The Development of the Venture Capital Industry in Emerging Markets

Country Empirical Analyses carried out in the Arab-Mediterranean Region – (Jordan, Palestine, Egypt, Tunisia, Israel)

CONTENTS

Background and Methodology

The origin of this research is the result of my years of work in the private sector with Deloitte&Touch Financial Advisory Services where I worked as a consultant. It is also the fruit of my work in the public sector as an officer in UNIDO, a multilateral organization for development.

Working in Deloitte, I was involved in-depth in M&A operations and advisory activities to support corporate clients, private equity/venture capital firms, MBO/MBI teams, entrepreneurs, and governments. Specific functions and responsibilities required identification and valuation of market opportunities; business ideas and business models definitions; preparing information memoranda and business plans; evaluating companies and projects based on economics and financial plans; scouting for potential investors, financial and industrial partners; and assisting in negotiations.

At UNIDO, I had the unique opportunity to be part of a significant actor in the international cooperation system focused on industrial development and investment promotion. During this period, I was responsible for promoting projects to support entrepreneurs in obtaining access to innovative financial instruments. Programs and projects were carried out to strengthen the capacity to attract investments for industrial projects, assist in the acquisition of new technologies, and establish mechanisms for the promotion of business alliances.

In the course of three years, conducting this research I had the opportunity to spend an extended period in selected countries. All country empirical analyses have been carried out spending long periods in the field (Egypt, Jordan, Tunisia, Palestine, and Israel) researching in close cooperation with local and international stakeholders which are made-up of both past and present actors in the venture capital industry of the region. A significant amount of time was spent in particular in Israel and Palestine. Numerous short missions were also carried out during the entire three-year working period to attend conferences, round-table discussions and meetings. Material was gathered, questionnaires completed, and many interviews accomplished, with the participation of European and local students, in addition to the extensive work in cooperation with public institutions performed.

I am particularly grateful to UNIDO field offices in Jordan, Egypt and Tunisia, and to the UNIDO Investment Promotion Unit in Cairo and Amman, which actively collaborated sharing hypotheses, contacts, and documents. Prominent information and statistical data were gathered from various countries' central banks (Statistics Department), main university centres and from respective ministries of finance, industry, and trade. The relationships established with EIB and World Bank (IFC) officers, as well as the input received from them, was of great significance.

Country empirical analyses are therefore based on information collected in Egypt, Israel, Jordan, Palestine, and Tunisia studying local surveys in-depth, confidential information memoranda, business plans, and strategic industry research. Many key players were interviewed in order to achieve insight into the local culture thereby providing an authentic feedback in order to delineate final recommendations. All the actors contacted were asked to give a brief overview of the representing institution's background and structure, as well as report findings about local venture capital industry and key determinants for industry development. Many of them provided significant input and feedback highlighting both the challenges and the opportunities.

During the time spent in the field, more detailed information about the following main issues was gathered and elaborated: i) Country performance and expected trend; ii) Economic fundamentals:

openness of the financial system, institutional level, entrepreneurship, research and development, technology and innovation; iii) Governance limits: accountability, political stability, administrative efficiency, quality of guide lines, legal and fiscal policy, etc.; iv) Identification and analysis of innovative and traditional sectors open to face risk capital instruments: districts, industrial areas, technological parks, incubators; v) Actors operating in the country, local and foreign, as well as their investments.

Questionnaires were prepared and addressed to venture capital fund managers and to several venture capital key institutional actors. Information gathered covered legal, structural and operational matters. Specific questions were asked about investment firms' legal structure, history of the operations at country level, firms' investment strategies and exit strategies, as well as challenges and opportunities present at regional level. Every person interviewed was also requested to present his own recommendations to overcome obstacles that hinder a sound venture capital industry development. Information about local enterprises' backgrounds and main industries' attractiveness and prospects were also gathered.

Prominent international conferences were attended during the three-year period. Participating in these events, I had the unique opportunity to meet and get in touch with outstanding leaders, investors, managers, and officers which shared personal experiences and relevant considerations about venture capital industry outlook and its contribution to the country's economic development. A significant number of confidential information was also gathered directly from the organizers, speakers, and participants.

