



**A CASE STUDY OF VENTURE CAPITAL IN THAILAND
FROM ENTREPRENEURS PERSPECTIVE**

BY

MR. MONAI SUPANIT

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
(GLOBAL ENTREPRENEURSHIP) INTERNATIONAL MASTER IN
BUSINESS ADMINISTRATION
FACULTY OF COMMERCE AND ACCOUNTANCY
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2015
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INDEPENDENT STUDY

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ENTITLED

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was approved as partial fulfillment of the requirements for
the degree of Master of Business Administration (Global Entrepreneurship)

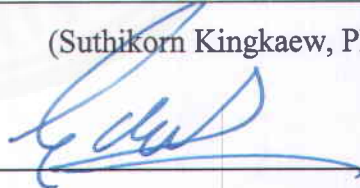
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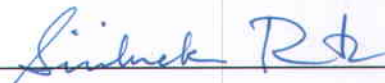
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ABSTRACT

This Independent Study aims to help entrepreneurs, government policy makers and regulators understand more about the current situation of Venture Capital business in Thailand. We are all aware that SME/Entrepreneurs have a difficulty to get financing to establish their business and Venture Capital can be one of the investment vehicles to help SME/entrepreneurs. However, Venture Capital business in Thailand is not considered successful compared to other countries. This paper identifies the issues that Venture Capital business in Thailand are facing and some recommendations as to how it can become more effective for the all the parties involved.

Keywords: Venture Capital, Entrepreneurs, Investment, Funding, Startups, Regulations

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CHAPTER 1

INTRODUCTION

This Independent Study focuses on the problem within the Venture Capital business in Thailand. Four hypotheses were set up to identify the problems in Venture Capital business in Thailand as follows:

1. Entrepreneurs in Thailand are facing difficulty in seeking funding to establish their business because they do not understand about Venture Capital.
2. Entrepreneurs in Thailand still have the same mind set about seeking funding via commercial bank.
3. The existing Venture Capital firm in Thailand are ready to invest in start-up
4. Regulations that regulate Venture Capital business need to be revised.

The researcher strongly believes that Venture Capital can be one of investment vehicle that drive entrepreneurs' business. Venture Capitalists help in funding entrepreneurs business and provide business advice, business experience and personal connection to help entrepreneurs start their business.

Venture Capital in Thailand has been around for almost 30 years since 1987 by the help of 6 commercial bank in Thailand and United State Agency for International Development (USAID). The purpose is to provide an alternative source of fund for SME business in Thailand in order to expand their business and to be the foundation of Thailand economy. Venture Capital firm in Thailand had not invested in startup business much because the size of the business was too small and do not have attractive return on investment, had high risk and is not scalable. For this reason Venture Capital firm in Thailand mostly invested in growing business that already had track record and needed a growth jump in the business

Since the establishment of Venture Capital in Thailand, Venture Capital have not received adequate attention from entrepreneur or SME business due to the lack of knowledge about Venture Capital combined with the mindset about receiving funding from the bank when starting a business. Moreover, the regulations that

control Venture Capital in Thailand is not flexible for Venture Capital firm to invest in startup business.

This Independent Study aims to help entrepreneurs acquire more knowledge about Venture Capital and identifies current obstructed and difficulty in Venture Capital Business such as regulations that prevent Venture Capital business in Thailand to be more attractive and effective to Government Policy maker and Regulator that regulate Venture Capital business in Thailand and create a policy that more favorable to Venture Capital business in Thailand. Moreover, Venture Capitalist can benefit from this Independent Study in term of what entrepreneurs think about Venture Capital in Thailand.



CHAPTER 2

LITERATURE REVIEW

2.1 Venture Capital Firms in Thailand

The researcher interviewed the Entrepreneurs, Venture Capitalist and Government Policy Maker and came up with the hypothesis that entrepreneurs in Thailand are facing difficulty in seeking sources of fund to establish their business from commercial bank and venture capital firms especially during the seed funding stage which is the most important stage of the business or event in the growth stage of the business. Moreover, the entrepreneurs also mentioned that they do not have knowledge about Venture Capital or how to approach them

There are only 2 Venture Capital firms that received the license to operate venture capital business in Thailand according to the data from The Securities and Exchange Commission. The main purpose of establishing venture capital business was to support Small and Medium Enterprise business which the government thinks that is the back bone of Thailand economy. Venture Capital firms in Thailand can only invest in SME business thus receiving tax incentives for that investment.

