

## **VENTURE CAPITAL, CAPITAL MARKET AND INDONESIA SMES**

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### **ABSTRACT**

This paper explains can Indonesian SMEs used venture capital and capital markets to developed SMEs in developing countries such as Indonesia. SMEs play an important role in economic growth and development . The difficulty of funding obtained by SMEs in the banking financial institution sector is due to collateral limitations. Venture capital a nonbank financial institution that does invest financial resources, support and monitoring as well as network access to investment in activities operation or SME management, so that SMEs become more profitable. Indonesia is a developing country with limitations such as not having a special capital market for SMEs, SMEs database and Venture Capital database in Indonesia, whether the existing venture capital in Indonesia able to lead investee companies to exit through the Indonesian stock exchange at acceleration board. In 2020 there is one of portofolio's company from Mandiri Capital Indonesia that got listing or IPO (initial public offering) with an acceleration board in Indonesian Stock Exchange.

**Keywords:** SMEs, Venture Capital, IPO, Capital Market Listing

### **INTRODUCTION**

SMEs play an important role in economic growth and development. The growth of SMEs has shown a higher figure than the industrial sector as a whole. This is due to the persistence, dynamism, innovation and adaptability of SMEs so that SMEs survive the economic slowdown and recession (Gede & Artini 2020). SMEs are of great value for the stability of sustainable economic development, triggers technological innovation, and can drive economic growth. Limited credit for SMEs is a major obstacle to the growth of SMEs. Financial support is the first stone to accelerate the growth of SMEs (Du & Cai 2020).

According to (Gornall & Strebulaev 2015) venture capital is the main form of funding used by young, innovative and risky companies. Venture capital not only provides funding but also non-financial support such as mentoring, strategic direction, and network access. And venture capital has a positive spillover on many aspects both in terms of the amount of market capitalization for investors on the stock exchange, the number of highly skilled employees, and the benefits for the economy. Thus, the role of venture capital in companies can be seen from three aspects, namely as a source of funds and as support and monitoring and network access to the implementation of operational activities in investee companies (Harrison et al. 2020).

The limited amount of funds that will be obtained by SMEs in terms of financing, and if the financing relies more on collateral owned by SMEs. This provides space for venture capital firms to provide financing or investment to SMEs. Venture capital is a non-bank financial institution that provides funds

or investments to investee companies to be managed and venture capital also participates in managing the investee company.

And the imbalance between demand and supply is where the limited number of banking financial institutions that can finance SMEs finances and the large number of SMEs so that there is a gap between demand and supply.

Research on the role of venture capital and capital markets in the development of SMEs in developing countries is still very rare, because of the limitations of these countries, whether venture capital in Indonesia was able to bring the investee to exit through the stock exchanges both in Indonesia and abroad with the limitations that are owned by Indonesia that has not had a capital market specifically SMEs and limitations of both databases of SMEs, venture capital owned by Indonesia, how are the characteristics of venture capital companies, SMEs and capital markets in Indonesia. So that the issue related to the role of venture capital and capital markets in developing countries is very interesting to discuss further.

While in countries that have developed the role of venture capital is very advanced where venture capital companies have succeeded in investing in SME companies and successfully exiting through the capital market, this affects the capital owned by the SME so that the capital obtained from the capital market can be used to do so. investment in equipment, buildings or that opening a branch of another company.

According to Law No.9 of 1999 and due to increasingly dynamic developments the Law was amended to Law No.20 Article 1 of 2008 concerning Micro, Small and Medium Enterprises, the definition of MSMEs is as follows:

**Micro Enterprises** are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law. **Small Business** is a productive economic business that stands alone, which is carried out by an individual or a business entity that is not a subsidiary or branch of a company that is owned, controlled, or is a part, either directly or indirectly, of a Medium or Large Business that meets the criteria of a Business. Small as referred to in this Law. **Medium Enterprises** are productive economic enterprises that are independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part of, either directly or indirectly, with Small or Large Businesses with total net assets or annual sales proceeds as regulated in this Law. Large Business is a productive economic enterprise carried out by a business entity with a net worth or annual sales proceeds greater than a Medium Enterprise, which includes state-owned or private national enterprises, joint ventures, and foreign businesses that carry out economic activities in Indonesia. Business World is Micro, Small, Medium and Large Enterprises that carry out economic activities in Indonesia and are domiciled in Indonesia.

