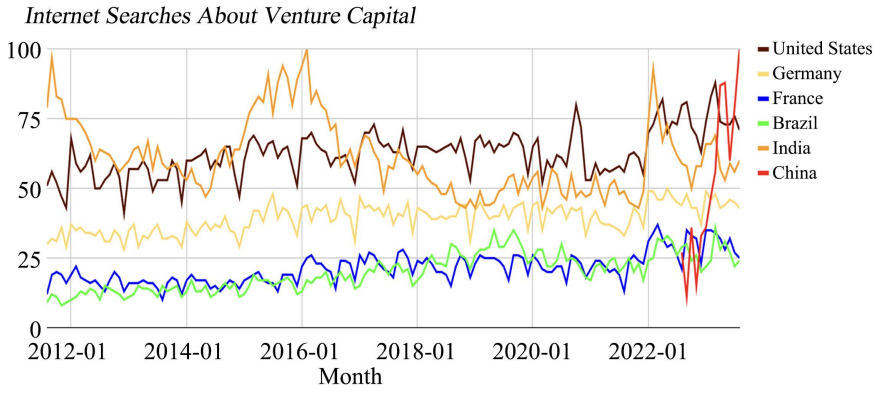

Figure 9. Google Trends and WeChat Index data overtime showing the search activity based on certain keywords relating to VC.

Venture capital is not only growing as a class of investment, but also in the popularity within news and consumer attention. Both **Figure 8** and **Figure 9** indicate a steady increase in the popularity of VC across a range of large countries. **Figure 7** substantiates that this growth in the value of investments in VC has grown almost directly in correlation with the popularity. Interestingly the amount of newspaper articles correlates far better to the real growth of VC than the search trends in Google and WeChat. This could be because the newspapers are publishing articles after there is a significant increase in VC investment.

However, the popularity in search trends could also influence the public markets and therefore influence the actual VC investments themselves. Gompers, Kovner, Lerner, and Scharfstein (2005) analyze the impact of the public market on VC investments. Their paper indicates that there is a degree of influence that the public markets have on VC firms and their investments. This analysis likely proves that this influence of public markets is still true, but also has caused the internationalization of VC investments. In this case the popularity of VC likely has spread through the internet and as the popularity of VC grows in these countries, so does the value of investments in VC overtime.

The benefits of VC have seemingly been shown as an important part to growing a startup across the world. Despite the large number of drawbacks, the international popularity of VC in the media and the general searches of the populace have accompanied a huge growth of local and international VC investments.

4.3. Discussion

This discussion section will analyze the implications of the data presented, potential influencing factors on venture capital investments, and look at potential importance of this research for the future of VC.

The data presented in **Figures 7-9** highlight a substantial global growth in VC investments over the past two decades. The growth is evident across various regions, including emerging markets like China, India, and Southeast Asia, characterized by a surge in VC investments due to large consumer bases, untapped opportunities, and favorable regulatory environments. The analysis of VC search

popularity and news coverage suggests a correlation between public interest and the growth of VC investments. Online search trends and newspaper attention seem to align with the trajectory of VC investments, indicating a potential influence of public sentiment on VC markets. Gompers et al. (2005) support this notion, emphasizing the influence of public markets on VC investments and the role of popularity in shaping investment patterns.

Looking ahead, it is likely that the global landscape of VC investments will continue evolving, influenced by a complex interplay of factors. The trends suggest a strong correlation between public interest, news coverage, and the growth of VC investments. As information accessibility and public awareness increase, the popularity of VC is expected to influence investment decisions, potentially leading to further growth in the VC market. However, continued geopolitical tensions and economic fluctuations may pose challenges, necessitating adaptive strategies to sustain and enhance VC investments globally. It remains essential for policymakers, investors, and entrepreneurs to monitor these trends and adapt strategies to navigate the dynamic landscape of venture capital. Founders and startups should take into consideration global politics and events as well as the popularity of VC before deciding to gain investment through the venture capital world.

