

## Introduction to Venture Capital

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Do you know *Silicon Valley*? It is certainly a place (well, as you may see it is a valley). It is also an American TV series, which presents the lives of people working in startups based in Silicon Valley. I therefore daresay Silicon Valley is a metaphor for emerging startups, not just in the US, but all around the world. One of the most important factors supporting flourishing era of startups is Venture Capital (VC). In this article, I will introduce you some basic knowledge of VC.

### What is VC?

Globally, VC is money provided by investors to startup firms and small-sized businesses with perceived long-term growth potential<sup>1</sup>. The VC investors invest in firms in exchange of equities, gaining control over managerial decisions and helping those firms get through technical obstacles which are in need of specialized expertise. Typically, the investors would make a return through equities value being raised after the portfolio companies have successfully registered in a stock exchange. The investors eventually choose one of these options to exit their investment :

- 1) Initial Public Offerings (IPO) - The investors may sell their stocks to the public.
- 2) Mergers & Acquisition (M&A) – The investors may sell their stocks to another company.
- 3) Redemption – The investors may sell their stocks to the portfolio companies promoters.

### Why is VC important?

Most of startups and SMEs do not have enough securities or capital to be qualified for bank loans, despite the fact that they possess some potential innovative ideas. The VC investors step in at this stage, providing fund which fuels startups and SMEs to materialize their innovations and grow. This kind of financial support has helped Silicon Valley startups to create countless innovations which has benefitted the whole world. Let's think about Facebook and Twitter, behind their success is VC!

### What about VC in Thailand?

First Thai VC has been launched for more than 20 years as a private company. The government, however, realized its necessity in BE 2540 when the nation was suffering from the Tom-Yum-Kung crisis. Subsequently, the public sector's VC was founded.

These days, having been moved by digital economy trends, the Thai government is paying more attention toward new technology-based startups. Several tax incentives have been implemented this year. These include the following:

- 1) Profits gained through investment in SMEs by the VC investors are exempted from personal income tax and corporate income tax.

<sup>1</sup> [www.investopedia.com/terms/v/venturecapital.asp](http://www.investopedia.com/terms/v/venturecapital.asp)

2) Tax exemption shall be granted only where the portfolio SMEs are technology-based, as approved by the National Science and Technology Development Agency, and can generate at least 80% of total income by using such technology.

3) Tax exemption shall be granted only to VC firms registered with the Securities and Exchange Commission before 2017.

Although VC has been introduced to Thailand for a while, it still needs the government's support to grow and to become an important finance for startups accordingly. Shortly, when Thailand turns into a digital society, people will see the importance of VC; and you, dear readers, have an advantage over them since you have already finished this article!