The venture capital firms in Thailand invest only in high growth businesses that have track record of business because there are higher chances of success making it more attractive (Tantayanon & Payavorn , 2011).

2.2 Venture Capital Industry in Thailand

“Venture Capital industry in Thailand” by Sakorn Suksriwong stated that Venture capital in Thailand is a relatively new concept floating around financial market in Thailand and less people truly understand about venture capital business. In this research paper, the researcher wants to study Thai venture capital industry from the perspective of the practitioner and aim to understand the current internal and external environment of the industry and commons in the industry (Suksriwong, 2003).

This paper surveys the general characteristics of companies that offer venture capital services and that are or were the member of the Thai Venture Capital Association. The characteristic include ownership structure, degree of involvement in venture capital business, size, age and experience of the firms, type of services offered and current membership status.

In terms of external environment, this paper surveys the industrial barriers pertinent to the entrepreneurs and the respondent's opinion toward the governmental role in the promoting venture capital industry.

According to the paper "Venture Capital Industry in Thailand" by Sakorn Suksriwong, (Suksriwong, 2003) in order to promote the venture capital industry, the government should realize not only the services coverage, but also the barrier that undermine the demand for acquiring those services. There are six important barriers to the growth of the industry

1. Lack the understanding of the difference between equity and debt finance
2. Lack the understanding of what attracts venture capital investment rather than bank lending
3. Misunderstanding that funding through venture capital/external investment equates to a loss of control
4. Lack of experienced management teams who can build a business and understand how to work with external investor
5. Lack ambitious business plans with the potential to offset investment risk.
6. Lack skill and attitudes required to maximize potential productivity gains

The research papers also mention that many countries use tax incentive to support the growth of venture capital business. Tax incentive can come in many forms and magnitude. The impact of the incentive is different from one country to another such as lower tax rate to venture capitalist than the general corporate tax, tax exemption during the first three to five years of investment, tax credit that apply to the next investment, tax credits for setting up a venture company, tax incentives for

making an investment in a particular type of venture, income tax reduction from annual dividend, and tax incentives when exiting the investment.

Forty eight percent of the Thai Venture Capital companies are independent organization. Of the remaining fifty- two percent, 24 are affiliate of international companies. The majority of the respondents, 83% identified venture capital business as none core unit. 28% though not as a core business, had at least one formal department of the corporation directly responsible for carrying out the venture capital business transaction (Suksriwong, 2003).

The average experiences in the venture capital business are 9 years since their first investment or 15 years since their establishment. 7 % of them had not yet been involved with any business since the establishment and 18% had never made any investment. However, 54% have dealt with more than 20 business proposals, and 25% have made more than 12 joint investments with entrepreneurs.

In term of size of the companies, 30% identified that they are managing projects worth more than 2,000 million baht. Of the remaining 70%, 30 indicate their size of fund between 100 and 500 million baht. On average, they employ five investment executives. 46% did not set maximum and minimum amount on their desired deals. (Suksriwong, 2003).

The Thai Venture Capitalist has diverse interest and preferences in making investment choices. The average number of industries represented in their portfolio is four, reflecting a significant difference from other countries like Korea, Canada, and USA which focus basically in high tech industries.

46% of Thai venture capital firms have less than 25% of their entire portfolio described as high tech, and 75% have not invest in high tech business at all. The majority of Thai Venture Capitalist prefers to invest in expanding and developing companies. (Suksriwong, 2003).

Lack of knowledge about venture capital and knowledge about the differences between commercial banks and venture capitalist and between debts and equity financing remains a problem for entrepreneurs. Moreover, the venture capitalist rated last the entrepreneur's skill to maximize potential gains skill such as marketing, engineering, production, finance. Thai venture capitalists consider the attributes of entrepreneurs as the most important criterion category for their investment. This

finding is consistent with findings in many countries such as USA, Canada, and European countries. (Suksriwong, 2003).