- *The Private Equity International Middle East Forum*, Investing in the Future of the Region. Organized by PEI Media, Dubai 2009 – March 2009
- *The Emerging Markets Private Equity Forum*. Co-hosted by PEI (Private Equity Forum) and EMPEA (Emerging Market Private Equity Association), London – November 2008.
- *Palestine Investment Conference, You can do business in Palestine*. Conference inspired by international donor community, Bethlehem – May 2008.
- *Private Equity as a growth driver in Mediterranean countries, 2nd Euro-Mediterranean Private Equity and SME financing Forum*, International Symposium Organized by Euromed Capital Forum Association, Tunis – April 2008.
- *Financing Early Stage Ventures Focus on Biomed* – The MIT Enterprise Forum of Israel. Issues discussed: What are angel investors seeking, and what sort of milestones should such an investment generate?; Challenges and growth opportunities in technology incubators; What are the local and international R&D grants available for Israeli biomed entrepreneurs, and how can you make the most out of them?; The role of the company's intellectual property, and how to manage it successfully; The VC investor and mutual expectations. Leon Recanati Graduate School of Business Administration, Tel Aviv, February 2008.
- *Investing in Technology, 5th International Forum – MENA 2007*, the region's principal gathering for the Arab Venture Capital industry. Forum workshop: Raising Capital for Technology Companies, Jordan, Amman, December 2007.
- Infrastrutture e Mercati Finanziari, AIFI (Italian Private Equity and Venture Capital Association) and Finlombarda, Milan – December 2007.

The general objective of the research is to understand venture capital operations' potentiality in the emerging markets of the Arab Mediterranean region. During the time spent researching, reading papers, interviewing relevant actors, I made an effort to get answers to many questions. Does it make sense to make efforts to foster venture capital industry development in poor countries where people lack even primary needs? Does it make sense to direct and bind venture capital firms to be focused on traditional industry investing in businesses with traditional products and services? At which level of intensity should the involvement of public institutions in promoting supporting programs be? Or better yet, how can venture capital actors, instruments, and methodologies help to bring technology and innovation to the poorest countries and to traditional businesses thereby improving basic and primary product marketability and distribution toward the vast majority of the poor?

The specific objectives pursued during the entire analysis were:

- To increase awareness in emerging market actors and among the multitude of institutions committed to industrial and financial development about what venture capital is, presenting the main issues and the main actors.
- To draw policy-makers' attention to proposals and recommendations to set up and consolidate a venture capital industry in emerging markets.
- To introduce venture capital firm initiators and investors to priorities characterizing the process to follow in order to set up a new venture capital fund in an emerging market.
- To define some concrete and creative support programs to be carried out by both public and private actors in order to exploit synergies and reach common interests.
- To increase awareness about the ideal dimension inherent to the venture capital industry that is called to support primary, sustainable, and social development.

Overall the research aims at encouraging a positive debate on the great opportunity that risk capital represents, as well the role institutional actors can play in improving policies, norms, and initiatives to be carried out in order to attract new capital and to facilitate the creation of new venture capital funds.

Executive Summary

This research project aims to verify development of venture capital in emerging markets. The comments, ideas, and proposals presented in the final part of the work come from a careful study of the key issues and players exemplified by the operation of venture capital. The findings are also the result of observations made at the end of country-level empirical analyses where much time has been spent in contact with entrepreneurs, investors, and local officials.

At the onset of the research findings, the topics covered in the first part of the research and the categories created among the key players in the venture capital industry, are not meant to be dealt with exhaustively. They only serve to introduce and contextualize by highlighting the associations with emerging markets. It is also necessary to set forth the critical factors and opportunities that distinguish emerging markets. Particularly when dealing with the complex context of the Arab Mediterranean region and the chosen countries of analysis.

More than anywhere else in the world, venture capital may in fact represent an important alternative to emerging businesses in developing countries by increasing the strength of the entire financial system and its key players, from traditional banking institutions and investment funds, to stock market capital.

In Chapter 1, key words used in the venture capital industry are contextualized and introduced in all of their range. This is accomplished in relation to the classic emerging market's particular context. Particular reference is made to the literature supporting and demonstrating the positive economic impact that the spread venture capital operations have on the entire economy of a country. A sound venture capital industry development can also bring positive effects supporting specific industries relevant to strategic and technological development (at country level), in order to lend support to the most dynamic and promising small and medium-sized businesses.

In Chapters 2 and 3, the arguments and key players are selected and presented in relation to the development of venture capital in emerging countries. Particularly interesting is the reference to the role governments are called to play (within their particular sphere of influence) by promoting measures that will stimulate the sector under the supervision of a public institution. This argument is taken to a hands-on level in the third part of research findings, where guidelines and specific actions are proposed to provide recommendations for policy makers, public officials, and institutional key players in both the private and public realms.

