Increased activity in Venture Capital

The venture capital (VC) industry in Malaysia is only beginning to emerge after having taken root in the 1980s.

Since then, private sector-led initiatives in the VC industry have also increased.

These include the setting up of the Malaysian Venture Capital Association, which has 44 members managing funds totalling about RM1bil, as at the end of June last year.

Private sector VCs have also been active in organising business plan competitions with the objective of converting potential ideas into actual business, and to foster an entrepreneurial culture in the country.

The number of venture capital companies monitored by Bank Negara has increased slightly from 31 companies in 2000 to 36 companies by the end of last year.

According to Bank Negara, the dotcom bust in the US had affected investment by venture capital companies; the figure invested in Malaysia has declined from 2000 to 2001, from RM131.3mil to RM109.3mil, even though the lesser amount was spread among 42 companies in 2001, up from 35 companies in 2000.

The money that went to ICT companies rose from RM53.1mil in 2000 to RM76mil last year, but the amount invested in life-science companies declined from RM3.5mil to RM3.2mil.

The use of VC funds have also seen a change.

Start-up and other early-stage funding accounted for 15% and 12% respectively of the 2000 disbursements, but investments at the start-up stage rose to 20% of the 2001 total, while 2001 investments in the other early stages accounted for 42%.