2.3 Venture Capital Association Thailand

According to Venture Capital Management and technology commercialization by Professor Jarunee Wonglimpiyarat, Venture capital in Thailand was established on March 6, 1987 by joint venture between 6 commercial banks and USAID call “Business Venture Promotion Co., Ltd.” It is a private equity fund with the primary objective of joint investment with small and medium enterprise that has high potential growth in the business. In 1995, Thai venture capitalist established “Thai Venture Capital Association” to support member in the organization (Wonglimpiyarat, 2012).

Thai government (Ministry of Finance) foresee the potential growth in Venture capital business and want to support SME business that cannot access to source of fund by establishing Venture capital fund in 1999. The cabinet resolution approved the establishment of these venture capital funds as follows:

2.3.1 Small and Medium Enterprise Venture Capital Fund (SMEVC)

SMEVC was established on August 10, 1999 by Ministry of Finance to support SME business and reduce cost of fund for SME.

Fund manager - One Asset Management Co., Ltd.

Duration - Closed- end fund 10 years

Sources of Fund - Ministry of finance 1000 Billion Baht

- Private sector 2000 Billion baht

Objective - Financial support to SME business

Criteria - Investment size 10 to 50 % of capital registration of

Target Company

- Investment duration 3-5 years

- Passive investment, do not interfere with day to day operation

Target - Commercialize and high growth business

2.3.2 Thai Recovery Fund (TRF)

TRF was established on March 23, 2001 by Ministry of Finance Ministry of Industry and Asian Development Bank for fund raising from international investors to support SME business in Thailand.

Fund manager - State Street Global Advisors Singapore Limited,
Asian Development Bank

Fund information - Foreign Fund registered at Mauritius

Fund Size - 100 Million USD

Source of Fund - Asian Development Bank, JBIC, State Street
Global Advisors Singapore Limited,
Kreditanstalt fuer Wiederaufbau

2.3.3 Thailand Equity Fund (TEF)

Thailand Equity Fund was established on October 22, 2001 by Ministry of finance to invest in equity and hybrid instrument in State on Enterprise that has high potential growth.

Fund Manager - MFC Asset Management Public Company
Limited

Fund Advisor - Lombard Thailand Equity Carried Inters Vehicle

Fund Type - Flexible Fund

Fund Size - 250 Million USD

Source of Fund - International Finance Corporation, California
Public Employees Retirement System, Asian
Development Bank, Ministry of Finance,
Government Saving Bank, Government
Pension Fund and Thai Commercial Bank

2.3.4 Tsunami Thailand Recovery Fund

Tsunami Thailand Recovery Fund was established with the objective of helping local business in Southern part of Thailand that effect by Tsunami

Fund Manager - MFC Asset Management Public Company Limited

Fund Type - Open-end Fund / 10 years

Sources of Fund - Thai Bank Association, Government Saving Bank, The Stock Exchange of Thailand, Siam City Bank

Objective - To help local business in Southern part of Thailand that effect by Tsunami

Target: SME business

2.3.5 Venture Capital Fund by Small and Medium Enterprise Bank

SME Venture Fund was established on July 22, 2003 by Office of Small and Medium Enterprise to invest in innovation business and have high potential growth

Fund Manager - Office of Small and Medium Enterprise

Fund Size - 5000 Billion baht

Source of Fund - Ministry of Finance

Objective - To support SME business for expanding their business

- To reduce debt to equity ratio for SME business
- To support SME business to have professional management
- Invest in private company not exceed than 200 Million Baht
- Hold a share in the amount of 25 to 35 %
- Investment duration 1 to 5 years
- IPO exit strategy

Target - Fashion, Software, Information and Technology, Food, Automobile part, Tourism, export

2.3.6 National Innovation Agency Fund

Venture Capital business in Thailand have an investment size of around 720 Million baht and most of the venture capital fund focuses on growing and matured business which makes up 70% and 30% are considered early stages business.

Most of the venture capital fund in Thailand are passive investment without intention of managing the target company. The size of the investment is around 10-15 % of registered capital of venture capital fund with the duration of 3-5 years.

