

Govt grants seen crowding out angel investors

Kelly Tay

The Business Times, 9 June 2014

While entrepreneurs have welcomed the growing pool of government grants for start-ups, some angel investors here say that they are feeling "crowded out" from the scene.

At the 21st Singapore Economic Roundtable jointly organised by the Institute of Policy Studies and The Business Times, angel investor Tan Chin Hwee said that the government, through its generous financial support for start-ups, has unwittingly made it harder for private investors to get in on the action.

"On the ground, (the government) is sometimes crowding out the private investors . . . Quite a few (start-ups) hide within research labs, and never really go out into the real world to meet people like us, to raise the money that is required," said Mr Tan, a veteran investor behind a number of start-ups in Silicon Valley, Israel, and South Korea.

He also argued that such early and immense support from the government has allowed less innovative companies to scrape by.

"Many of these Singapore companies, if they fail, they go from Incubator A to Incubator B, and if they fail again they go to Incubator C. It doesn't create opportunities for people like us, because at the end of the day, (these start-ups) continue to have that link back to the mothership. Many of them may not want to innovate, (and are) just depending on (government) grants to survive," argued Mr Tan, voicing a view held by other angel investors in Singapore.

Edwin Chow, executive director of Spring Singapore said that although Mr Tan's point was "well-taken", he noted that it all depends on "which side of the fence" one is on.

Mr Chow - who was a speaker at the Roundtable event - said that from the government's point of view, "by supporting so aggressively the individual inventor and entrepreneur . . . we have sort of encouraged more companies to form".

"And we are beginning to see success stories," added Mr Chow, who oversees the government agency's Innovation and Start-ups group as well as Spring Investments.

Nevertheless, he conceded that going forward, the government may need to tweak its funding approaches to leverage both private and public funding in order to support burgeoning enterprises.

"Maybe for (some) sectors, we may need to adopt a slightly more nuanced approach, to perhaps pull back some of the funding, so that qualified angel investors can come forward and take on more," said Mr Chow, adding that in the social media and Internet space, companies are beginning to see bigger deals with private funders.

But for companies which may need more sustained support for a longer period of time - such as those in the medical technology sector - the government will "maintain" funding, said Mr Chow.

Speaking to BT after the event, Mr Tan said that such a fine-tuned approach would be more sustainable: "Don't get me wrong. There must be grants, but we can do it in a calibrated manner."