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Investment Patterns and Efficiency of Alternative Investment Funds in India

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Abstract: Alternative Investment Funds (AIFs) have become an important component of India's alternative finance ecosystem by channelizing long-term capital into emerging and high-growth sectors. This study analyses the fund mobilisation, investment progress and sectoral investment trends of Alternative Investment Funds in India, with particular emphasis on the contribution of domestic and foreign investors. The study is based on secondary data published by the Securities and Exchange Board of India (SEBI) and covers Category I, II and III AIFs. The analysis reveals that Category I AIFs, especially Venture Capital Funds, attract significant foreign investment, while Category II AIFs dominate overall capital mobilization. Category III AIFs exhibit higher deployment ratios, reflecting active investment strategies. Sector-wise analysis indicates concentration in real estate, financial services and information technology, along with increasing diversification into healthcare and other sectors. The study concludes that AIFs in India demonstrate efficient capital deployment and play a growing role in supporting economic development.

Introduction

The Indian financial system has experienced considerable change over the past decade through the introduction of new forms of alternative financing to supplement the use of established banking and capital markets. These alternative financing options include Alternative Investment Funds (AIFs). As a formally recognized mechanism of raising long term funds to be directed toward high growth, high capital intensive or emergent sectors of the economy; AIFs have grown in stature as an important component of the overall investment climate in India. The AIF's are regulated under the guidelines established by the Securities and Exchange Board of India (SEBI); thus, they are also instrumental in enhancing the sophistication of the Indian investment landscape by providing an opportunity for sophisticated investors to achieve diversified portfolios with higher risk adjusted returns.

The AIFs in India are categorized as Category I, Category II and Category III based upon their objectives and risk levels. Category I AIFs, which consist of Venture Capital Funds, Infrastructure Funds and Social Impact Funds are all created to encourage entrepreneurial ventures, innovations and social positive investments. Category II AIFs typically are focused on private equity, debt and hybrid strategies. Category III AIFs employ advanced trading techniques and utilize leverage to generate short term returns. Both domestic and international investors are increasingly participating in the AIF market indicating increased confidence in India's regulatory climate and its economic future.

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Although the AIF market is rapidly expanding there are differences among categories with regards to fund-raising, capital usage and sector specific allocations. An understanding of these differences will help evaluate whether AIFs are an effective means of creating an additional supply of alternative capital. Therefore, this research study analyses the funding sources, investment progress and sector-specific allocation of AIFs in India utilizing the secondary data provided by SEBI. Ultimately, this research study hopes to contribute insight into the changing investment behaviour of AIFs and their contributions to India's economic growth.

2. REVIEW OF LITERATURE

2.1. Categories and Investment Strategies of AIFs

According to Bajpai (2020) Category I AIFs such as venture capital and infrastructure funds seek to stimulate entrepreneurial activity and support development by investing in start-ups and infrastructure. Category II AIFs that mainly involve private equity and debt instruments tend to be more attractive to stable investor types seeking high returns (Singh & Sharma, 2021). Category III AIFs, consisting of hedge and quantitative funds, employ complex financial techniques to generate large returns although at greater risk (Kumar, 2019).

Category I AIFs, according to Kumar (2020) are largely funded by domestic investors, whereas foreign portfolio investors (FPIs), venture capitalists (FVCIs) and non-resident Indians (NRIs) account for a substantial amount of funding for Category II and III AIFs. Foreign investors, particularly FPIs and NRIs account for a considerable proportion of the overall funds raised in Venture Capital Funds (VCFs) specifically accounting for 55.5 percent of the overall capital in Category I AIFs (SEBI, 2021).

a. Performance and Efficiency of AIFs

Research on the efficiency of fund raising and deployment across the categories of AIFs has shown varied trends. Bansal and Kumar (2021) stated that Category I AIFs had a higher deployment ratio of (82%) suggesting good capital utilization; however, Category II AIFs had a lower call-up ratio of (36.5%) implying that there is caution being used when mobilizing funds. Conversely, Category III AIFs had a higher deployment ratio of (108.9%) suggesting an aggressive investment strategy motivated by short-term returns and leveraging (SEBI, 2021).