Venture capital fund supported by the government will focus on start-up phase and private venture capital fund will focus on low risk or have a high potential growth or in the expansion phase (Mezzanine). Industry sector that most of venture capital fund invest are food and drink sector (42%), machinery sector (25%), household sector (17%), wood sector (17%) and clothing. (Wonglimpiyarat, 2012)

2.4 Venture Capital, Taiwan Study

In Taiwan, most of the investment that invest in venture capital fund came from corporate investor or Investment Company as follow: 39.12% from Corporate Investors, 18.96% from Investment Companies, 14.59% from Individuals, 9.52% from Insurance Companies, 7.8% from Commercial Bank, 3.63% from Financial Holding Companies, 3.9% from Government. Moreover, Taiwanese government established incentive policy to support Venture capital business such as the establishment of Small Business Innovation Research to conduct the business feasibility and risk that might happen during the investment in innovation and technology business. (Wonglimpiyarat, 2012)

The establishment of the Development of New Industrial Product Program was set up to support private sector in developing new products and revising the existing products. The government will support the loan not exceeding 50 % of the total investment and the payback period will have to be in 2 to 5 years. Furthermore, the business has to pay royalty fee 1-4% within 1 year after developed. (Wonglimpiyarat, 2012)

In regards to the tax incentive policy, Taiwan government issued tax incentive for investors by reducing the income tax for retail investor and institution not exceeding 20 % as follows:

1. Investment duration have to be at least 2 years

2. The investment have to be through Venture Capital firm that received a license for Ministry of Finance and the investment have to create a transfer know how to Taiwan.

For the tax incentive for Venture Capital, Taiwan government offered a tax credit to venture capital firms not exceeding 20% with the condition that venture capital has to invest for 5 years and have to be in high technology industry. Moreover, private company that conducts research and development can receive 30% of tax credit for research and development for 5 years. (Wonglimpiyarat, 2012)

2.5 Venture Capital, Korea Study

After the financial crisis in 1997, the Korean government tried to recover from the crisis by promoting venture capital to develop technology and focusing on SME business with the vision that SME is the main backbone of Korea economy. Therefore, the Korean government established Venture Capital fund to support SME technology business. (Wonglimpiyarat, 2012)

The Korean government established "Korea Securities Dealers Automated Quotation" ("KOSDAQ") to support venture capital in exit strategy from investment by IPO in 1996. This establishment also intended to support in developing their attributes in order to be listed in Korea Stock Exchange ("KSE"). Korean government also created "Start-up business incubation" ("SBI") (361 incubators in total) all around Korea to support SME business thus allowing the entrepreneurs to expand their idea. (Wonglimpiyarat, 2012)

The Korean government also increased the flexibility in the regulation relating to tax policy and supported initial capital from government body to start-up such as Small and Medium Business Administration, Ministry of Communication and Information, Ministry of Commerce, industry and Energy, and Ministry of Culture and Tourism, Pension Funds

The Proportion of Venture Capital investments in Korea are as follows: 23% from Corporate and Government, 17% from Venture Capital Fund, 15% from

Financial Institute, 11 % from Pension Fund, 8 % from individual and 3 % from International investors (Wonglimpiyarat, 2012)

Korean government has tax incentive policy and financial policy to support venture capital business. The Financial Support policies are described below:

1. The government will support funding to private sector in the amount of 50% of research and development expense, Moreover, the government will support to individual and SME business that can use this technology commercially in the amount of 80-90% of project expense
2. State own enterprise such as KEPO (Power Producer) KTC (Telecommunication) will receive funding from government in the amount of 80% of investment and research and development in new product
3. Commercial bank will provide long term loan in the small interest to SME to develop new product
4. Established Korean Technology Banking Corporation to financial support for private sector to develop technology in term of joint investment, purchase debenture, condition loan, and hire purchase

The Tax Support policies are described as follows:

1. Private sector can get a tax reduction for 10 % of research and development and 90 % of investment in asset and equipment and depreciate.
2. Reserve fund for technology Development, private sector can put money in to this fund for 3 years and can receive tax incentive 5 % from net sale
3. Investor will receive 15 % tax incentive of capital investment with 5 year investment duration
4. Dividend that investor received will not be calculate as a tax base but will calculate as withholding tax and tax exemption on capital gain

5. Venture capital will receive 15 % tax incentive of capital investment with 5 year investment duration
6. Tax exemption for start-up with the condition that have to registered with Small and Medium Business Administration and have to be in the business for 7 years
7. Reduce tax base not exceed than 50 % of loss if start-up business operates on loss
8. Tax exemption on capital gain
9. For start-up business, tax exemption for 50% of corporate income tax for 6 years, tax exemption of local acquisition and registration for 2 years, tax exemption for property tax for 50% for 5 years after registration and tax exemption from capital gain when start-up listed in the stock exchange within 3 years

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Data Collection

This Independent Study used face to face interview and questionnaire research methodology as tools for data collection. The research can be divided into 2 phases. The first phase was from June 2015 to December 2015 and second phase began in January 2016 to April 2016.