5. Conclusion

Venture capital has been growing significantly in recent times and has numerous benefits for entrepreneurial firms. This paper discusses how VC typically targets pre-profit startups with asset-light models, market advantages, certifications, and new networks and connections to foster efficient growth. This paper also addresses the drawbacks of VC such as a loss of high amounts of equity and subsequent corporate governance issues. Outside of the business itself, VC firms have been shown to exhibit bias against minorities when investing. These benefits and drawbacks have not stopped venture capital from becoming a massive industry in the United States and from growing internationally, as well.

This paper also sheds light on the intricate relationship between venture capital (VC) investments, media coverage, and public interest across countries. By analyzing search data from Google and WeChat, alongside the fraction of newspaper articles related to VC investment, numerous significant relationships between public popularity and private investment can be found. The findings underline the significance of media representation in tandem with actual VC growth. The parallel ascent of VC popularity and investment value on a global scale points to the intricate interplay between the two factors. China serves as a compelling case study, demonstrating how heightened local VC investments can occur in the face of geopolitical complexities.

Acknowledgements

Scott R. Baker, thank you.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

References

Aizenman, J., & Kendall, J. (2012). The Internationalization of Venture Capital. *Journal of Economic Studies, 39,* 488-511. https://doi.org/10.1108/01443581211259446

Bain (2022, March 30). *India Venture Capital Report*. https://www.bain.com/insights/india-venture-capital-report-2022/

Bellavitis, C., Fisch, C., & McNaughton, R. B. (2022). COVID-19 and the Global Venture Capital Landscape. *Small Business Economics, 59,* 781-805. https://doi.org/10.1007/s11187-021-00547-9

Bottazzi, L., Da Rin, M., & Hellmann, T. (2016). The Importance of Trust for Investment: Evidence from Venture Capital. *Review of Financial Studies, 29,* 2283-2318. https://doi.org/10.1093/rfs/hhw023

Cassel, J., Lerner, J., & Yimfor, E. (2022). *Racial Diversity in Private Capital Fundraising*. https://doi.org/10.3386/w30500

Chachava, A. (2022, October 17). *9 Ways a Venture Capitalist Can (and Should) Help Startup Founders after Closing the Deal*. Entrepreneur. https://www.entrepreneur.com/starting-a-business/9-ways-a-venture-capitalist-can-and-should-help-startup/434578

Cochrane, J. H. (2005). The Risk and Return of Venture Capital. *Journal of Financial Economics, 75,* 3-52. https://doi.org/10.1016/j.jfineco.2004.03.006

Dolvin, S. (2005). Venture Capitalist Certification of IPOs. *Venture Capital, 7,* 131-148. https://doi.org/10.1080/1369106042000335601

Duggal, S. (2022, September 6). *Sequoia Most Successful Global Startup Investor*. Entrepreneur. https://www.entrepreneur.com/en-in/news-and-trends/sequoia-most-successful-global-startup-investor/434758

Ernst & Young (2023, May 29). *Q4 2022 Venture Capital Investment Trends*. https://www.ey.com/en_us/growth/venture-capital/q4-2022-venture-capital-investment-trends

Ewens, M., & Farre-Mensa, J. (2022). Private or Public Equity? The Evolving Entrepreneurial Finance Landscape. *Annual Review of Financial Economics, 14,* 271-293. https://doi.org/10.1146/annurev-financial-101821-121115

Glasner, J. (2021, November 2). *These Countries Have the Most Startup Investment for Their Size*. Crunchbase News. https://news.crunchbase.com/startups/countries-most-startup-investment/

Gompers, P. A., & Calder-Wang, S. Q. (2021). And the Children Shall Lead: Gender Diversity and Performance in Venture Capital. *Journal of Financial Economics, 142,* 1-22.

Gompers, P. A., Kovner, A., Lerner, J., & Scharfstein, D. S. (2005). *Venture Capital Investment Cycles: The Impact of Public Markets*. https://doi.org/10.3386/w11385

Gompers, P. A., Lerner, J., Blair, M. M., & Hellmann, T. (1998). What Drives Venture Capital Fundraising? *Brookings Papers on Economic Activity. Microeconomics, 1998,* 149-204. https://doi.org/10.2307/2534802

Gornall, W., & Strebulaev, I. A. (2019). Squaring Venture Capital Valuations with Reality.

