

21. Access to finance: Venture capital

Venture capital is a type of financing that has an important role for young companies with innovation and growth potential, as it replaces or complements traditional bank financing. The development of the venture capital industry is seen by policy makers as an important framework condition to stimulate entrepreneurship.

Definition

Venture capital is capital provided to young, unquoted firms with high growth potential.

Venture capital investment as percentage of GDP measures the sum of seed and start-up capital and early development capital as a share of a country's GDP.

Comparability

Data on venture capital are drawn mainly from national or regional venture capital associations; in a few cases, the sources are international providers of business data. All figures presented by the different sources are nominal figures.

Venture capital is defined as the sum of seed and start-up capital and early development capital. As there are no harmonised definitions of venture capital stages across venture capital associations and other data providers, the original data have been re-aggregated according to a harmonisation table developed for the Entrepreneurship Financing Database of the EIP. In particular, seed/start-up/other early stage includes pre-seed stage for Australia. The other venture capital stage includes: for Australia, early expansion; for European countries, later stage; for the United States, expansion. For European countries, bridge financing have been removed from later stage.

A second figure, Figure 21.2, is proposed where growth capital, defined as capital provided to an established firm

that needs financing to support growth, is added to venture capital.

The growth stage includes: for Australia, late expansion; for Canada, expansion; for European countries, growth; for the United States, later stage.

Readers should be aware that in the field of venture capital measurement, the margin for improving the methodologies for national and internationally comparable data collection is still important.

Highlights

Venture capital, defined as the sum of seed/start-up capital and early development capital, still represents a minimal percentage of GDP, which in most countries is less than 0,05%. Countries with a more developed venture capital market include Israel, Sweden, Switzerland, the United Kingdom and the United States.

Source

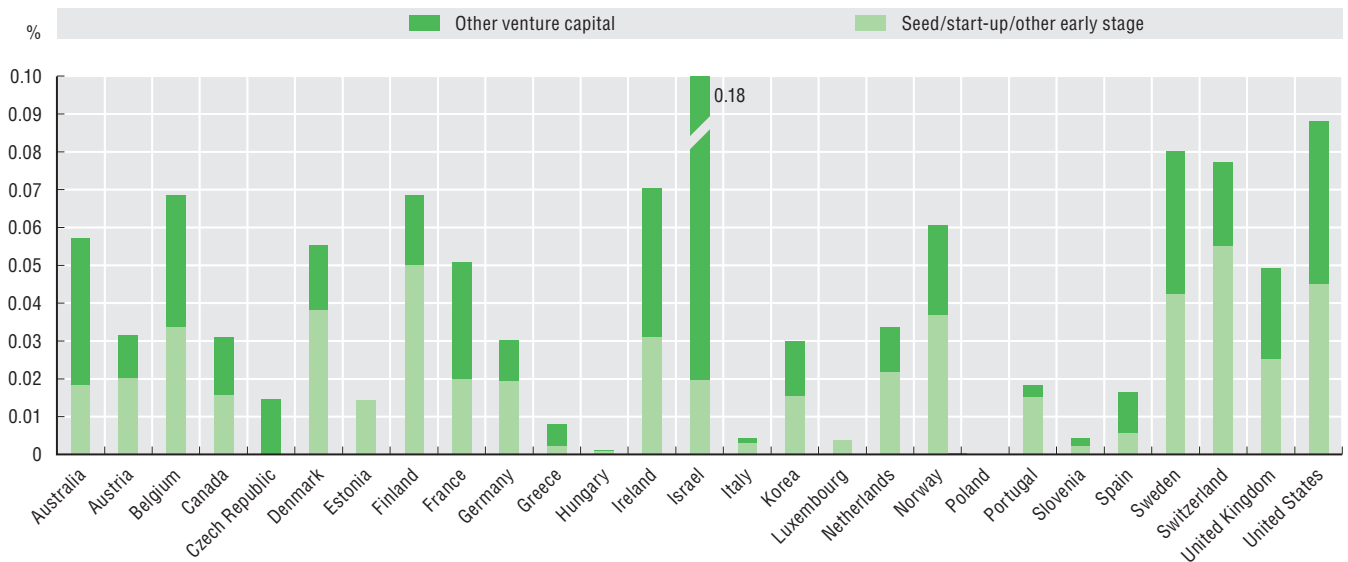
OECD Entrepreneurship Financing Database, built from:

- ABS: Australia.
- EVCA: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, United Kingdom.
- KVCA: Korea.
- NZVCA: New Zealand.
- PwC MoneyTree: Israel, United States.
- Thomson Reuters: Canada.