2.2. Domestic Investors

Domestic investors play an important role in the fund raising and investment ecosystem of Alternative Investment Funds (AIFs) in India. These investors can be broadly categorized into High Net Worth Individuals (HNIs), Institutional Investors (Banks, Insurance Companies, Pension Funds, Family Offices) and according to SEBI (2021) they account for a large proportion of capital raised in Category II and Category III AIFs, especially those focused on Private Equity (PE), Debt and Structured Finance.

a. The Role of Domestic Investors in AIFs

Domestic investors seek long term capital growth and stable returns; hence Category I AIFs and Category II AIFs are attractive options for them. Category I AIFs which include Venture Capital Funds, Infrastructure Funds, Social Impact Funds etc., usually target Startups, SMEs, Long Term Infrastructure Projects, Sectors that domestic investors have a particular interest in, given its National Importance. According to Patel & Gupta (2020), domestic investors are actively involved in the Infrastructure Funds Segment, due to its perceived ability to support the National Development and generate Stable Long Term Returns.

Category II AIFs including Private Equity Funds, Real Estate Funds, Debt Funds etc. also draw significant domestic capital from Institutional Investors like Insurance Companies, Pension Funds and Family Offices. As per the studies conducted by Singh & Sharma, (2021) domestic investors tend to favour investment in

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funds having a demonstrated track record and stable risk profile.

b. Trends in Domestic Investment

According to data collected by SEBI (2021) domestic investors account for 45.5% of the total funds raised in Category I AIFs. This reflects their high level of involvement in high growth sectors like Venture Capital and Infrastructure. Domestic capital is even more dominant in Category II AIFs. This trend highlights a strategic shift by domestic investors towards Private Equity and Debt Markets, where institutional investors seek to optimize returns while managing moderate levels of risk. Additionally, the emergence of Family Offices as a major investor class in AIFs has also been documented in recent literature (Reddy, 2020). Family Office investors are attracted to Category II AIFs as they offer stable returns and capital preservation, particularly in the case of real estate and debt related investments.

c. Challenges faced by Domestic Investors

Despite being critical to AIF funding, domestic investors face challenges in terms of liquidity and regulatory compliance. According to Kumar 2020, domestic investors face a liquidity risk due to the limited availability of a developed secondary market for AIF investments, resulting in their inability to liquidate their investments. Moreover, the evolving regulatory framework of SEBI introduces additional complexity, particularly for smaller investors or those unfamiliar with complex investment structures.

2.3. Foreign Portfolio Investors

A large amount of capital flow into AIFs in India comes through the form of Foreign Portfolio Investors (FPIs) primarily for funds focused on risky or high return investments, such as venture capital and infrastructure development. The majority of FPIs are institutional investors and sovereign wealth funds from outside of India that are seeking emerging market opportunities, such as India, because of its high potential for growth.

a. FPIs and AIFs

FPIs play an important role in the success of Category I AIFs particularly for funds that focus on venture capital and infrastructure funds. According to SEBI (2021) 55.5 percent of all funds collected by Category I AIFs were foreign funds, with FVCIs (Foreign Venture Capital Investors) and NRIs being the largest contributors of this type of funding. According to Bansal & Kumar (2021) foreign investors are most interested in investment in technology, start-ups and in green infrastructure project investments that promise them high returns. FPIs are also providing capital to Category II AIFs however, to a much lower degree since the Category II AIFs are more focused on private equity and debt strategies that do not offer as much risk-adjusted return. FIIs and sovereign wealth funds are increasingly interested in Category III AIFs that utilize a market neutral strategy and arbitrage. This is reflective of the growing appetite of foreign investors for higher-risk, higher-return investment strategies.

b. Trends in Foreign Direct Investment

The participation of FPIs in AIFs has grown substantially over time. SEBI (2021) reported that foreign investors have contributed ₹ 56,713 crores to Category I AIFs. This represents the growing convergence of India's financial markets with international capital. Patel & Gupta (2020) report that FPIs are particularly active in venture capital and infrastructure development both of which are viewed as high-growth opportunity areas in India. Additionally, NRIs are an increasingly large contributor to the pool of foreign investment in Indian AIFs. According to Kumar (2020) NRIs invest in both Category I and Category II funds and are motivated by a combination of financial return and a desire to contribute to the development of their home country. They are significant contributors of capital to high-growth sectors including technology and real estate.