### ***Venture Capital***

Some investors prefer venture capital financing because of its uniqueness, forward-thinking, flexibility and high returns. These results increase the number of commercial venture capital institutions in China (Ning, Xu and Long 2019). Venture capital is one of the main sources of financing innovation in entrepreneurship and small business. On the other hand, venture capital is presented as an independent sector in the economic market in a country. At the same time, the operational mechanism of venture capital requires a public relations system in the risk of business, this is based on the interests of investors, entrepreneurs, government and the public (Kuzmina-merlino & Kublina 2014). (Kleinschmidt 2006) venture capital is only a private company that carries out limited funding and investment to achieve a level of return or profit.

Based on Presidential Decree (KEPRES) No. 61 of 1988 regarding Financing Institutions and Decree of the Minister of Finance (KEPMENKEU) Number 1251 / KMK.013 / 1988 concerning Provisions and Procedures for Implementing Financing Institutions. Venture capital in Article 1 paragraph (11) KEPRES defines that a financing business in the form of capital participation in a company that receives financing assistance for a certain period time.

According to the Financial Services Authority for Venture Capital Companies, is a business entity that carries out financing / equity participation in a company that receives financing assistance (investee Company) for a certain period of time in the form of equity participation, participation through the purchase of convertible bonds, and / or financing based on distribution. for the results of operations.

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### ***Capital Market***

The Capital market is a financial market segment that is built for mobilizing and using long-term funds for social, economic and industrial development. There are generally two segments in the capital market: the primary market and the secondary market. The company's primary market offers its securities to the public for the first time, which is known as an initial public offering (IPO) Olusoji (2012).

According to Solomon Tadesse (2005) the importance of the capital market as a means of capital formation that has been well recognized, its role as a provider of management services that have economic value, especially SMEs, which have not received much attention. The capital market also acts as a monitoring and control channel for outsiders to carry out good management in the company. This then determines the ability of the capital market to produce good management and is closely related to market liquidity. Then international evidence suggests that companies that are supported by capital market liquidity get an increase in economic performance. As a small and new company growing and developing, naturally, it requires a large investment expenditure to find capital. The main motive for going public has been explored to raise more capital than anything else that entrepreneurs can get.

### ***Parties Involved in the Capital Market***

The parties involved in the capital market are as follows:

Investors are parties who invest in stock exchanges / exchange securities. Investors are the basic source of order flow and the main customers of exchange securitists. They include two broad groups: individuals (retail customers) and institutions (including mutual funds, pension funds, and insurance companies). Exchange members acting on their accounts can also be considered investors. Investors who buy (invest) and sell (divest) securities at the official price on their account. When their order is executed on an exchange, the customer gets the official price. Broker: an intermediary between investor sellers and investor buyers. Brokers are members of exchange securities which intermediate between investors and exchange securities. The broker does not take orders on their records but an agreement between them in the market of both investor B and S. The broker acts as an agent, they are on behalf of the client account. The broker responds to know the customer and to send cash and the number of shares if the customer fails the transaction. In other words, this intermediate must stand by the customer. For their services, the broker receives a brokerage fee (commission). To fulfill his role, a broker operates cash and securities accounts on behalf of investors. The main asset for a broker is its receipt of the order flow, and its portfolio of customers. Dealer: a marketing service to public investors by trading their name on their

account. When an intermediary does so, he is called a market maker or dealer. The difference between a market maker and a dealer is that the former are contractually committed to providing liquidity to the market by placing quotes on both sides of the market (one for buying and one for selling). Market makers are also required to maintain a fair and orderly market. Whether an exchange member acts as a broker or a dealer depends on the trading capacity. Issuer: Exchange-traded shares (products) have been handed over by a public company which, in the context of exchange, is referred to as an issuer. Issuer / issuer is a legal entity that issues and distributes its securities to investors in a public market that is regulated by law.