The introduction of the role lesser known entities can play in fostering solid industry venture capital growth (especially in less developed countries operating in a problematic socio-political context) should be highlighted. Some examples of these types of entities are development finance institutions (DFI) and multilateral organizations for development (MOD). This realization has also been driven forward thanks to extensive work experience within the central office of UNIDO in Vienna and fruitful collaboration with UNIDO field offices in Amman, Cairo and Tunis (the UN agency specialized in supporting the economic and industrial development of the poorest countries). A special mention is made of the implementation of research projects in cooperation with major development banks (EIB, IFC).

In Part A of the dissertation, empirical analysis at country level is introduced. The introductory chapter provides some clues to understanding the MENA region (Middle East and North Africa), giving preference to MENA over the MEDA area (which includes all countries bordering the Mediterranean, including Palestine and Jordan). Analyzing the data and documents compiled in the field, the strong link

emerges between these countries and the Arabian Peninsula. The relationship among them is not only cultural and linguistic, but commercial and financial, as well. It is particularly remarkable to observe the flow of capital and of investors from Arab regions looking to the Mediterranean Arab countries. In contrast the exchange of skilled labor and capital moving moves mostly in the opposite direction. It is also interesting to note the congruency between Islamic finance and venture capital which respect by its nature sharia law. This is an essential factor in making the venture capital industry so attractive to those local investors and one that greatly contributes to venture capital's future growth and expansion in the area.

The empirical analyses of Jordan, Palestine, Egypt, and Tunisia are presented in Chapters 5 to 9, moving from East to West, respectively. The case of Israel is deferred to the end given that it adheres to a different logic and purpose. The development of the venture capital industry in Israel has been particularly rapid and successful given the particular circumstances upon which its development has transpired. However, these remain highly relevant initiatives because they are programs promoted by the Israeli government which were supported by public money. This represents a novel, innovative, and unprecedented form of supporting the small business sector in their technological enterprises. Some of these initiatives can help other governments to structure and launch programs that promote the operation of venture capital in their specific framework.

The empirical work aims, together with the entire project, at enabling the selected country to become more competitive in attracting equity investments, overcoming barriers, and maximizing the impact of local and foreign equity investments on industrial growth.

Part A concludes with a comparative analysis (Chapter 10) of the countries studied and the topics identified as most relevant (as a result of the work done on the ground in the various countries). The analysis takes into consideration the attractiveness of a list of most relevant industries and the most sensitive issues to appreciate the venture capital climate. This will include the characteristic strengths and weaknesses of the key players and stakeholders active in the area.

In the concluding section the steps needed to be taken are set forth, including the subject matter and the players to be involved, in order to promote a stable and integrated development of the venture capital industry in the region. Specific proposals have also been prepared and presented to be developed by mutual involvement of public and private players (Chapter 11). Again, this is accomplished with particular reference to the problems and opportunities in the countries analyzed.

The role that governments and public institutions can play are crucial in fostering and facilitating the initiatives taken by private parties. The presence of active venture capital investors and fund managers can be encouraged and strengthened by projects undertaken by public and private institutional players such as governments, research institutes, universities, financial institutions and international organizations (both multi- and bi-lateral). Identifying and encouraging programs—such as financial and technical support schemes, tax incentives, higher education, and risk-sharing plans—may be useful to optimize resources, by attracting new capital to support these universities, technological parks, industrial districts, and venture capital companies.

Through legislation and/or intervention, governments can influence the interest of investors and entrepreneurs by using its own resources toward the targeting of programs that focus on strategic industries and areas of development in a given country. In this manner, governments can trigger development and the use of innovative means in order to inform, educate, and involve a greater number of potential players.

Chapter 12 will be partially devoted to emphasizing that there is a strong link between the world of venture capital, and what will be referred to as a highly "idealized sphere". By "idealized sphere" is meant a true passion for development, one that is attentive to the needs of all the community and the individual. Interestingly, the links that have been created in the use of terms, and the practice of following a common approach between the world of venture capital and that of venture philanthropy (and everything in between). There is a positive convergence between a purely profit-driven organizations to what could be called pure philanthropy institution~~s~~. This allows new players to appear on the horizon and, above all, new business models. Models that are able to pursue efficient, responsible, and profitable investments that are attentive to sustainable development. Areas such as environment, health, education, and the wide distribution of primary goods (such as water and energy), are increasingly central to the work of development, which directly (and indirectly) play a part or are in any way related to venture capital, its models and parameters.