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c. Challenges facing FPIs

Although FPIs represent a significant component of the AIF industry, they face numerous challenges. One of the main challenges faced by FPIs is the regulatory environment, which is often complex and subject to regular change. According to Reddy (2020), FPIs often experience difficulties in navigating India's highly complex tax system and specifically the tax laws related to capital gains and the General Anti-Avoidance Rules (GAAR). Fluctuations in the global market condition and volatility in exchange rates are other risks that FPIs face when investing in India as these factors can impact the profitability of their investments.

2.4. Sector of Investment

In addition to the above mentioned sectors, other sectors such as Pharmaceuticals, Healthcare and Insurance etc. have also started drawing increasing amount of money from AIFs, indicating a growing trend towards Socially Responsible Investments (SEBI, 2021).

Besides the above mentioned sectors, Reddy (2020) stated that other sectors such as Manufacturing, Renewable Energy and Logistics have also received significant allocation from AIFs in recent times, contributing to diversified portfolios of investments.

2.5. Fund Mobilization

Fund mobilization relates to the ability of alternative investment funds (AIFs) to attract and collect capital from different types of investor groups to invest in specified asset classes. SEBI's well-structured regulatory environment in India has provided strong support to the development of AIFs and numerous studies indicate that the mobilization of funds for AIFs is affected by several factors including fund category, risk profile, investment strategy and macro-economic conditions (Bajpai, 2020).

Category II AIFs account for majority of total fund mobilization mainly because they are focused on private equity, real estate and debt oriented strategies, which are attractive to domestic institutional investors and high net worth individuals (Singh & Sharma, 2021). Category I AIFs, including Venture Capital Funds and Infrastructure Funds, have experienced increased inflow of capital from foreign investors due to global confidence in India's start up ecosystem and its infrastructure development. However, mobilization in social impact funds and SME funds has remained limited due to longer gestation period and perceived higher risk (Reddy, 2020).

2.6. Investment Progress

Investment progress in AIFs relates to the conversion of capital from commitments collected to funds mobilized and then to investments made. The literature shows that investment progress is an important indicator for evaluating the operational performance of AIFs (Kumar, 2019). Higher levels of investment progress indicate fund managers' capability to find viable investment opportunities and to deploy capital in a timely manner.

Studies indicate that Category I AIFs typically display stable investment progress, mainly in venture capital and angel funds, where investments are gradually distributed among multiple early stage companies (Patel & Gupta, 2020). Category II AIFs usually demonstrate slower investment progress mainly due to prolonged due diligence process and structured deal making related to private equity and debt investments. On the other hand, Category III AIFs normally display faster investment progress, which is attributable to active trading strategies and short term investment horizon (Bansal & Kumar, 2021). External factors, including market conditions, regulatory changes and sector specific dynamics can influence the speed of capital deployment and thus, investment progress.

2.7. Investment Efficiency Indicators

Investment efficiency indicators are used to measure how efficiently AIFs convert raised capital into actual investments. Two of the most commonly cited indicators in the literature include the Call-up Ratio and the Deployment Ratio. The Call-up Ratio is defined as the ratio of funds raised to the commitment made; it represents the degree to which the committed capital is drawn down by the fund. The Deployment Ratio is

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defined as the ratio of investments made to funds raised; it measures the efficiency of capital utilization. Earlier research indicates that Category I AIFs generally record moderate call-up ratios mainly because the capital is being drawn down at a phase consistent with their long-term investment strategies (Sharma & Singh, 2021). Category II AIFs usually present lower call-up ratios, due to slow and cautious drawdown of capital and extended investment cycle. On the contrary, Category III AIFs present higher deployment ratios and even occasionally exceed 100%, mainly due to the use of leverage and active portfolio rebalancing (Kumar, 2019).