In 2019 the Indonesia Stock Exchange launched a stock exchange for SMEs called the acceleration board, following OJK regulations regarding the public offering and increasing capital for SMEs, namely rule No. 53 / PJOK.04 / 2017 and No. 54 / PJOK.04 / 2017. The purpose of the acceleration board is to provide opportunities for SMEs through the capital market and finally the new board focuses on developing the primary market for SMEs. The SME offers has several advantages: 1) free to register for the first year 2) the opportunity to gain connection support to private equity.

### ***Literature Review***

#### ***The Role of Venture Capital in Developed Countries (China, France, Germany and UK)***

(Du & Cai 2020) examines the impact of venture capital on the growth of SMEs p existing agricultural companies in China. By using as many as 40 agricultural SMEs. The findings show that venture capital in China has its characteristics in selecting investees and encouraging the development of SMEs. First, venture capitalists prefer to invest in large-scale SMEs with stable operations, low debt ratios, low ownership concentration, and stable returns. Both venture capital can increase technological innovation, profitability, and develop the capabilities of SMEs. Third, venture capital does not have a significant effect on the solvency of SMEs. Simultaneously, venture capital has a positive and significant impact on the growth of SMEs in China. This proves that the higher or greater the participation of venture capital in a company, it will have a positive impact on the growth of SMEs.

(Wu & Xu 2020) which examines the role of venture capital in SME lending in China. By using a sample on the National Equities Exchange and Quotations (NEEQ) in China. Results of the research found that SMEs are backed by venture capital become more effective in increasing access loans SMEs to the bank, especially short-term loans at low cost and loans without collateral. Venture capital fewer loans fail and have a relationship that is positive with the performance of SMEs. And the research results also further show that venture capital reduces asymmetric information between banks and SMEs both through "hard" information on better financial reporting quality and "soft" information on the credibility of SMEs. It is proven by the condition of SME funding and the efficiency of banks in loan allocation, combining debt and equity financing schemes into something more meaningful in the financial infrastructure of the largest emerging markets. So that the existence of a venture capital company will make it easier for SMEs to obtain funding from banks so that SMEs experience development.

(Li et al. 2021) China also examine venture capital to promote the profitability of the company by using a proxy tobins'q where the result is obtained that can promote venture capital firms in generating profitability. And venture capital also can promote CSR.

Jiang et al. (2014), comprehensively examined the role of venture capital in public companies listed on the SME boards and company growth boards in China that are part of the SME life cycle. The role of venture capital varies from funding, business development and management. The results of research through the IPO of SMEs have high advantages, low levels of underpricing, and high reactions.

Otchere dan Vong (2016) on the impact of venture capital participation in IPOs in China. The results of the research of companies that use venture capital are more underpriced than do not use venture capital in the long term underperformance, venture capital that backs up IPO performs better. The high level of underpricing and costs of going public for venture capital is consistent with the monitoring role of venture capital. And the reputation of venture capital has a relationship with low levels of underpricing and consistent with the theory of reputation capital, the reputation of venture capital using venture capital expertise and experience minimize underpricing in maintaining the reputation of capital.

#### *France, Germany and UK*

(Rindermann 2016) which examine the impact of venture capital companies on the operational and market performance of companies that went public in France, Germany and UK by using non-financial companies are going public in 1996 and 1999. The results of his research consider that different variables reflect the quality of venture support, his findings suggest that companies supported by venture are generally not superior without being supported by venture capital. However the part of the international venture capital group has a positive influence on the performance of the company's portfolio. The results interpreted that there was a case of heterogeneity among venture capital in the European market.

