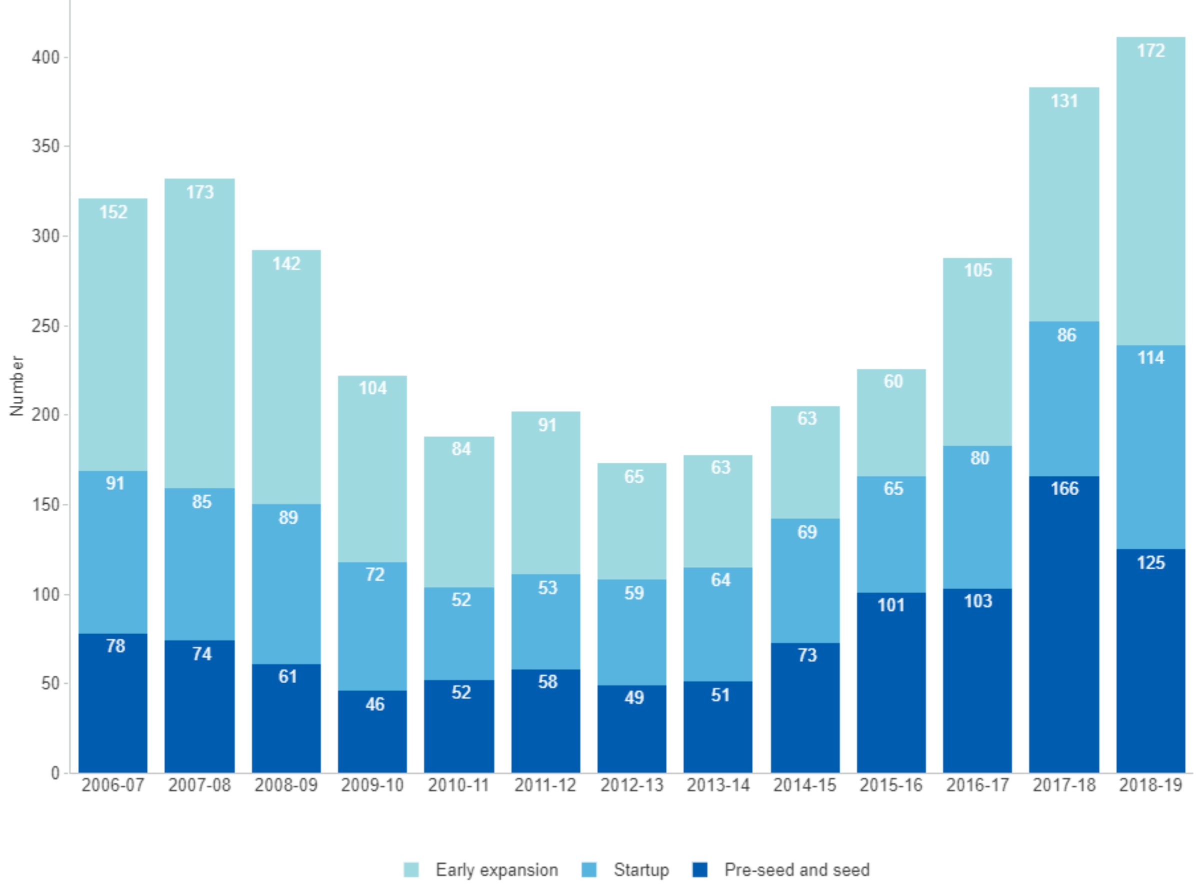
2.2.2 Venture capital investment deals

Surveys in Australia and across the OECD suggest that obtaining adequate access to capital is one of the biggest hurdles to growing innovative businesses. In 2016–17, nearly one in three innovation-active Australian businesses reported the lack of access to funds as a barrier to innovation.[1] Government policy aims to attract more venture capital investment by reducing the associated risks and addressing any information asymmetries, making it easier for investors to find potential matching opportunities.[2] Venture capital is defined as high risk private equity capital for typically new, innovative or fast growing unlisted companies in the pre-seed, seed, start-up or early expansion stage. During the period from 2007–08 to 2012–13, the total number of venture capital deals declined before rising again strongly in more recent years. Since its lowest point of 49 deals in 2012–13, the number of *pre-seed and seed* funding deals increased more than three-fold to 166 deals in 2017–18 before falling to 125 deals in 2018–19. Over the same period, the number of *early expansion* deals nearly tripled from 65 in 2012–13 to 172 in 2018–19, and the number of *start-up* funding deals nearly doubled from 59 in 2012–13 to 114 in 2018–19.[3]

Figure: Venture capital investment deals, by type, number, latest 2018–19



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[1] ABS, *Characteristics of Australian Business*, Cat. No. 8129.0, Cat. No. 8158.0, Cat. No. 8166.0, Cat. No. 8167.0 and ABS.Stat (https://www.abs.gov.au/ausstats/abs@.nsf/mf/8158.0)

[2] Australian Government (2018) *Venture Capital*, Department of Industry, Innovation and Science (https://www.business.gov.au/Grants-and-Programs/Venture-Capital)

[3] ABS, *Venture Capital and Later Stage Private Equity*, Australia, Cat. No. 5678.0 (https://www.abs.gov.au/statistics/economy/finance/venture-capital-and-later-stage-private-equity-australia/latest-release)