3.1.1 Questionnaire

The questionnaire that the researcher asked the participants in Social Enterprise Certificate program contains 11 questions with the main idea to identify what is the main problem to start the business for entrepreneurs/startup. (see appendix 1)

3.1.2 Phase One

The first phase began at the Faculty of Social Science, Department of Business Administration, Social Enterprise Certificate program Srinakharinwirot University. The researcher distributed the questionnaire with the question “What is the obstacle to start your business?” The total samples are 20 people. The results are as follows: 7 people mentioned receiving funding, 6 people said creating business model and 4 people said human resource, knowledge about social enterprise, and access to target customer and self-motivation. 3 people did not answer.

Table 1.1 Participants’ responses to the question of obstacles to starting a business.

Nos of Participants	Response
7	Receiving funding
6	Creating business model
4	Human resource, knowledge, target customer
3	Not answer

Next, the researcher conducted an interview with Capital Market expertise in Thailand. They stated that the reason that Venture Capital in Thailand is not well known because the regulation that control Venture Capital business is not flexible. Venture Capital can only invest in SME business and tax incentive to support investment is only 7 years, which is short from the Venture Capitalist's perspective. Moreover, very few SMEs know about Venture Capital because the government did not do advertise or promote this kind of business. This combined with the same old mindset that funding for business can be attained only through banks had prevented the success of Venture Capital Business in Thailand.

This led that the researcher to investigate deeper down by interviewing with the entrepreneurs. A small session about Venture Capital was organized at C-ASEAN, one of the major impact hubs in Bangkok. During this session, the researcher presented the participants with information about Venture Capital and had face to face interview with 30 entrepreneurs to reconfirm the findings from the interview with the Capitalists.

3.1.3 Phase 2

In this phase, the researcher interviewed with 3 groups of stakeholders. First group is government official such as The Stock Exchange of Thailand, The Securities and Exchange Commission. Second, professionals that have experiences in Venture capital business such as Venture Capitalist, Capital Market Lawyer, Tax Consultant and policy maker and lastly, the entrepreneurs.

The researcher divided the interviewed in 2 phases according to the sequence of the assumptions previously developed. In January 2016, the researcher interviewed group 1 aiming to investigate the assumption *“The regulation that regulate venture capital business in Thailand needs to be revised.”* All of the interviewees stated that the current venture capital regulations needed to be revised to allow more flexibility.

In February, 2016 the researcher interviewed entrepreneurs to investigate two assumptions, **‘Entrepreneurs in Thailand are facing difficulty in seeking funding to established or scale up business because they do not understand about venture capital’** and **‘Entrepreneurs in Thailand still have the same mind set about seeking funding via commercial bank.’**

From the interview, the researcher found that entrepreneurs in Thailand do not have much knowledge about Venture Capital because the lack of success story of Venture Capital firm in Thailand and the mind set of startup/entrepreneurs that Commercial Bank can provide funding for them. Moreover, startup/entrepreneurs believe in Commercial bank in term of credibility compare to Venture Capital firms which is very brand new to startup/entrepreneurs in Thailand.

With the regulations that regulate Commercial Bank, it is very hard for startup/entrepreneurs to get funding from the bank. How can we assist them? To succeed, startup/entrepreneurs, commercial banks and venture capital firms have to work together to educate startup/entrepreneurs about Venture Capital and put entrepreneurs mindset in to Commercial Bank. The government had tried to establish new financial instrument known as “Private Equity Trust” to fix this problem. This trust uses the existing Trust for capital Markets Act BE. 2550.

The Securities and Exchange Commission established “Private Equity Trust” (“PE”) to support Startup/entrepreneurs business to get funding via this financial instrument. However, this instrument is only limited to a certain group of business. According to the regulations of the commercial bank, financial institution and Securities firms still play a major role in this instrument. This PE have the same criteria compare to Real Estate Investment Trust (“REIT”) which will have Trustee, Trust manager and beneficially. This Trust is a brand new investment vehicle in Thailand and we never gave it a try with startup/entrepreneurs before. According to SEC, since the announcement of this PE, there had been no application from qualify juristic person to set up this PE Trust.

