

IMPACT OF INSTITUTIONAL FRAMEWORK ON ECONOMIC GROWTH THROUGH VENTURE CAPITAL IN EMERGING MARKETS

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ABSTRACT

Venture capital is a private equity capital. It is a financial intermediary and its role is to take investors' capital and invest in private companies. Venture capitalists (VCs) usually invest in young high-technology companies with the potential to quickly grow large. Investors usually look for growing region and countries with GDP growth for a VC investment. It has been observed by many experts in the area that emerging markets countries have been trying to undertake domestic reforms to support sustainable economic growth as well as creating an ideal environment for the development of entrepreneurship. However, venture capital industry is still under development in emerging markets. The institutional framework in regards to regulatory, legal, and venture capital culture has to be well established in order to support venture capital in emerging market countries. Unfortunately, there is still lack of institutional framework in these countries. Aim of this research is to examine the tri-angle relationship between venture capital, economic growth, and legal framework. Therefore, this research is divided into groups based on the factors that affect venture capital in emerging markets to examine behavior of venture capitalists in emerging markets. As a conclusion, based on the findings, this research is concluded by determining how legal framework affects behavior of venture capitalists, and in return how behavior of venture capitalist helps economic growth in emerging markets.

Keywords: *Venture Capital, Economic Growth, IPO, Emerging Markets, Regulation, Legal framework, Entrepreneurship*

JEL classification: *G24, G28, G32, L51, M13, M16, O43*