In the final chapter significant issues previously described in the research are revisited. It is useful to summarize the challenges, as well as the major difficulties that characterize the region. Being able to recapitulate the opportunities present in the region is also useful and of significance. Reiterating that the venture capital industry is an opportunity for an emerging market helps to recall that venture capital sustains entrepreneurial development by encouraging technology and innovation. Additionally, the final Chapter sets forth a summary outline of the many ideas and suggestions presented in the treatment of the various topics in the chosen countries of analysis.

The more important goal (which has already been partly achieved during the research carried out in the field) is to encourage positive debate thereby increasing local stakeholders' awareness. This awareness is, of course, relative to the opportunity that the venture capital industry represents in sustaining a broad and consistent economic development. Supporting institutional players in improving regulations and legislation is paramount. By the implementation of specific programs to help structure the emergence of the requirements necessary for the venture capital industry to take root and consolidate this lofty goal can be readily accomplished.

The ultimate goal will be to attract new investment sources in the emerging countries, as well as offer suggestions to facilitate the establishment of new venture capital funds. These funds would be to sustain the early stages of development of small businesses operating both in innovative and traditional sectors. It is fitting indeed to promote an integrated development of the venture capital industry in emerging countries, thereby promoting a proper relationship between the public, private, domestic and foreign spheres.

In order to advantageously use these funds, the venture capital industry in emerging markets must find innovative ways to leverage the human and technological resources at its disposal by using public and private funds intelligently to optimize the accomplishment of this goal.

What appears clear from all the experiences and elements gathered during the research carried out, in proximity to diverse industry actors, is that venture capital inspires creativity and demand for idealism and vision. If this positive propensity is present in the actors involved, venture capital techniques can truly represent a way to foster the development of the world economy, together with the development of the world community, combining financial returns with social impact and real development.

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Conclusion

There is a growing need in emerging markets for alternative methods of financing to support promising projects and enterprises streamlining the debt and equity ratio. In this regard, venture capital is becoming increasingly attractive to investors and entrepreneurs, as it provides investors with more involvement in the entrepreneurial process and it gives entrepreneurs a comprehensive opportunity to facilitate success and support growth. The venture capital industry is a double-face business model, since it could be defined as a business-oriented financing tool that provides financing and adds value to businesses.

Venture capital operations encourage competitiveness in the market. Partnership with venture capitalists stimulates sharing, transparency, initiative and, therefore, productivity. Traditional subsidy and debt solutions lessen financial pressure on managers, thereby generating less efficiency.

Venture capital is not only a financial instrument but it is an industry which calls for a specific phase of development and needs a set of different support services. Venture capital operations have a complex life cycle during which the venture capital firms sustain portfolio enterprises with a vast range of supporting services. Indeed, venture capital bring to promising enterprises capital flow necessary to sustain start-ups and accelerate growth as well as providing concrete technical and managerial assistance.

Venture capital industry plays a relevant role in filling the entrepreneurial and technology gap, which divides developing economies from the most advanced markets. Venture capital operations also encourage investment and foster industrial development in risky markets.

This research, and especially the empirical analyses carried out in the field, state that venture capital operations are fitted to emerging markets and traditional industries too. These financial and well-structured deals are usually linked to IT and ICT industries, but innovation and technology are also inherent to traditional businesses and products. Therefore, if clusters of promising small enterprises and motivated entrepreneurs are present in a specific region or country, consequently there are chances for venture capital firms to find suitable and successful investment opportunities. It is also the case that in many emerging markets the population is growing rapidly and the per-capita income increasing. It means that enterprises producing traditional products and active in traditional industry (such as agro products, textile-garments, education and health services), may grow faster if well supported financially, and if helped to improve industrial processes with technology and innovative solutions. In North Africa for instance, many investors are targeting improvements in crop yields and harvesting techniques, or aiding with the increase in output achievable through operational and infrastructural improvements.

Venture capital industry is deemed important to foster economic growth in emerging markets. Venture capital operations bring about technology upgrading, improve enterprise performances, sustain employment growth, induce the creation of new products and encourage entrepreneurship. A well-functioning venture capital industry has a positive impact especially on innovation, making it easier to absorb the knowledge generated by universities, R&D centres, high tech park and incubators.