#### *Sweden*

(Smolarski & Kut 2011) The impact of venture capital method to performance SMEs and internationalization SMEs in Sweden. Divides venture capital funding into several categories: incremental funding where the company receives venture capital funding according to its portion, lump sum funding where the company receives on one lump-sum, syndication in which two or more external investors participate in one funding round. The results showed that the type of funding capital based on venture capital affects performance (sales growth; turnover) and internationalization. The growth rate and sales turnover are used as proxies for assessing performance. The export ratio is used as a proxy for internationalization when used in part. There is a negative effect when syndication and funding are used in combination. At the early stage, SMEs experienced significant growth.

#### *Japan*

Cumming, Fleming, dan Schwienbacher (2008) argue that the quality of venture capital as seen from monitoring venture capital can be used as a proxy through the long duration of venture capital investment and IPO in Japan. The long duration of venture capital investment is the greatest ability to monitor and influence company activities.

(Kirkulak 2008) examined initial returns and long-term returns on companies that did IPO on the Nasdaq, Mothers, Hercules and The Japan Company stock exchanges where the investee company was supported by venture capital firms and not supported by venture capital firms conducted in Japan. The results showed that there are insignificant results related to the difference between the initial returns in companies that are supported by venture capital and those that are not supported by venture capital. This case is inconsistent with the explanation of the hypothesis which states that venture capital firms guarantee the correctness of firm value and therefore reduce underpricing. Furthermore, the Japanese IPO in the long term underperformed. It's just that the hypothesis can be used to explain the poor long-term performance. These results suggest that although companies that are supported by venture capital have high initial returns, their performance is significantly worse over the next 3 years than companies that are not supported by venture capital.



In Japan, the results of research conducted by (Ueda 2008) state that venture capital has a positive and significant effect on the number of patents. Meanwhile (Venckuviene & Saboniene 2015) added value from venture capital services can increase the company's innovation capabilities.

### *European*

(Pradhan et al. 2019) examined the causal relationship between venture capital, ICT infrastructure and economic growth in the European Union. The results show that the venture capital and ICT infrastructure have a reciprocal or causality effect. Economic growth and the final stages of venture capital investment have an impact on the use of the internet; Internet use and the final stage of venture capital investment affect economic growth in the long run. For the short term, there is a strong relationship with the research variables. If the economic growth is high, this will increase incentives to invest both domestically and abroad, especially the increase in the ICT industry. This investment is also very important for the development of ICT infrastructure, increasing ICT supply and strength for venture capital in providing investment funds.

(Faria & Barbosa 2014) using panel data from 17 European states, found that there is a positive impact of venture capital on innovation. Where venture capital fosters innovation, mostly in the final stages of financing. The existence of a relationship between venture capital and innovation, and innovation is needed in companies that are just growing, while companies that are just growing are experiencing problems with corporate funding. So on the one hand, companies need venture capital as an effort to advance innovation or with venture capital investments in investee companies that are expected to be capital / venture capital funds.

According to (Bongini et al. 2019), several countries in the European Zone have realized the potential of SMEs to fund capital markets, a large number of companies are suitable for funding in unexploited markets. Overall business conditions are measured through GDP growth, development of domestic financial market levels and the quality of the official and law enforcement systems taking into account the effects of a firm's market suitability

### *Australia*

Dwyer and Kotey (2015), from the results of research that has been conducted, academics and practitioners promote IPO as an effective source of financing for high growth for SMEs in Australia. But according to SME owners and advisors they do not consider IPOs as a solution or source of capital growth for growing SMEs.

### *France*

In France, research conducted by (Pommet 2017) examined the impact of venture capital involvement on the survival rate of companies supported by venture capital at the time of IPO and several proxies for the quality of venture capital related to funding and monitoring. Analysis of venture capital involvement on survival after IPO both long and short term. The findings show that the quality of monitoring of venture capital companies as measured by the duration of investment before IPO has a positive correlation with the survival rate of the company. Meanwhile, the experience of venture capital using the age proxy of venture capital does not correlate with the survival rate of the company.