Journal of Financial Economics, 135, 120-143. https://doi.org/10.2139/ssrn.2955455

Grabow, J. (2023, July 27). *Venture Capital Investment Remains Slow as Market Seeks New Normal*. https://www.ey.com/en_us/growth/venture-capital/q2-2023-venture-capital-investment-trends

Hayes, A., Murry, C., & Jasperson, H. (2023, July 15). *Venture Capital: What Is VC and How Does It Work*? Investopedia. https://www.investopedia.com/terms/v/venturecapital.asp

Hellmann, T., & Puri, M. (2000). Venture Capital and the Professionalization of Start-Up Firms: Empirical Evidence. *Journal of Finance, 57,* 169-197. https://doi.org/10.2139/ssrn.243149

Kaplan, S. N., & Strömberg, P. (2004). Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses. *The Journal of Finance, 59,* 2177-2210. http://www.jstor.org/stable/3694821 https://doi.org/10.1111/j.1540-6261.2004.00696.x

Lee, P. M., & Wahal, S. (2004). Grandstanding, Certification and the Underpricing of Venture Capital Backed IPOs. *Journal of Financial Economics, 73,* 375-407. https://doi.org/10.1016/j.jfineco.2003.09.003

Lerner, J., Schoar, A., Sokolinski, S., & Wilson, K. (2016). The Globalization of Angel Investments: Evidence across Countries. *Journal of Financial Economics, 127,* 1-20. https://doi.org/10.3386/w21808

Liu, C. (2022). *China Venture Funding Hits Record $131 Billion Despite Crackdown*. Bloomberg. https://www.bloomberg.com/news/articles/2022-01-09/china-venture-funding-hits-record-131-billion-despite-crackdown

Mathur, P. (2022). *Six Charts That Show 2021's Record Year for US Venture Capital*. Pitchbook. https://pitchbook.com/news/articles/2021-record-year-us-venture-capital-six-charts

OECD (2023). *Venture Capital Investments*. https://stats.oecd.org/Index.aspx?DataSetCode=VC_INVEST

Pandey, S., & Washburn, M. (2023, April 13). *VCs Investment into Crypto Firms Falls in the First Quarter of 2023*. BeInCrypto. https://beincrypto.com/vc-investment-crypto-firms-falls-first-quarter-2023/

Puri, M., & Zarutskie, R. (2012). On the Life Cycle Dynamics of Venture-Capital- and Non-Venture-Capital-Financed Firms. *The Journal of Finance, 67,* 2247-2293. https://doi.org/10.1111/j.1540-6261.2012.01786.x

Reguerra, E. (2023, May 12). *Crypto VCs Made $2.6B Worth of Deals in the First Quarter of 2023*. https://cointelegraph.com/news/crypto-venture-capital-investment-q1-2023-report-pitchbook

Semenova, A. (2022, January 10). *Crypto Startups Draw Record VC Money, May Lead to More IPOs in 2022*. Yahoo Finance. https://finance.yahoo.com/news/crypto-startups-get-record-amount-of-vc-money-may-lead-to-more-ip-os-in-2022-185523469.html

Sinha, R. (2023, June 12). *The Pros and Cons of Venture Capital Funding for Startups*. Kontactr Blog. https://kontactr.com/blog/the-pros-and-cons-of-venture-capital-funding-for-startups

Solal, I., & Snellman, K. (2023, February 1). For Female Founders, Fundraising Only from

Female VCs Comes at a Cost. *Harvard Business Review*. https://hbr.org/2023/02/for-female-founders-only-fundraising-from-female-vcs-comes-at-a-cost

Yamada, R. (2023). *Sequoia Capital's Split-Off of China Business Spurred by Sino-U.S. Rift*. https://asia.nikkei.com/Business/Finance/Sequoia-Capital-s-split-off-of-China-business-spurred-by-Sino-U.S.-rift