In emerging markets, venture capital firms must turn their attention especially to micro and small enterprises. Despite difficulties in keeping low transaction costs and overcoming entrepreneurial scepticism, if the business model is properly geared and implemented to small investment size and to early investment stages, performing a good rate of return is possible. A weak accountability and a lack in transparency are also a threat for investors and VC firms addressing M-SMEs that operate in country with complicated socio-political structures. The experience of countries, where empirical analyses were carried out, proves that venture capital firms have a methodological approach able to assist in overcoming small enterprise problems, whether financial or non-financial. By contrast with other types of financial institutions, VC funds are traditionally willing and prepared to assume high risks. In addition, venture capital industries bring along expertise that can be employed to assist any business in solving its non-financial problems. Governments in both developed and developing countries are requested to facilitate the venture capital industry development in order to foster SME sector, especially when the sector has proved to be the driving force for country development.

The venture capital industry has several players at different levels. A first level is represented by investors, venture capitalists, and entrepreneurs. A second level is represented by those stakeholders that may have a role in facilitating VC operations and preliminary conditions required such as the emergence of governments, multilateral organizations for development, development financial institutions, universities, industry associations and all kinds of specialized professionals which are essential in facing technical issues. All these actors are moved to work together in order to improve the emergence of the pre conditions required. It is interesting to note that venture capital key players (managers of VC firms, investors and entrepreneurs), always perceive a fierce determination and cultivate an uncompromising, single-minded persistence to overcoming adversity. Nevertheless the role public actors and institutional financial players can play to foster entrepreneurship and growth is absolutely essential and can be rewarding, particularly in markets and industries where access to financing is a challenging matter.

Venture capital operation, by its nature, brings financial community actors closer together thereby facilitating partnerships and synergies among different levels of stakeholders. Venture capital industry improves transparency and stimulates experience-sharing and therefore strengthens knowledge and capacity.

Despite problems, fears, and criticisms of the referenced local institutional systems in the region, and in the countries analysed, there are positive signs of change and improvement. An increasing number of broad-minded actors, such as private investors, financial development institutions, universities, venture capital regional associations, advisers, and specialized professionals, are coming forward so it is reasonable to assert that venture capital in emerging markets is not only desirable but also practicable. Within the Arab Mediterranean context the importance of the venture capital industry in economic development seems to be significant, with its clear impact in creating more jobs, enhancing the competitive edge and increasing exports.

Venture capital firms are also a good instrument in order to exploit the abundant capital flow coming from the Gulf countries. Global investors and wealthy individuals from the region are particularly willing to support Arab-Mediterranean countries. In addition, the congruency between Islamic finance and venture capital investment approach is also a positive factor.

The Israeli experience clearly proves that policies targeting and supporting programs to develop a venture capital industry and technology clusters can be effective only to the extent that favourable background conditions exist or are created. In order to achieve such goals and overcome the adverse circumstances, there is a high degree of need for creative support initiatives aimed at easing regulatory constraints and fostering a culture of partnership between entrepreneurs and risk capital investors. In this regard, promoting appropriate policies is a good way to start contributing positively to set in place a venture capital system. A fitting regulatory framework cannot be schematically proposed but it should be geared region-by-region, country-by-country, and industry-by-industry.

The business model of a venture capital industry in emerging markets must be accurately designed and locally adapted after having figured out economic system weakness and threats. There are basic requirements for the establishment of venture capital operations, which have to be analysed in-depth in each country. For example, free macroeconomic environment, dynamic capital market, the presence of a wide range of exit mechanisms, a solid legal framework, skilled management, innovation and technology development, institutional network and governmental support. Therefore a model with sequential phases, to facilitate the venture capital industry development in emerging markets is presented taking into consideration relative activities, actors and instruments. Specific actions to be set in place by policy makers are also recommended.

Increasing awareness among leaders and policy makers is crucial, to help governments and all the relevant stakeholders to understand the importance of the entire range of financial services necessary to support growth and entrepreneurship in modern innovation based economies. In the preliminary phases, the government and the relevant public institutions, are recommended to create favourable emergence conditions (support to innovation and start-up creations) more than to be focused on directly targeting venture capital policy operations. Public intervention, to put into action and foster venture capital activities, are welcome where there is a need to address market failures particularly in the area of seed and early stage financing.