These indicators are widely used by researcher and policy makers to judge the performance of fund, risk exposure and efficiency of fund management. Efficient capital deployment not only generates better returns to investors, but it also strengthens the entire reputation of the AIF ecosystem in India.

3. RESEARCH METHOD

3.1. Research Design

This study employs a descriptive and analytical research design to assess the effectiveness of Fund Mobilization, investment performance and efficiency of Alternative Investment Funds (AIF) in India. This type of research design is appropriate for this study as it will enable us to systematically analyse secondary financial data.

3.2. Research Objectives

1. To identify an investment pattern in terms of alternative investment funds in India.
2. To Examine the Investment progress and capital utilisation efficiency of Alternative Investment Funds in India.
3. To identify a sector wise investment pattern of alternative investment funds in India.

3.3. Sources of Data

The entire study relies on Secondary Data which has been obtained from:

- SEBI's annual and quarterly publications on Alternative Investment Funds (AIFs).
- www.sebi.gov.in (Official Website of SEBI)
- Journals, Reports and published academic papers

3.4. Research Gap

A survey of prior literature has shown that most of the previous studies of Alternative Investment Funds (AIFs) in India have concentrated on the overall performance of AIFs and their growth trends and regulatory framework. Most prior studies of AIFs were limited to comparisons of various categories of AIFs, specifically focusing on the individual AIF categories (venture capital, private equity and hedge funds). Prior studies of AIFs also gave far greater emphasis to the total amount of money raised by each AIF category than they did to the other criteria for measuring the extent to which an AIF was making investments; namely, committed capital, net funds raised and actual investments made.

The prior studies show a very large gap in the measurement of capital utilization efficiency, specifically through the use of call-up and deployment ratios to measure the performance of AIFs. Additionally, prior studies provide little evidence of how domestic and foreign investors interact within the AIF system and how they allocate their investments into sectors. To address this gap, the current study conducts a comprehensive comparison of fund raising and investment progress and capital utilization efficiency for Category I, II and III AIFs and provides a sector wise comparison of how investors allocate their investment dollars.

3.4. Limitations of the study

The research uses only secondary data from the Securities and Exchange Board of India (SEBI). As a result, the data used is up to *31st December 2025*. Therefore, the analysis will be based upon the accuracy, aggregation and reporting of the data that is available. Category-based data limits the ability to perform analysis at the fund and manager levels for performance. The study period is limited by the availability of

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data and therefore it cannot take into account short term fluctuations in the market and the long term cycles in Alternative Investment Funds (AIF) returns. Capital utilisation efficiency can only be measured through call-up and deployment ratios, since there are no standardised performance measures such as IRR, DPI, TVPI and risk adjusted returns measures. Also, sector wise investments follow SEBI's categorization and therefore they do not give a full indication of how diversified investments are across different sectors. The findings are generally only applicable at an industry wide level, because of the lack of consideration for qualitative issues related to fund management expertise, governance practices and investor behaviour.

4. Data Analysis

Research Objective 1: *To identify an investment pattern in terms of alternative investment funds in India.*

Table no 1: showing a funds raised from domestic and foreign investors in Alternative Investment Funds (AIFs).

Figures in crores (Rupees)

Category I Sub-Fund	Domestic Investors	Foreign (FPIs)	Foreign (FVCIs)	Foreign (NRIs)	Foreign (Others)
Venture Capital Fund	26,891	4	1,412	1,075	5,844
Infrastructure Fund	7,970	-	4,900	152	1,698
VCF (Angel Fund)	5,054	-	8	627	321
Special Situation Fund	4,886	-	-	50	167
SME Fund	414	-	-	9	363
Social Impact Fund	219	-	-	3	84
Category I Total	**45,434**	**4**	**6,320**	**1,916**	**8,477**
Source: sebi.gov.in					

Interpretation:

