Chapter 11

Dot.com Price Bubble for the Venture Capital Growth of Digital Companies

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ABSTRACT

Today, innovation performance is an important determinant of competition power and national progress. In the beginning of major innovation, new firms are created to benefit from new digital technologies, and investment and employment in the related industries is increasing. Venture capital (VC) plays an important role in financing venture businesses in the high digital technology sector. The VC market is now accessible at any point in history for ventures. Partly due to the rise of digital entrepreneur incubators, risk capitalists have spread throughout the spectrum. The new digital technology creates an almost constant balloon known as "tech bubble" or "dot com bubble," which caused economic turmoil in the American stock market in the late '90s. Venture capital companies will be informed about market activity, price bubble history, risk capital, and price bubbles that can have a major impact on their business.

INTRODUCTION

Ensuring global competitiveness and sustainable growth for the country, it depends on economic and digital transformation capabilities that dynamically adapt to changing conditions substantially. In the 1990s, investors have begun to realize the importance and potential of their online investment. During this period; mostly just completed the training, with new ideas and digital technological maintenance of the original but with many new ideas with a deficiency in terms of capital has led to the emergence

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of entrepreneurs. At the same time these ideas in some investment funds and shareholders who wish to realize, that period has been much mention of the name. Especially in the 2000s, one of the elements in accelerating economic development, venture capital financing models is revised to life with technology companies.

In recent years, entrepreneurship has gained importance in the debate on the quality of access to finance issues. Venture capital, classic intermediaries' (support agencies, banks) quality alternative financing model represents an intermediary that brings together companies and entrepreneurs.

The decisive factor in the development of venture capital industry is the existence of competent and willing investors. Venture capital, investors with surplus, can be described as long-term investments made by the company with the growth trend. Venture capital financing involve different types according to the needs of each investment. The aim of venture capital, which has a good business idea and entrepreneurial flair, but without adequate funding opportunities for entrepreneurs is to provide financing by making long-term investments.

In developing countries, the development of venture capital phenomenon that makes it mandatory financing model is that traditional financial institutions with relatively high interest rates on bank loans. The high costs of using these funds are not able to access long-term investment.

Technology-intensive industrialization strategy adopted by in countries such as the USA, Britain, France, Japan, the Netherlands and Germany; venture capital in general appeared especially after World War II, ; dynamic, creative but financially unstrengthen can be defined as a form of investment financing that allows entrepreneurs to achieve their investment ideas.

In the 2000s, with the internet and digital communication development dramatically, the place of digital companies both in daily life and business life has increased in time. One after another established growth rate of these companies happened so quickly that it began to emerge some unforeseen structural problems over time. One of these structural problems was the valuation of the companies. When you want to value a manufacturing operation, whereas determining the relationship between the cash flows of the investment really is possible, establishing a strong bond at levels well in the expected cash flows of the asset structure of and digital company is not always possible. Accordingly, 2000s, tulip bubble in the financial world (Tulpenmanie) and the starting price bubble have resulted in claiming that there are dot.com bubbles in digital companies.

In the light of the statement made above, the study will consist of three sections. In the first chapter, it will be given information about the market efficiency, causes of inefficiency in financial markets

In the second part of the study, price balloon history will be examined also it will be given information about the concept of price bubble and the dot.com bubble.

The last part of the study, the concept of venture capital, characteristics of the venture capital model, the functioning of venture capital model will focus on the types of venture capital the recent financing will be focused on fast-growing form of digital companies and financing needs. The added value provided by the venture capital finance is not limited to solve the access problems, brought about the efficiency and cost savings, the literature on the subject will be introduced by reference. In addition, this section will focus on venture capital backed by world examples.