Venture capital is about business people. The human capital and everything related to education and training, is therefore a very sensitive issue. From the empirical analysis emerges how the most scarce source is talent, not money. Qualification to be a venture capitalist is extensive and varies from technical, industrial, entrepreneurial, financial and humanitarian skills. On the investment side as well, the quality of entrepreneurs and enterprise management is essential to the success of any company, and therefore venture capital management teams must aim to assist investee companies to continuously strengthen management capabilities, both in terms of the strengths of their people as well as the effectiveness of their systems and processes. Therefore building an effective investment team of skilled managers and technicians, together with the process to define a clear investment strategy, is to be considered a mandatory goal for venture capital firm initiators and investors.

Supporting programs, launched by public and semi-public stakeholders (run by public and private partnerships), should have the ultimate goal of setting in place preliminary conditions and creating self-sustainable markets. Directly after the completion of this role, governments are expected to remove their back presence. However, a total exit may not be desirable since it may be wise to expect that there will always be a need to support R&D programs and the new technology frontiers constantly in evolution. Special funds and pilot initiatives can be driving factors to ensure a full development of a local venture capital industry.

Investors and venture capital firm initiators need to be addressed in defining proper investment strategies to exploit the opportunities in place in developing countries. Investors and managers should also be supported in understanding local policy systems and regulations directly and indirectly related to risk capital, and consequently, in designing and setting in place a functional investment process.

The creation of exit options, the elimination of labour market rigidities, the introduction of product market regulations that easily enter firms are all important steps that will have a positive impact in creating a friendlier environment for entrepreneurs and for venture capital operations.

Venture capital, however, cannot satisfy the needs of the entire financing cycle. It is therefore necessary to plan a more eclectically modulated financial offer, in terms of instruments and operators involved, in order to guarantee financing of all phases of the cycle where value is created. In this regard, facts and experience show that small business, start-ups, universities and industrial spin-offs all over the world (and especially in developing countries) need more financing than venture capital firms usually provide. Therefore, it is also necessary on the risk capital side to promote the involvement of more actors, such as business angels (informal venture capital), university spin off funds, and more creative programs and public funds to support innovative start-ups and young entrepreneurship.

More coordination and cooperation between public and private actors, as well as more education and acculturation about venture capital operations, is needed among potential entrepreneurs and investors within the economic context of developing countries. In this regard, encouraging the establishment of country and regional associations provides key support in order to improve the business climate, and promote attuned polices and incentive programs. Linkages between incubators, R&D institutions, universities and sources of financing must be favoured by various means. Industry associations help to increase partnership and exploit synergies at regional level and with Europe and Gulf Countries.

It is also worthwhile reaffirming that a stable development venture capital industry needs specialized professionals and advisers able to bring parties closer to set off industry potentialities, face challenges and exploit opportunities. The role of advisers is especially important in accounting for the contribution that can be offered by supporting players such as public institutions, specialized professionals, universities, and international organizations. In emerging markets, this role con be successfully undertaken by multilateral organizations for development.

Investors and entrepreneurs have to be characterized by passion and broad-mindedness applied to methodological approaches and ordinary activities. Lack of idealism and values is proportionate to failure, since success is traced and reckoned not only with profit but also with satisfaction and peoples real needs.

The venture capital model can favour the matching between a business approach and a philanthropic vision. The number of impact investors which are seeking to combine financial return with social impact is considerably increasing. More institutional investors and large corporations tend to increase action of corporate responsibility and allocate more resources to pursue social goals.

It is significant to highlight, how strong is the link between the venture capital approach and issues such as sustainability, responsible investments, environmental, social, and governance values. The venture capital business model is suitable for the pursuit of great values and ideals. If venture capital firms are not purely speculative in their approach[1], and if their management team is able to keep together business and idealism as a profitable dimension, they can be a remarkable instrument to streamline companies, develop efficiency, transfer technology and provide alternative effective methods.

[1]In finance, speculation is a financial action that does not promise safety of the initial investment along with the return on the principal sum. Speculation typically involves the lending of money or the purchase of assets, equity or debt but in a manner that has not been given thorough analysis or is deemed to have a low margin of safety or a significant risk of the loss of the principal investment.

Thanks to venture capital support, promising micro enterprises can be helped to survive, start-ups better accompanied to growth, and traditional industry transformed in terms of efficiency and profitability as well as many new jobs created. Primary needs are met on a larger scale and people's demands easily fulfilled in their real and concrete personal expectations.