### *Belgian*

A Belgian study conducted by (Manigart, Baeyens, dan Hyfte 2001), this study examines the viability of backup venture capital firms, by comparing backed up and non-backed firms. By using survival analysis with a sample of 565 companies that are backed up by venture capital and 565 companies that are not backed up by venture capital. The result is companies that are backed up by venture capital do not get a higher probability than companies that are not backed up by venture capital. Companies backed up by the two oldest government venture capitals have a higher survival rate for the company, while companies backed up by other government venture capitals have a low survival rate and a high probability of going bankrupt.

### *US*

(Alakent, Goktan, dan Khoury 2020) the effect of venture capital on CSR in public companies conducting IPOs from 1991 to 2015 in the US. The result is that, on average, companies backed up by venture capital have a worse CSR track record than companies that are not backed up by venture capital.

Kolmakov, Polyakova, dan Shalaev (2015) in the USA and Russia has a positive and significant effect of venture capital on economic growth, and the parameters for developing venture capital investment are greater than conventional investment.

### ***Venture Capital in Developing Countries***

#### *Kenya*

The same thing is shown from the results of research conducted in Kenya by (Karanja, F & R 2012) related to impact of Venture Capital on the growth of SMEs in Kenya obtained information that venture capital is a funding source the best in Kenya for the long term but still few use them. By using secondary data and semi-questionnaire. The results of this study determine that venture capital has an impact on the financial growth of SMEs. This study has also proven that using venture capital can be more profitable in Kenya. This study concludes that SMEs that use venture capital can increase growth and then many SMEs will support using this type of financing. The profitability of SMEs before and after using venture capital as a source of financing. Where there is a significant increase in profitability between before and after the company uses venture capital in a business

Research conducted by Muroki F Njoroge (2012) on the impact of venture capital on the performance of SMEs in Nairobi, Kenya, the results of his research indicated that venture capital had a significant effect on the performance of SMEs in Nairobi, Kenya, the research was carried out through distributing questionnaires.

#### *Nigerian*

(Dagogo & Ollor 2009) The effect of venture capital funding on economic value added in Nigerian SMEs. SMEs that are funded by venture capital outperform SMEs that are not funded by venture capital and specifically the performance affects management support by venture capitalists on the SME portfolio.

#### *Republik Srpska*

(Djalic et al., 2017) which examines the role of venture capital in the development of the SME sector in the Republic of Srpska, where the results of the research shows that there is no SME financed by VC in the Republic of Srpska, only one SME is financed by angel investment.

#### *Ghana*

Biney (2018) conducted research related to the impact of venture capital financing on the growth and development of SMEs in a developing country, namely Ghana and also examined the factors driving investment activity and identified factors that influence SME owners to access venture capital financing. GDP growth rates, employment, taxes from capital gains and quality of institutions are the key drivers of the venture capital industry in Ghana. SME owners or managers, socio-demographic factors and macroeconomic variables such as gender, education, geographic location, business planning, social networks and interest rate charges affect the ability of SME owners or managers to obtain venture capital financing. The research was conducted by using a questionnaire.

From the previous research above, it is obtained a description that all research that has been done. More in developing countries such as China, Japan, France, Germany, UK, Sweden, Australia, Prancis, Belgia and the data used is obtained from available secondary data and capital market data. In contrast to developing countries, only a few countries have researched on the role of venture capital, such as Kenya, Ghana, Nigerian, the Republic of Spain which uses questionnaires or primary data in answering the role of venture capital on the growth of SMEs because of the limited data that these countries have. Meanwhile, it is a challenge in developing countries that have access to SME listings on the capital market and are backed up by venture capital for further research.

## **METHOD, DATA, AND ANALYSIS**

This study uses a quantitative descriptive method, which describes the overall condition of venture capital companies in Indonesia. Data collection is based on library techniques, through literature and publication reports related to the research.

## **RESULT AND DISCUSSION**

Based on data from the Financial Services Authority, the number of venture capital companies as of December 2020 is 61 head offices, 1,348 branch offices and 5 companies other than branch offices ([www.ojk.go.id](http://www.ojk.go.id)). The number of MSMEs in Indonesia is 64,000,000 with a composition of 60,000 medium-sized businesses, the remaining 700 are micro-businesses.

