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## **VENTURE CAPITAL, PRIVATE EQUITY AND FOREIGN DIRECT INVESTMENT: CASE STUDY OF THE CZECH REPUBLIC**

### **Abstract:**

The paper analyses influence of venture capital (VC) and private equity (PE) investing on FDI inflow in the Czech Republic. There exist barriers in the Czech Republic, such as high investment thresholds, imperfect information or legislative barriers that negatively affect the PE and VC investment activity and prevent foreign investors from investing in Czech PE and VC. This is the main reason of the Czech Republic's little PE and VC market activity. Data on foreign direct investment (FDI) in PE and VC is distorted, though, as main foreign investors are investment funds with Czech managers who invest through vehicles established outside the EU for tax reasons. The solution that would contribute to dismantling the barriers of FDI inflow in PE and VC would be to create more favourable conditions for investing in the Czech Republic. If the Czech Republic pursues reaching the European average as benchmark, it has to fill-in a yearly gap in PE and VC investment of 0.077% GDP, or EUR 113.2 million, according to 2007-2013 average figures.

### **Keywords:**

venture capital, asset management, private equity, financial markets, market failure, government failure

**JEL Classification:** G24