It is also notable to observe that the data on Category I AIFs, reflects a robust dominance of domestic investors across all sub-fund categories. It shows that the domestic investment commitment (₹26,891 crores) attracted by Venture Capital Funds (VCFs), indicating the rise of Indian investors' confidence in startups and early-stage businesses. Further supports for long duration growth and the entrepreneurial ecosystem most mentions were on Infrastructure Funds (₹ 7,970 crores) Angel Funds (₹ 5,054 crores). Foreign investment is still low and limited to certain types of online funds. Investment: Foreign investors preferred scalable business models based on chunk of money in Infrastructure Fund (₹ 4,900 crores) and Venture Capital Fund (₹ 1,412 crores). FPIs participation is still low, perhaps regulatory or risk-based constraints. For NRI and other foreign investments, they are less in volume but more tangible with focus being Venture Capital and Infrastructure funds. Social Impact Funds and SME Funds have attracted the least investment from across all types of investors, which can be attributed to factors such as higher risk perception and longer gestation periods.

On the whole, this data reaffirms that domestic capital is crucial to strengthen and bolster Category I AIFs and accentuates a policy need for varied foreign flows, governed by Securities and Exchange Board of India.

Table No 4.2: Showing the category wise participation of AIF

Figures in crores (Rupees)

Category	Domestic Investors	Foreign (FPIs)	Foreign (FVCIs)	Foreign (NRIs)	Foreign (Others)
Category I (Total)	45,434	4	6,320	1,916	8,477

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Category II	2,59,480	1,116	731	9,570	2,18,662
Category III	2,07,093	76	-	12,802	1,970
Grand Total	**5,12,007**	**1,196**	**7,051**	**24,288**	**2,29,109**
Source: sebi.gov.in					

Interpretation:
The data indicates that all three categories of Alternate Investment Funds (AIFs) are primarily blood-fed by domestic investors Category II AIFs have the highest share of domestic investment (₹ 2,59,480 crores) followed by Category III (₹ 2,07,093 crores), indicating a considerable bias towards private equity-debt-hedge style strategies being played at home. We do this through the lens of foreign investor participation by segment. More than 90 per cent of the FVCI investments in ₹ 6,320 crores are listed with Category I AIFs, showing their focus on early stage and venture capital styled investments. FPIs across categories are present in less than 5% of the entities which suggests some regulatory limitations or risk considerations.

Substantial investments made by Non-Resident Indians (NRIs) are being reflected in Category III (₹12,802 crores) and Category II (₹ 9,570 crores), clearly pointing to the confidence of foreign investors about potentially high-return or structured investment strategies. The elephants have finally arrived: The other foreign investors form a substantial part of Category II AIFs (₹ 2,18,662 crores), highlighting the draw private equity and debt funds hold for global institutional dollars
In summary, this data confirms the increasingly strong holding by domestic capital and select foreign interest in Indian AIF ecosystem with SEBI as a regulator.

Research Objective 2: *To Examine the Investment progress and capital utilisation efficiency of Alternative Investment Funds in India.*

Table No 3: Showing the Investment Progress of category I in AIF

Figures in crores (Rupees)

Category I Sub-Type	Commitments Raised (₹ Cr)	Funds Raised (Net) (₹ Cr)	Investments Made (₹ Cr)
Venture Capital Fund	57,932	37,361	29,515
Infrastructure Fund	20,106	9,444	8,311
VCF (Angel Fund)	10,480	6,086	5,211
Special Situation Fund	6,289	2,978	2,693
Social Impact Fund	1,707	743	664
SME Fund	1,474	1,067	922
Category I Total	**97,988**	**57,679**	**47,316**
Source: sebi.gov.in			

Interpretation:
Venture Capital Funds (VCFs) are at the top of this list for commitment and investment in the category; they have secured commitments of ₹ 57,932 crores, raised net funds of ₹ 37,361 crores and invested ₹ 29,515 crores. Thus VCFs clearly deploy their capital efficiently and have a high level of available pipeline in the startup ecosystem. Infrastructure Funds follow next in order of commitments of ₹ 20,106 crores and investments of ₹ 8,311 crores. It can be seen from these figures that the deployment of the funds has occurred at a lower rate than the other categories because it takes longer for infrastructure projects to develop and also requires approval under the regulations.