In Indonesia, there are around 1,917,624 business partners who are financed by venture capital companies. There are 3 types of venture capital financing in Indonesia, namely in the form of equity participation, purchase of convertible bonds and productive business. With the allocation of financing in the form of equity participation totaling 153 PPU, converting bonds totaling 157 PPU and financing for productive business totaling 1,917,314 PPU. The total venture capital financing in December 2020 was Rp. 13,448,000,000 with an allocation of financing for capital participation amounting to Rp. 2,908,000,000, while for financing the purchase of conversion bonds amounting to Rp. 656,000,000 and for business financing of Rp. 9,884,000,000. So it can be concluded that venture capital financing in Indonesia is still dominated by productive business financing by 73%, equity participation by 22% and buying convertible bonds by 5%. ([www.ojk.go.id](http://www.ojk.go.id))

Ventura Capital financing in Indonesia is still dominated by profit-sharing schemes, financing is done to MSMEs that are not yet legal and have limited sources of capital. Meanwhile, financing for investment in shares and conversion of financing bonds is carried out in companies that are legal entities and have large assets and have access to banks (Budisulistyawati 2006).

The capital structure of venture capital companies is dominated by bank loans. Venture capital companies have problems in providing capital participation as a core product of venture capital companies. This can



be seen from the portfolio of venture capital companies that are dominated by profit-sharing rather than capital investment. And simultaneously company size, profitability, liquidity, investment quality, and earning assets affect the capital structure of venture capital companies in Indonesia (Buchari et al. 2016).

Based on the (Asian Development Bank 2020) report, venture capital companies in Indonesia have experienced development with investments focused on startups that have high technology and digital industry. There are domestic venture capital companies and foreign-led venture capital companies. Domestic venture capital companies work mostly in government program channel entities to actively participate in capital and profit-sharing loans. Meanwhile, foreign venture capital companies dominate private capital investment in high-growth startups, especially the e-commerce and digital industries. Domestic venture capital firms face critical challenges of survival and especially funding for a business.

From the previous explanation, information was obtained that venture capital companies in Indonesia are still dominated by productive yield financing or profit-sharing schemes, compared to equity investment financing or convertible bonds. This indicates that the majority of business partner companies (PPU) in Indonesia are still dominated by PPUs who are not yet legal and still have limited assets and capital in operational activities, then when viewed from the capital structure of venture capital companies are still dominated by bank loans and the implementation of capital mechanisms Ventura is a single tier-venture, which means that venture capital is isolated from the Indonesian capital market, which is a source of capital in venture capital companies and this results in venture capital companies losing money, and it is difficult to develop. In addition, venture capital financing activities are still unhealthy.

For SMEs listing on a stock exchange Indonesia, the Government through Otoritas Jasa Keuangan and Indonesian Stock Exchange provide solutions to the SMEs for listing on the floor of the exchange through the board acceleration. Board is intended specifically for companies with small and medium scale assets set out in the regulations Otoritas Jasa Keuangan Indonesia No. 53 / POJK.04 / 2017 regarding registration statements in the context of public offerings and additional capital by granting pre-emptive rights by issuers with small-scale assets or issuers with medium-scale assets. Thus providing opportunities for SMEs to be able to develop their businesses on the stock exchange through board acceleration.

The importance of non-bank financial institutions such as venture capital and the capital market in overcoming problems faced by SMEs in Indonesia. Venture capital is a non-bank financial institution that provides financing to a company by providing investment to partner companies through stock investment activities, bond conversion and productive business activities.

In 2019 venture capital companies in Indonesia have begun to develop because venture capital companies have begun investing in e-commerce companies and the digital industry which is experiencing faster growth than conventional companies. There is the involvement of foreign-owned venture capital companies who invest in startup companies in Indonesia in the form of equity investment financing, while local venture capital dominates the activities of profit sharing or productive ventures. So that there are still many Perusahaan Pasangan Usaha (PPUs) who are not yet legal so that company management is still carried out traditionally, and financial management is still traditional, this is an obstacle to developing Indonesian PPU or MSMEs. Because to develop, it requires modern corporate management, both financial and non-financial, so that finally the PPU can exit through the Indonesian capital market. There is one PPU that can exit with capital market at 2020 listing with the acceleration board is Cashlez. Cashlez is one of the startup companies Indonesia with Invested from PT. Mandiri Capital Indonesia Venture Capital.

