

Venture Investment: World Experience and Problems of Uzbekistan

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Abstract: *The article discusses topical issues of venture investment, defines the role and main directions of government influence on the formation of venture capital funds, suggests ways improvement of the venture market.*

Keywords: innovation, innovative economy, investment, innovative investment, venture capital, venture investment.

Introduction: For the development of a sustainable economy of any country and its competitiveness in a global market, its ability to innovate and susceptibility to innovation are required. Mastering the skills of innovative forecasting, strategic management of new technical knowledge, state support for business and science, especially at the present stage, when competition in the world markets for goods and services is becoming increasingly tough, means the prosperous development of the national economy and society as a whole. In this regard, the issue of choosing a timely and practical innovation requires special attention and serious analysis.

Analysis of literature on the topic: Venture investment originated in the middle of the last century in the United States and has already become an object of research in the works of foreign and national researchers, such as V.L. Aksenov [1], Yu. P. Ammosov [2], P.G. Gulkin [3], A. T. Karzhauv [4], A. I. Kashirin [5], L. N. Nekhorosheva [6]. In these works, venture investment is considered as an effective method of economic development, the main trends in the development of venture business, as well as existing problems on the way to improving the economic climate for venture capital enterprises and their possible solutions. Also studied international research in the field of venture capital - LP Dana [7], P. Gompers and J. Lerner [8].

Research methodology: The institutional methodology was used using the methods of logical analysis, comparative assessment of statistical data, abstraction, analysis of the best practices of foreign countries.

Analysis and results: Venture capital is a reliable mechanism for supporting innovative development, which has received general recognition and has been successfully used in the developed countries of the world for several decades. It acts as an effective tool for ensuring the competitiveness of numerous competing economic entities in a market economy. Suffice it to note that in modern conditions more than 80% of GDP growth is achieved through the application of the results of research and development work in production.

The main distinguishing feature of venture capital is a very high or relatively high degree of risk. Based on this, individual authors distinguish two features of venture investment: the first is its highly risky nature, the second is professional. The characteristic features of venture investment that distinguish it from other types of investment are: its close relationship with innovation and research activities; the commercial significance of the innovative project; fragmentation of the project, etc. [9] Compared to other types of financing, venture capital investment has important advantages in financing a business.

First, an enterprise at an early stage of development can receive venture capital, while other financial institutions do not risk investing in a company that cannot provide collateral for its obligations to the investor and which does not yet have stable cash flows.

Secondly, in venture investment, the interests of the company and the investor himself most fully coincide, since such an investor does not seek to establish control over the company. His intentions lie only within the limits of increasing the value of the business in the market. Mostly business angels are interested in participating in the management of the company. Their share is usually limited to a blocking rather than a controlling stake, but, nevertheless, this allows them in some cases to exert a very significant influence on the management of the firm. However, it is worth noting that such influence is directed to the good of the firm.

From the point of view of benefits for business practice and operating innovative enterprises, venture capital investment is considered in the economic literature as a highly profitable source of innovative investment. Experts note that over the past 30 years, venture capital has created hundreds of thousands of new jobs and brought billions of dollars in additional revenue, has become the main engine of the computer industry and biotechnology. Thanks to venture capital, the emergence of such companies as DEC, Apple, Compaq, Sun, Microsoft, Intel, Silicon Graphics, Google, Skyp became possible [10].

It should be noted that, in general, venture capital is an independent form of financial capital, which has its own specific characteristics, as well as its own history from different stages of the formation and development of the functions performed. [eleven]

The world experience of Western countries and Europe shows us about the positive influence of the state on the development of venture capital enterprises. With the help of indirect incentives in the United States, the state began to actively develop innovative businesses. In 1980, the Stevenson-Weidler Act "On Technological Innovation" was passed, which provided for a number of measures to stimulate industrial innovation. Since 1981, a system of tax incentives for R&D has been actively formed in the United States. In 1982, Congress passed the Small Business Innovation and Development Act. Since 2002, there has been a clear upward trend in the volume of venture capital investments. In 2007-2008, a record volume of venture capital investment in the United States was achieved - more than \$ 30 billion per year. In 1973, the National Venture Capital Association (NVCA) was formed to create widespread awareness of the importance of venture capital financing for enhancing the competitiveness of the US economy, as well as to represent the interests of venture capitalists and emerging companies in society. The affiliated structure of the association - "American Entrepreneurs for Economic Growth" (AEEG) is a nationwide organization that includes about 10 thousand developing companies, which employ more than a million Americans [12].

Venture investment in European countries began to develop in the 80s of the 20th century. In many respects, the rapid development of venture financing in Europe was justified by the presence of twenty years of American experience, which made it possible to avoid significant mistakes and to adapt the already developed financial and management technologies to European conditions. But it is also impossible not to take into account the merits and efforts of European venture capitalists who ensured the current state of the industry. In 1983, the European Private Equity and Venture Capital Association (EVCA) was formed as a joint initiative of the venture capital industry and the European Commission. The participation of European governments in the venture financing process plays a huge role. The share of insurance companies and pension funds in venture capital in Europe reaches 35% of investments. An example of state participation in venture financing is the so-called foundations of funds, which are organized with significant participation (up to 40%) of the state.

In improving the investment climate, the main task of the state is to correctly determine the main directions and the degree of its participation in this important matter, as well as the role and importance of the private sector and ways to enhance its involvement in investment processes on an innovative basis. Government measures to promote and support venture financing of innovative projects seem to fill up the insufficient volumes and gaps in the private investment markets and thereby create favorable conditions for the formation and development of small innovative enterprises.