This leads to the next assumption, the readiness for investment. During March, 2016, the researcher interviewed bankers and venture capitalists and entrepreneurs about assumption 3 **“The existing venture capital firms in Thailand are ready to invest in start-up”** and conducted a desk research about venture capital in developing countries.

Thai venture capital firms are not ready to invest in startup business because with the regulation the prohibited them to invest in startup business. Moreover, with their own risk appetite they enjoy low risk investment. There are a few investment firms that invest in startup business main focus on technology and

mobile application. These investment firms have ex-entrepreneurs as a management of the firm therefore they know all the risk that they have to take on the contrary with Venture Capital firm that only have ex-banker who did not know much about the business that they going to invest and did not have an experience how to set up a business.



CHAPTER 4

RESULTS AND DISCUSSION

4.1 Attractiveness of Venture Capital in Thailand

We must first understand the necessity of Venture Capital and the role they play in helping SME and startups in the starting up their own business. What Venture Capital looking for in entrepreneur/startup/SME. From the research we can identify that Venture Capital in Thailand is not attractive and well recognize because the lack of knowledge about Venture Capital from both side of the coin venture capital firms and entrepreneurs and the unfavorable regulation such as tax incentive and the establishment of Venture Capital in Thailand that prevent new Venture Capital firm to operate. The regulator attaches Venture Capital business to Financial Institution since Financial Institutes have more creditability and knowledge in terms of investment and finance. Moreover, Financial Institute have transparent policies and are heavily regulated by the Bank of Thailand. Furthermore, the policy makers tend to prevent SME business and investors from financial scheme that could possibly happen.

At the present, the registered capital to start venture capital firm is extremely high at 200,000,000 THB (Two Hundred Million Baht) and have to be fully paid up compare to other business. The structures of shareholders require the capitalists to have 90% of shareholder from a financial institute and last but not least, the investment policy limits the venture capital firm to invest only in SME business. One of the participants also added on that the tax policy also needs to be revised since the current tax incentive is not attractive enough for both the investors and the entrepreneurs.

4.2 Entrepreneur's Perspective on Venture Capital

Many entrepreneurs still believe that if you wish to start up a business, you should go to the bank to ask for funding. This is probably because entrepreneurs do not know or have a clear picture about Venture Capital. Aiding the entrepreneurs

in understanding and increasing their knowledge about Venture Capital can make a huge impact. By doing so, entrepreneurs will understand that Venture Capital not only provide them with funding, but also endow them with knowledge, experience and business connection.

The entrepreneurs interviewed mentioned that they have a difficult time getting funding for their business. Some of them had heard about Venture Capital but did not know what Venture Capital does or how Venture Capital can help them expand their business. Some of them know about Venture Capital but confuse it with Private Equity business. Some of them have knowledge about Venture Capital but did not know where to find Venture Capital. One of the international entrepreneurs who start try to start his business in Thailand stated that the Venture Capital investment activities in Thailand is very low compare to other countries in ASEAN and also the amount of Venture Capital firm in Thailand is out-numbered. Hence, financial and incubation support is needed to improve the quality and enhance the success of entrepreneurs.

4.2. 1 Financial Support

In terms of financial support, the government already have special bank directly responsible for SME business but is not totally effective. They still have the same mind set of banker that requires collateral from startup business which startup business do not have. The government should provide a soft loan to startup business in the low level of interest rate to support them first.

4.2.2 Incubation Support

Incubation center are being opened all around to support the development of skills and enhance the entrepreneurs understand of the marketplace nature. It is the place where startup and experienced entrepreneurs meet and share their experience and expertise to educate and advise new startup business about how to start a business and how to get funding.