There is an increase in the number of SMEs that have IPOs starting in 2017 in line with the regulations issued by the Government of Indonesia through the OJK (financial services authority) and the IDX (Indonesia Stock Exchange) which continue to support SMEs in order to develop their businesses through the capital market. This regulation is contained in the regulation of the financial services authority No. 53 / POJK.04 / 2017 regarding registration statements in the context of public offerings and additional capital by granting preemptive rights by issuers with small-scale assets or issuers with medium scale (Otoritas Jasa Keuangan, 2017). In order to encourage the growth of the number of listed companies on the IDX, it also provides a special policy through a stimulus in the form of a discount of the initial share listing fee and / or an additional share listing fee of 50% (Bursa Efek Indonesia, 2020). In 2020 there are 5 SMEs listed on the Indonesian stock exchange through the acceleration board. Among others, Cashlez Worldwide Indonesia Tbk (CASH), Tourindo Guide Indonesi Tbk, Planet Propertindo Jaya Tbk, Prima Globalindo Logistik Tbk and Boston Furniture Industries Tbk.

Of the five SMEs listed on the acceleration board, only one company is supported by a venture capital company, its Cashlez Worldwide Indonesia Tbk, one of the startup's company in Indonesia, seen from the company's ownership shareholder structure, which is owned by PT. Mandiri Capital Indonesia, which is one of the corporate venture capital companies of Indonesia, with totaling shareholder ownership of about 8,231%.

## CONCLUSION

The importance of SMEs to economic development in a country so that a policy is needed on how SMEs can be backed up by venture capital because as it is known, venture capital is not only supporting from the financial side but non-financial such as monitoring, directing the company's strategic. This is very much needed by SMEs in every country. And venture capital is investing. But venture capital investment is limited to only 10 years. And finally, the SMEs backed up by venture capital have developed through an IPO in the capital market. Indonesia already has a special board for SME listings on the Indonesian stock exchange, this allows further research to be carried out related to SMEs supported by venture capitalists to list on the stock exchange. Because venture capital can promote profitability, monitor and manage companies to become more developed so that SMEs are able to exit venture capital through the Indonesian capital market. Since 2007 Only one SMEs backed up venture capital listing at Indonesian Stock Exchange in 2020. That is PT. Cashlez Worldwide Indonesia Tbk which one of the portfolio company corporate venture capital PT. Mandiri Capital Indonesia. Venture capital financing in Indonesia is still dominated by productive business financing by 73%, equity participation by 22% and buying convertible bonds by 5%. Venture capital companies in Indonesia have experienced development with investments focused on startups that have high technology and a digital industry. Domestic venture capital companies work mostly in government program channel entities to actively participate in capital and profit-sharing loans. Foreign venture capital companies dominate private capital investment in high-growth startup's, especially the e-commerce and digital industries. Domestic venture capital firms face critical challenges of survival and especially funding for business.

To realize this issue, researchers recommend other researchers who are in line with this topic, to conduct the following research

1. What kind of condition if research about role venture capital and capital market in the developing countries are we can use same proxy as well as developed country? With some obstacles such as database SMEs, database venture capital and capital market that have of developing countries, are venture capital in the developing countries can be exit SMEs to the capital market?

2. Need to research comparative study role venture capital and capital market between a developing country and developed country.
3. The government is expected to provide space and special facilities especially regulation for SMEs to list on the capital market so that SMEs can easily take the floor on the stock exchange. By the characteristics of SMEs that have limited capital in investment.
4. There is a need for the government's role in increasing funding for venture capital itself, especially conventional venture capital that is still in the region so that it can invest in startup companies that are part of regional SMEs so that they can develop into large companies.

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