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VENTURE CAPITAL IN FINANCING STARTUPS

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Annotation. The relevance of the study of the topic of this article is due to the growing interest on the part of the scientific community, government agencies, and business circles in the problem of creating, stimulating, and promoting innovations. The development of an innovative environment is a determining factor in the favorable growth of the national economy. In turn, it is venture capital that becomes a tool for supporting and implementing innovations in various industries. At the same time, venture financing is still an unsettled phenomenon in modern science. The problem of the study is to characterize the phenomenon of venture capital as a system that is essential for the search and implementation of new ideas and technologies in the socio-economic life of society, and not as isolated precedents for financing young innovative projects in order to obtain super-profits. The purpose of this study is to clarify the essence of venture capital, the features of financing innovative start-ups and to determine current trends in the development of venture financing. The scientific significance of the study lies in the fact that the author conducted a theoretical analysis of the interpretation of the concept of "venture capital", presented the subject structure of venture financing, and assessed the role of the state in the development of the innovative investment environment in Uzbekistan.

Key words: venture capital, venture investments, venture financing, startup, enterprise life cycle, innovation, innovative development.

The interest of the scientific community in the study of venture capital is due to the fact that modern conditions are characterized by an increasing role of innovation and high-tech business in economic development. It is important to note that such startups require significant investments, so the problem arises of finding sources of financing for the activities of new enterprises and the implementation of projects. Often, traditional methods of financing, for

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example, through raised or borrowed funds, become unavailable due to the high risks of a potentially promising innovative business, since at the initial stage of development of the enterprise there is no entrepreneurial experience and no credit history has been developed. In such a situation, when self-financing is difficult, obtaining credit or a loan is impossible, investment attractiveness is reduced due to high payback risks, venture capital becomes the preferred form of new business development.

Research results. Venture capital (translated from English as “risky, adventurous capital”) can be characterized as the capital of investors accumulated to finance young enterprises or start-ups whose commercial success is not known [1]. At the same time, in the scientific works of different authors one can find different formulations of the concept under study. Thus, in an article by investment expert R.V. Kovalev, venture capital is defined as the provision of financing on a long-term basis to new enterprises or start-ups characterized by a high degree of risk, in exchange for a share in the business. The author notes that the concept of “venture capital” is often associated with the concepts of “innovation” [2]. In our opinion, this definition does not fully reveal the essence of venture financing. First, venture capital is not always an investment in the development of startups. Venture capital can be long-term investments in the securities market with the goal of obtaining a high share of profit. Secondly, the author does not characterize an important distinctive feature of venture capital - the degree of probability of loss of invested funds from each specific company, when the economic effect is achieved due to high returns from the most successful projects.

In the article “Foreign experience in using venture capital” L.T. Khamzina defines venture capital as the main engine of innovative development. The author in his works conducts theoretical studies of various approaches to the interpretation of the concept under study. Thus, according to the American approach, venture capital involves financing startups, that is, investment projects at the initial stage of their implementation, while the European approach allows that venture financing can be carried out at any stage of the life cycle of a project or enterprise. For example, venture capital may include high-risk and high-yield investments in securities that are not listed on the stock exchange. The Japanese approach involves identifying venture financing with high-risk investments [3]. It can be added that the American approach assumes that only investments in innovative and high-tech businesses are classified as venture investments, while the European approach assumes that any financing that brings a high share of commercial profit can be considered venture capital.

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Researcher S.S. Glazyev offers the following interpretation of the concept of "venture capital": financial resources provided by investors for the development of new, high-risk, but promising and fast-growing projects or companies that have a significant impact on the development of the economy. The peculiarity of this author's approach is that the participation of the investor, the transfer of his business experience to the founders of the enterprise is a key point at the stage when its further functioning is still in question [4]. In our opinion, this approach is in full harmony with the definition of the Uzbek Venture Investment Association [5], which interprets venture capital as the capital of a professional investor making investments together with the founder of a business at an early stage of development or at the stage of its expansion. In exchange for the high risk taken, the venture investor receives adequate compensation: profit, royalties, growth in equity value, etc.

Thus, having analyzed various approaches to the interpretation of the concept of "venture capital", we can conclude that it is a form of direct investment in the equity capital of newly created or operating small enterprises, focused on the implementation of innovations, in anticipation of a significant increase in the value of these investments in the future. Venture capital is characterized by high risk and the potential for returns above the industry average.

Venture capital funding can take many forms. These can be investments in shares, ordinary or preferred, convertible or non-convertible, that is, investments in the share capital of a company. Or it could be the provision of convertible debentures. This scheme is implemented as follows:

1) a young company develops an idea and tries to monetize it. At this stage, the project is financed by "angel" or "seed" investments. "Angel" investments or "smart money" are investments by a private venture investor who provides not only financial but also expert support to a startup. "Seed" investments are large, high-risk investments at an early stage of company development in order to obtain the highest financial return if the project is successful;

2) if the business model is considered successful, venture investors, private equity funds, and other investors are involved in its financing; various investment mechanisms are implemented, for example, a mezzanine loan (a large unsecured loan that can be converted into shares or bonds of the company);

3) the ideal result of venture financing can be considered an IPO - holding a public event on the financial market, where shares of a promising company can be offered at

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attractive prices. Despite the fact that this process is also characterized by high risks, it is transparent and legal [6].

The peculiarity of venture financing is that, unlike the classic "lender-borrower" relationship, the entrepreneur needs the knowledge of the venture investor, while the venture investor needs an accurate understanding of the company's affairs or participation in it. Thus, the venture financing process includes the following stages:

1) search and selection of business ideas;
2) detailed study of the selected startup;
3) structuring the transaction with price negotiations;
4) conclusion of a transaction;
5) participation in the management of the company;
6) sale of the project at a favorable price or exit from it [7].

Venture capital occupies a special place in the investment system. Thus, venture capital is an investment in the real sector, which, in turn, is associated with high risks, the implementation of complex financing mechanisms, and large-scale influence on the national innovation and investment environment. At the same time, if we talk about the prospects and trends of venture financing, it is worth noting that at present venture capital is becoming less in demand. This is due to the fact that the implementation of startups requires significant financial and time expenditures, so innovations are now being implemented by corporations. Many startups are bought by large enterprises without a venture capital stage, and even those companies that were able to receive venture capital are often bought out by industry giants. The largest technology companies have their own venture capital funds, but even if a company does not engage in venture capital investments, it can engage in mergers and acquisitions.

Conclusion. Thus, we can conclude that the importance of venture capital institutions is largely determined by the general structure of the system for regulating the reproduction and development of the economy. Venture capital forms are the most developed in the market environment. In our opinion, the state plays a major role in creating conditions for the development of venture capital institutions. Performing regulatory and coordinating functions, it influences the formation of an innovation ecosystem, including venture capital. State funding of science and education, universities is a key element of state participation in innovation. The state can also act as a sponsor of promising technology projects, including venture capital projects.

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