4.3 Unfavorable Venture Capital Regulations

The regulation about Venture Capital enforced by The Securities and Exchange Commission (“SEC”) is not in favor for existing Venture Capital business. In terms of the shareholder structure, SEC requires 90% of existing shareholder of Venture Capital firm to come from financial institute. As for the investment, it is mandatory that Venture Capital firm invest in SME business only. Furthermore, the regulations also prevent the establishment of new Venture Capital firm by setting high requirements and criteria for establishing Venture Capital business. These requirements aim to keep Venture Capital business under Financial Institution, Brokerage Firm and Asset Management Company. Moreover, the tax incentive applied by the Revenue Department is out of date since it had never been revised for almost 15 years. Hence, to create friendly environment for Venture Capital, the government should revise and promote Venture Capital business.

The researcher believes that SEC proposed this regulation because SEC wants to protect SME/Entrepreneurs/Startup from getting seduced from fake Venture Capital firm. Moreover, SME/Entrepreneurs/Startups lack the knowledge about the Venture Capital business so they attach Venture Capital firm to the bank.

Most investment firms in Thailand focus on tech startups. However, the existing venture capital firms in Thailand do not invest in SME business due to the current regulation policy and investment policy from the mother company. The success rate itself is not too high and venture capital firms have to revise their investment policy.

Revise the regulation is not only the duty of the government. Private sectors such as SME/Startup/Entrepreneur and Venture Capital must also come together to revise the regulations.

Thai government tried to support Venture Capital business in Thailand by lowering the capital registration of Venture Capital by the cabinet resolution from 200 Million baht to 20 million baht. This marks a very good signal but the main barrier is the fact that 90% of the shareholders have to be from financial institute. This limits the establishment of Venture Capital Business only to financial institutes, security firms, and asset management firms.

The researcher view that The Securities and Exchange Commission (“SEC”) have to set up very high criteria is because these businesses impact a lot of people (SME/Startup/Entrepreneur). SEC wants to make sure that they have a very solid Venture Capital firm. Representatives from financial institutions are required to be major shareholder because SEC thinks that the Banks in Thailand is a very strong business and have the right person to operate Venture Capital business.

The Venture Capital regulation needs to be revised to be more business friendly to Venture Capital firm and SME/Startup. The tax incentive policy seems to be the key driven factor that can boost Venture Capital business in Thailand. The main reason is that Venture Capitalist want to save their investment money as much as possible (they do not want to pay too much to government) so they consider tax incentive of high importance.

The Venture Capital firms in Thailand focus on investing in SME business that had already been established and operated with high potential to scale up. The business must be listed in The Stock Exchange of Thailand. They stated that most of the precedent case for Venture Capital firms in Thailand invest in SME that plan to be listed in The Stock Exchange of Thailand because it more easy for Venture Capital to calculate the return on investment, visualize the potential business plan and examine the expertise of the management team who can reduce investment risk for Venture Capital.

To make Venture Capital business success in Thailand cannot rely on only tax incentive and revise the current regulation but every related party have to help boosting Venture Capital business. The government should have a tax benefit for both startup business and venture capitalist such as reduce corporate income tax for startup business or tax exemption for startup business for 5 years. For investors the government should support tax exemption for dividend and capital gain when they exit their investment.

In the past few years, corporate venturing is become more popular in Thailand entrepreneur’s eco systems. Most of corporate venturing in Thailand came from Telecommunication Company because they want to support the entrepreneurs who can create technology that solves the problem for society. Moreover, by supporting tech startups, they can eliminate future competitors and expand their client

base as well as serve the existing customer need and increase the value of their business.

We have to admit that corporate venturing is more flexible and can be one of the key drivers for venture capital business in Thailand. It can be a source of fund for entrepreneurs in Thailand but one thing to bear in mind is that corporate venturing in Thailand still focuses on the investment of company's related business or in projects that can add value to the company. Therefore, investment will occur in the specific sector such as telecommunication and technology sector.

Other developing countries are facing the same problem as Thailand in terms of lack of financial support in start-up business. Most of the Venture Capital ignores seed stage investment because the risk is too high for them but this is most crucial stage for all startups. For Thailand, we are facing the same problem or may be more compared to other countries because we are lack the knowledge about venture capital and good infrastructure to start the venture capital business. If we can create a good investment climate for Venture Capital firm and for start-up, I strongly believe that we can attract more investor to invest in start-up business in Thailand.