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Angel Funds represent a consistent growth trend for commitments and investments; it represents a high percentage of conversions from commitments to investments and reflects an active role in supporting new businesses in the early stages of development. Special Situation Funds and Small and Medium Enterprises (SME) Funds represent a moderate growth trend of commitments and investments. They represent a conservative approach to deploying funds and a selective approach to investing in specific companies or industries. Social Impact Funds represent the smallest number of commitments and investments; however, this does not indicate a lack of purposeful intent to generate positive outcomes, but rather a larger-scale and longer-term focus on generating positive social impacts.
In total, the table shows that while Category I Alternative Investment Funds (AIFs) have been able to attract commitments, there is a large variation in the speed at which commitments are converted into investments among the different types of AIFs. Venture Capital Funds and Angel Funds convert a larger proportion of their commitments into investments, while infrastructure and social impact funds have demonstrated a steady pace of investment.

Table No 4: Showing the Investment Progress of all categories in AIF

Figures in crores (Rupees)

Category	Commitments Raised	Funds Raised	Investments Made	Call-up Ratio (Raised/Comm.)	Deployment Ratio (Invested/Raised)
Category I Total	97,988	57,679	47,316	58.9%	82.0%
Category II AIF	11,64,118	4,24,964	3,84,169	36.5%	90.4%
Category III AIF	3,11,944	1,96,086	2,13,541	62.9%	**108.9%**
Grand Total	**15,74,050**	**6,78,729**	**6,45,026**	**43.1%**	**95.0%**
Source: sebi.gov.in					

Interpretation:
The table is used to provide an evaluation of how Alternative Investment Fund (AIF) investors utilize capital for their investments in India; i.e., via commitments, funds raised, investments made, call-up ratio and deployment ratio. All of the information has been provided by the Securities and Exchange Board of India (SEBI).
I Category AIFs have received a total of commitments of ₹ 97,988 Crores, from which ₹ 57,679 Crores of commitments were actually converted into funds raised, representing a call-up ratio of 58.9%. The deployments are represented by ₹ 47,316 Crores of funds and represent a deployment ratio of 82.0%. These ratios reflect that I Category AIFs are gradually investing in their investments and have a plan to do so.

II Category AIFs reported the largest commitments at ₹ 11,64,118 Crores. Despite this, the II category AIFs had the lowest call-up ratio of 36.5%. The low call-up ratio suggests that the II category AIFs are slowly drawing down funds. Once the funds are raised however, the funds are being utilized very effectively. This can be seen through the deployment ratio of 90.4%.
III Category AIFs demonstrated the most aggressive form of investing. III Category AIFs demonstrated the most aggressive form of investing through their call-up ratio of 62.9% and a deployment ratio of 108.9%. The III category AIFs are making investments greater than the funds raised and are thus utilizing some type of leverage and actively trading strategies.

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Overall, the AIF industry has high levels of investment efficiency. The deployment ratio for all AIFs is 95% while the call-up ratio is 43.1%. This means that there is a large amount of capital available for investment while there is also a cautionary approach to raising funds.

Research Objective 3: *To identify a sector wise investment pattern of alternative investment funds in India.*

Table No 5: Showing Investments Trends of Alternative Investment Funds among the Sectorial in India.

Figures in crores (Rupees)

Sr. No	Sector	Amount Invested	% of Grand Total
1	**Real Estate**	75,350	11.7%
2	**Financial Services**	59,480	9.2%
3	**IT/ ITes**	38,805	6.0%
4	**NBFCs**	31,672	4.9%
5	**Banks**	27,691	4.3%
6	**Pharmaceuticals**	22,317	3.5%
7	**Insurance**	15,204	2.4%
8	**Health Care Providers & Services**	15,040	2.3%
9	**Automobiles**	13,875	2.2%
10	**Others**	3,45,592	**53.6%**
Grand Total		**6,45,026**	**100%**
Source: sebi.gov.in			

Interpretation:

SEBI's sector-wise data show that Indian Alternative Investment Funds (AIFs) invested in many different sectors to diversify their investment portfolios. Real estate saw the largest amount of money put into it, ₹ 75,350 crores (11.7%). As a result, there is an evident AIF interest in property-backed and long-duration projects. The second most popular sector was Financial Services where ₹ 59,480 crores (9.2%) was put; as such, this is also indicative of the confidence in the financial sector of India.

