

Typology of Bahraini / Indonesian Islamic Venture Capital

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Islamic venture capital is the newest wing of Islamic finance industry. In this paper we begin with the clarification of the difference between Islamic microfinance and Islamic venture capital. We review the contemporary literature on venture capital and the historical background of Silicon Valley, then discuss about the dilemmas facing to Islamic VC firms. In addition, we discuss about two different types of Islamic VC firms. This paper suggests that the role and strategy of Islamic VC firms are not identical. In the case of Bahraini Islamic VC firm (VCBB), their strategy is, in nature, considered as still conservative for focusing on the real estate projects backed by the mortgage, though VCBB is now diversifying their credit portfolio and mitigating the geographical risk, as well as accumulating the skill and knowledge of screening and monitoring innovative startups. In the case of Indonesian Islamic VC, PNM-VS is expected to play the role as 'agent' for facilitating governmental funds (policy lending) for the purpose of incubating innovative (or sick) SMEs which have the limited access to the credit/loan market by commercial banks. However, it seems that PNM-VS as an Islamic VC firm, even though it has been financially supported, at least, indirectly by the government, has failed to accumulate the skill and knowledge necessary to incubate and support innovative ventures, consequently losing its *raison d'être* in the market.

Key words: Islamic Venture Capital, Bahrain, Indonesia