

The research overview of venture analysis and performance evaluation of the government emerging industry venture capital guide fund

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Abstract: This research overview discusses the venture analysis and performance evaluation of the government emerging industry venture capital guide fund. This paper bases on the domestic and overseas research overviews of the government emerging industry venture capital guide fund. Then this paper discusses the definition and theoretical foundation of the government emerging industry venture capital guide fund. This paper argues that if we can establish the performance evaluation of the government emerging industry venture capital guide fund, the government emerging industry venture capital guide fund will promote both venture capital and China's economy.

1. Introduction

The party and the government has always attached great importance on how to give great impetus to mass peoples start up business and innovation. The government is the important main part and impetus of the emerging industry venture investment field. The government could provide policy, legislation and other help for the emerging industry venture capital investment in order to overcome the issues of market failure. The first national administrative regulation about venture capital 《The Guide about Establish and Operate the Venture Capital Criterion》 published on 18th, October, 2008.

¹It represents that the government of China begins to pay more attention on the venture capital. The government hopes to promote the emerging industries by the way of establishing the government venture capital guide fund. The state council published a guide 《The state council guide about giving great impetus to mass peoples start up business and innovation》 (The state council issued [2015] 32) on 11th, June, 2015. ²This guide has indicated that the government will promote the emerging industry venture capital guide fund. The government emerging industry venture capital guide fund has some characters of mother funds. The venture capital guide fund can give play to the development of China's emerging industry. The venture capital guide fund can also give play to leverage effect of financial fund. So how to prevent the risk of the fund and establish the performance evaluation index are the importance parts of the fund operate. Therefore, this paper's research focuses on the venture analysis and performance evaluation of the government emerging industry venture capital guide fund.

2. The definition of the government emerging industry venture capital guide fund

The first national administrative regulation about venture capital 《The Guide about Establish and Operate the Venture Capital Criterion》 published on 18th, October, 2008. It represents that the government of China begins to pay more attention on the venture capital. This file first gives the definition of guide fund. Guide fund is policy introduced fund which is established by government. The goal of this pattern of fund is to support the emerging industries and to lead social funds into the venture capital field.

The emerging industry venture capital guide fund does not work on the venture capital directly. The purpose of the venture capital guide fund is to give play to leverage effect of financial fund and to increase the supply of venture capital investment. The government hopes to overcome the market

failure of venture capital investment when the venture capital investment works only in the market disposition. The government encourages the guide fund to invest the new high-tech enterprises which are been in the period of seed stage or initial period.¹

3. Venture investment fund risk management of the domestic and foreign related research

The normal operation mode of the government emerging industry venture capital guide fund is principal-agent relation. The government、the administrative department and the venture capital companies are all the grantors. That is to say, the government invests the administrative department of the guide fund. Then, the administrative department invests the venture capital companies. At last, the venture capital companies invest new high-tech pioneering enterprise. So the risks of this principal-agent relation focus on the information asymmetry and the relationship of principal-agent relation. Thus the research of risk management of the guide fund is also focus on these two parts.

3.1 About information asymmetry

G.Akerlof、M.Spence and J.E.Stigjiz began to research information asymmetry from 1970s. Information asymmetry may generate two effects-- adverse selection and ethical risk. These problems are also in the field of the government emerging industry venture capital guide fund. Kefan Xie and Qing Yang(2004) considered that the expensive cost of information generated adverse selection. So we should reduce the cost of Information in order to solve the problem of adverse selection. Based on the above reasons, the market should establish and improve the system of information transfer and information screening.³ Wanshou Li(2005) considered that the guide fund should let the cost of ethical risk more expensive than the earnings of ethical risk. Only in this way can reduce the ethical risk of venture capital firms. So the entrepreneurs should give more stimulate of share profit option than the profit of ethical risk. Thus the guide fund should distribute the income from investment reasonable.⁴

3.2 About the relationship of principal-agent relation

The modern conception of principal-agent relation is put forward by Ross on 1973. Judging from the domestic related research, Fangri Hu and Yi Cao(2010) considered that the government venture capital guide fund existed dual principal-agent relation. One agency was the relationship of principal-agent relation between the guide fund and venture capital institutions. Another agency was the relationship of principal-agent relation between venture capital institutions and enterprises.⁵ Motivation theory is the efficient path to resolve the problems of principal-agent relation.