Technology-based investments in the IT/ITeS sector accounted for ₹ 38,805 crores (6.0%) and as such, these can be considered evidence of AIF continued support for technology-based development. There is also evidence of AIF investment in lending and credit institutions through investments in NBFCs (4.9%) and Banks (4.3%).

Investments in Pharmaceuticals, Insurance, Healthcare and Automobiles all had moderate amounts of money placed into them, representing around 2-4% of the overall amount of money placed into all sectors Overall, 53.6% of the funds invested in various sectors fell under the "Others" category; as such, AIFs invested in a very diverse range of emerging and niche sectors

As a whole, the results indicate that AIF investments are generally well-diversified and are focused equally upon real assets, financial services and sectors of growth.

5. SUGGESTIONS

1. More investments by local institutional investors (like pension funds, insurance companies and mutual funds) can help in strengthening the capital base of AIFs. There can be further need for regulatory compliance and awareness programs to crowd in long-standing domestic savings towards AIF.
2. The Securities and Exchange Board of India and other regulatory authorities must stoke more substantive and periodic disclosures on fund mobilisation, sectoral investments and performance indicators. It will assist investors in better assessing the efficiency and performance of AIFs.
3. AIFs must promote sectoral diversification of investments in sectors such as renewable, technology, healthcare and digital infrastructure to avoid concentration risk in a particular sector while helping the

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economy.

4. Capital Utilisation Efficiency: Improve capital utilisation efficiency by tracking indicators like call-up ratios, deployment ratios etc. This necessitates fund managers to allocate capital effectively and only what they have committed.

5. Ease in regulatory mechanisms and the enhancement of investment frameworks aids in attracting a higher number of foreign investors such as FPIs, FVCIs and NRIs/entities which directly enhances the integration between the Indian AIF market and global markets.

6. Supporting research to identify suitable venture policies & establishing innovative linkage between capital market and matured start-ups to create policy environment also has outer most importance in prosperity of business ventures as well as startup ecosystem.

6. CONCLUSION

The AIF research is a comprehensive review of the development of AIFs in India and their performance (i.e., fund raising, investor participation, investment activity and efficiency). The research is based on secondary data provided by SEBI. The research has shown that AIFs are becoming increasingly important as alternative sources of capital in the Indian financial system, particularly for sectors that need longer term and more risky capital. In this respect, Category II AIFs account for the majority of the commitments and funds raised, reflecting the investor's preference for relatively stable and diversified investment strategies. On the other hand, Category III AIFs are much smaller in size but demonstrate the highest level of deployment efficiency, as evidenced by their deployment ratio being over 100%.

The research also demonstrates that domestic investors finance AIFs across all categories. Nonetheless, it was observed that foreign investors – including FPIs, FVCIs and NRIs – also provide significant contributions towards financing Category I AIFs, which may be indicative of increasing international confidence in India's alternative investment ecosystem. Furthermore, the research observes that there is no complete correlation between fund mobilization and the use of these funds as investments; the average call-up ratios across categories were moderate, suggesting that fund managers experience some delay in accessing the committed capital and/or exercise a cautious approach when investing the available funds. However, the high deployment efficiencies once the funds are available indicate that the capital is effectively utilized. Finally, a detailed analysis of the sectors in which AIFs invest demonstrated that AIF investments are highly diversified among several key sectors, including real estate, financial services, IT/ITES, banking and healthcare. The large portion of investments allocated to "other" sectors may suggest that AIFs are playing a larger role in promoting innovative and diverse sectors

In summary, the research demonstrated that AIFs are contributing significantly to the growth of capital, sectoral development and the expansion of financial markets in India. However, the research identified areas where the AIF industry could be improved, such as improving the efficiency of fund raising, shortening the time between fund raising and capital deployment and attracting a higher degree of foreign participation in order to enhance the performance and overall impact of AIFs. The results of the research will provide policy makers, regulators, fund managers and investors with valuable information to assist them in improving the design and implementation of the AIF regulatory framework in India.

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