To sum up, the success story of venture capital business have to come from both startup/entrepreneurs and venture capital firm and the regulator cannot limited or set up a barrier to entry for other business entity that want to establish Venture Capital firm or Private Equity Trust.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

The objective of this Independent Study is to identify the problems that cause the imbalance in Venture Capital in Thailand and to raise awareness to government policy maker, regulator not to overlook Venture Capital business in Thailand. Venture Capital have had infrastructure from the government for a long time but it had been ignored due to other focuses of the government. The regulators tried to establish new investment vehicle to raise fund for SME/entrepreneurs business but all these investment vehicles were too complicated and require more legal frame work and understanding from investors and entrepreneurs.

To solve this problem, we need to educate entrepreneurs about Venture Capital by providing a small session to discuss about the general knowledge of Venture Capital for entrepreneurs. In the session, we can discuss about the benefits of having Venture Capital investing in their business and differences between commercial bank and Venture Capital firm. Moreover, for regulators, we have to modify the regulations that regulate Venture Capital business such as tax incentive, criteria to establish Venture Capital firm in Thailand, investment exit solutions for Venture Capital firms to be more favorable to existing Venture Capital and the new comer in the business. We have to work in parallel to solve this problem. We can not only focus on one side of the coin because the success of Venture Capital depends on both the entrepreneurs and the Venture Capital firms.

There are many government bodies that can support venture capital business in terms of financial support and educate startup business about Venture Capital such as The Stock Exchange of Thailand and government pension fund. They can create a venture capital fund to support startup business. For the Stock Exchange of Thailand, they can create a Venture Capital fund by using their Corporate Social Responsibility budget to start initial investment in startup business. Government Pension Fund has the biggest investment fund in Thailand. The researcher believes that their investment in startup business can aid many entrepreneurs and startups in Thailand.

Corporate Venture Capital can be one of the investment vehicles for entrepreneurs in Thailand. Most of the Corporate Venture Capitals in Thailand are from 3 major telecommunication companies. They have already established their own Venture Capital fund to invest in technology startup businesses that can be improved or are scalable businesses. However, this Corporate Venture Capital are focused on specific areas of business such as application business and telecommunication business. One of the reason that Corporate Venture Capital try to invest in technology start ups is because they want to eliminate potential business competitor since most of these technologies are often expensive or licensed making it difficult to be duplicated.

Another solution is being listed in Stock exchange of Thailand. By doing so, investors can invest in startup business directly or indirectly via venture capital fund. The government could create a tax credit policy for listed company to create incentive for investors to invest in startup business.

Currently, more people are aware about startup business in Thailand and the government is trying to support startup business. However, the major problem that exists is towards attaining funding. We have had Venture Capital business in Thailand for 30 years but there are few success stories due to the lack of government support and drive from private sector.

Venture Capital itself was created to support startup business and the infrastructure for the business has been built, what remains is the attention from public/government and flexible regulations. Venture Capitalist had tried to fix the problem by adding new feature of investment product in to the market. SEC established "Private Equity trust for startup business" by using trust as an investment vehicle to invest in startup business. Moreover, Crowd-funding is one of the new investment vehicles to help startup business.

The researcher believes that the existing infrastructure of venture capital can be improved in terms of effectiveness and the establishment of the new investment platform is not required. Moreover, if entrepreneurs were educated about Venture Capital, they would be more aware about another funding resource and better understand the benefits of Venture Capital. This would then lead to the revision of the current regulation and the increase in flexibility of this kind of business. Venture

Capital business in Thailand will then be more effective in terms of deal flow and investment in entrepreneurs in the near future.



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APPENDIX

APPENDIX A

Questionnaire used at Faculty of Social Science, Department of Business
Administration, Social Enterprise Certificate program, Srinakharinwirot University

Name: _____

age: _____

Email: _____

1. Why you are interested in Social Enterprise business?
2. What is the type of your Social Enterprise?
3. Please explain your Social Enterprise?
4. Do you have a plan to expand your business?
5. Have you ever receive funding from Commercial Bank, Venture Capital and Investors to expand your business?
6. Do you have a difficulty seeking funding to start your business?
7. What is the main obstructing to start Social Enterprise business?
8. What do you think about Social Enterprise in Thailand?
9. What is your fear to start Social Enterprise business?
10. If you have an opportunity to present your project to investor, What would you present?
11. What will help Social Enterprise business famous in Thailand?

BIOGRAPHY

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