Information on data for Israel:

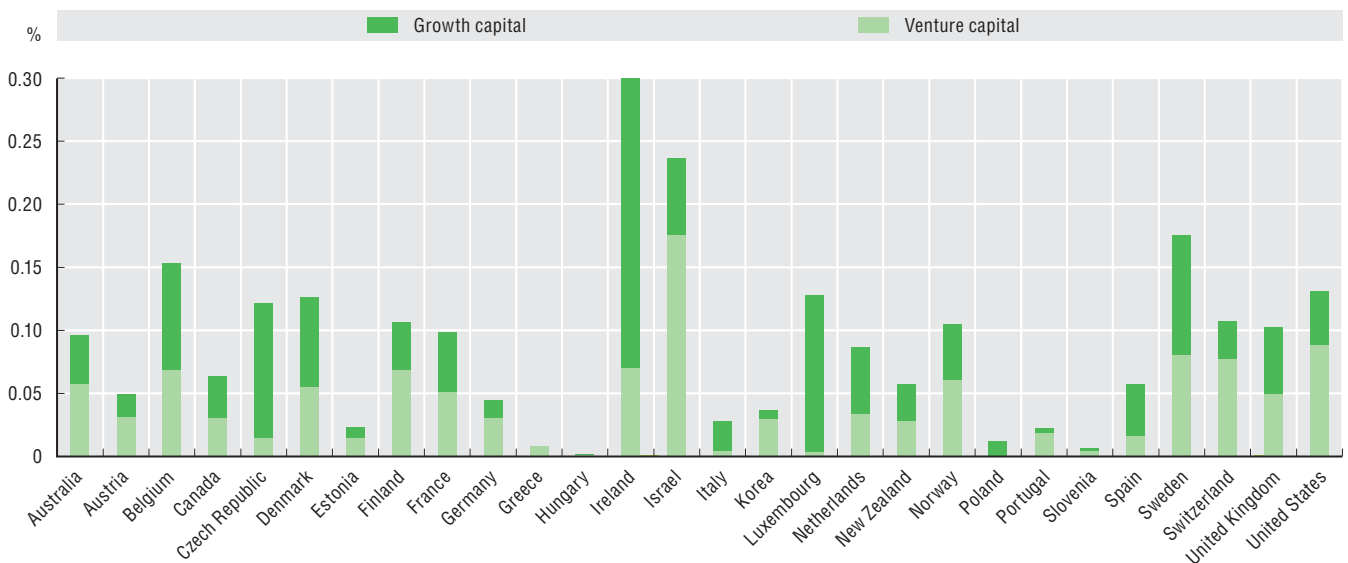
<http://dx.doi.org/10.1787/888932315602>

Figure 21.1. Venture capital as a percentage of GDP, 2009

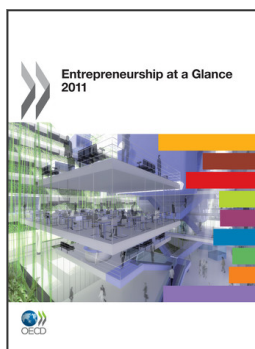


StatLink <http://dx.doi.org/10.1787/888932385104>

Figure 21.2. Venture capital and growth capital as a percentage of GDP, 2009



StatLink <http://dx.doi.org/10.1787/888932385123>



From:
Entrepreneurship at a Glance 2011

Access the complete publication at:
<https://doi.org/10.1787/9789264097711-en>

Please cite this chapter as:

OECD (2011), "Access to finance: Venture capital", in *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264097711-25-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.