4.Venture capital fund performance evaluation of the domestic and foreign related research

The conception of the government emerging industry venture capital guide fund is first put forward in the state council file--The state council guide about giving great impetus to mass peoples start up business and innovation (The state council issued[2015]32).There are little study on the government emerging industry venture capital guide fund, so use the study of venture capital guide fund instead.

4.1 Foreign scholars research on performance evaluation of venture capital fund

The government venture capital guide fund comes from abroad, so the foreign scholars` study on guide fund is more early than the domestic scholars. Boyns(2005) analyzed the enterprise investment scheme(EIS) and the ventral capital trusts(VCT) of Britain. He evaluated the two funds` performance on the aspects of company's profitability、company's survival and company management.⁶Anthony(2004) structured the performance evaluation index of Yozma of Israe. The evaluation index involved the following index: the management of the total capital scale、the proportion of investment success、exit mechanism、the guide and exemplary role of the government venture capital guide fund.⁷ Cumming(2007) studied the performance of innovation investment fund of Australian. The performance indicator system mainly included the following index: investment for

the first time at which the invested enterprise life cycle phase、 investment industry、 the scale of investment portfolio、 financing channels、 withdrawal ways and withdrawal mechanism.⁸ Munari and Toschi (2010) put forward a viewpoint that we should consider the regional economic level and development characteristic when we evaluated the performance of the venture capital guide fund.⁹

4.2 Domestic scholars research on performance evaluation of venture capital fund

The first national administrative regulation about venture capital is 《The Guide about Establish and Operate the Venture Capital Criterion》 (The state council issued[2008]116)published on 18th, October,2008. This guide first standardised the concept、 characters、 purposes、 operation principles、 operation mode、 management of the venture capital guide fund. So the study of the guide fund of Chinese scholars mainly started in this period.Jianjun Jiu(2009) argued that the performance evaluation of the guide fund should included three parts: the social capital amount of leading into the field of venture investment、 the sub-funds` effect of promoting innovation entrepreneurship and enlarging social obtain employment、 the sustainable development of the guide fund.¹⁰ Weiwei Sui(2008) put forward a evaluation system of risk investment. The evaluation system included six first indexes and twenty-one sub-indexes. The first indexes were market factors、 technology and product factors 、 exit mechanism 、 management ability 、 income from investment and regional impact.¹¹ Lei Chen(2011) studied on the principal-agent relation between guide fund and venture capital firms. Lei Chen made use of the motivation model to analyze the venture capital fund and evaluate the operation performance of the guide fund.¹² Hongjiang Li and Jufang He(2012)argued that performance evaluations can also reduce the loss of the efficiency coming from no property constraints and the incomplete information. The performance evaluation to the managers of the venture capital guidance fund should focus on policy guidance and establish a complete index system.¹³ Jin Gu(2015)based on the characteristic of venture capital guide fund, and than a performance assessment system of venture capital guide fund is introduced in the paper. This assessment consisted of three aspects: policy effect, economic effect and management effect.¹⁴

5. Conclusions

Foreign scholars have analyzed the venture capital guide fund from multiple perspectives. And they has established the initial risk analysis method and the performance analysis system of the fund. The domestic scholars' research started relatively late and the research results were less. The domestic scholars have not established the risk analysis methods and the performance analysis system which have suited for the reality China. In recent years, the government has been exploring how to manage the government emerging industry venture capital guide fund and evaluate the performance of the fund. After several years of development, the government emerging industry venture capital guide fund has got a lot of achievements. In the future, the Chinese government emerging industry venture capital guide fund should take example by foreign experience and lessons as well as China ' s actual situation. The government hopes the emerging industry venture capital guide fund should promote the development of China's economy.

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