The prospects for the successful formation and development of the venture capital industry in Uzbekistan are determined not only by the factors of state participation in this important matter, i.e. not everything depends entirely on the state. As world practice shows, ordinary citizens of the state must and can play an important role in this matter. To do this, people must change their economic thinking, form a different, purely market attitude to accumulation, develop a deep understanding of the essence of investment. The population itself should show a great interest in participating in investment projects, actively invest their money in purchasing stocks and bonds, learn how to earn dividends, and not just keep them "under the pillow". According to official statistics, the share of income of the population of the Republic of Uzbekistan from property in the total amount of its total income was 3.0% in 2018, and 3.5% in 2019. Calculations showed that if we could strengthen the investment activity of the population based on an increase in the contribution to the purchase of shares, bonds, as well as investments in various investment funds (mutual funds), in exchange-traded funds (ETF) and achieve a noticeable increase in the share of income in the total amount of total income and bringing it to 10%, then the annual volume of investment resources could be increased by about 12-14%. In the US, more than 50% of the population invests, in Japan, 40% of the population is private investors. In Uzbekistan, this indicator remains very insignificant, although it was not possible to find specific numerical data in this regard in the published official statistical collections of the State Statistics Committee. Oddly enough, the population of Uzbekistan prefers to keep their money at home or, at best, in the form of deposits and deposits in banks. So far, only the first steps have been taken in the republic and the foundation has been laid towards the formation of a venture industry.

In world practice, a wide arsenal of tools for indirect influence on the activation of the activities of venture business entities is used. These include the formation of a favorable legal environment in the areas of taxation and accounting, credit and financial policy, commercial law, registration and permits of the judicial system, bankruptcy procedures, in particular:

- creation of a favorable regime for taxation of income from operations with securities;
- elimination of double taxation of investors participating in the formation of venture funds;
- legislative provision of conditions for entry into venture funds of institutional investors: pension and insurance funds, banks;

- training and consulting entrepreneurs, disseminating information among them about promising projects and potential investors

The special significance and increased role of venture investment projects in Uzbekistan at this stage of development are due to the actualization in the country of the problems of digitalization of the economy and the intensive development of high-tech production in the face of an acute shortage of investment resources.

The most promising areas for the development of venture capital investment in Uzbekistan are: deep study of the advanced experience of the leading countries of the world in the field of the venture industry with the aim of its creative application in relation to the conditions of Uzbekistan; enhanced training for the needs of this industry; expansion and development of scientific, theoretical and applied research on the problems of venture investment at the republican and regional levels; development and application of mechanisms for attracting private savings of the population into investments and turning it into a major source of financing for innovative projects.

These problems will require a lot of laborious work, both at the level of legislation and at the level of ordinary citizens. The state, in turn, can influence the development of the venture industry in two forms.

The first form is mediated, i.e. indirect influence of the state on innovation processes and innovative activities. World practice shows that government support, as well as investments in human capital (education, internship, training and retraining abroad at universities and companies, reputable international business schools) are important for the successful development of the venture capital industry. The selection of personnel capable of skillfully and efficiently managing innovative projects, their correct placement, taking into account the experience and experience of practical work, is very important. They must be able to manage venture capital and investment projects, make the right management decisions on their own, organize educational training for future specialists, who are practically nonexistent.

The second form of support is associated with the provision of grants for venture capital organizations and the attraction of state resources in their investment activities on a shared basis. World economic practice shows that the most effective and attractive is the provision of guarantees from the state to innovative enterprises against bank loans. So, for example, in Western countries with a developed market economy, the state guarantees the bank 70%, and in some countries up to 75% of the loan issued by the bank (Netherlands, USA) in the event that the venture company turns out to be insolvent and goes bankrupt.

Foreign innovation projects play a special role in the development of the venture capital industry in Uzbekistan. According to the Investment Program for 2021-2023, it includes:

- summary forecast parameters for the development of capital investments in 2021–2023, as well as forecast parameters for the development and attraction of investments and loans in 2021–2023, providing for the development of centralized and non-centralized investments in the amount of 928.7 trillion soums, including \$ 37, 5 billion foreign investment;
- a targeted program for the commissioning of large production facilities and facilities in 2021, which provides for the creation of 226 new production facilities and more than 34 thousand jobs [13].

Currently, in Uzbekistan, the development of the market for venture capital investments and direct investment of innovations is an important priority direction of the state macroeconomic policy and increasing the competitiveness of industry and other sectors of the national economy in the world market of goods and services. In this regard, the country has implemented a number of measures that laid the foundation for venture capital investment in Uzbekistan.

A national venture capital fund has been created in Uzbekistan, without which the dynamic development of the IT industry is not possible. The Cabinet of Ministers adopted a resolution dated November 3, 2020 No. 684 "On measures to organize the activities of the UzVC National Venture Fund". The initial authorized capital of 15 billion soums will be formed from the funds of the 2020 State Budget allocated to the Ministry of Innovative Development. The fund will finance venture projects of legal entities and individuals, including in partnership with foreign entities.

A very important event was the creation of the Association of Venture Investment of Uzbekistan - AVIUz. Its activities are aimed at promoting and attracting venture capital to domestic start-up projects, conducting scientific research on the country's venture capital market, training and retraining specialists in venture investment.

Conclusions and offers:

The study and generalization of the advanced experience of the countries of the world community has shown that it is venture investment that is the most effective and highly profitable way of attracting investment resources to fixed assets. For Uzbekistan with limited capital opportunities and huge needs for investment resources in order to achieve intensive economic growth within the framework of large-scale reforms carried out in the country, this aspect is extremely important.

Based on the above problems, we consider it necessary:

- invest in human capital (education, internship, training and retraining abroad at universities and companies, reputable international business schools);
- provide grants for venture capital organizations and attracting government resources in their investment activities on a shared basis;
- create more venture funds focused on financial support for innovative projects of small enterprises in priority sectors of the economy of Uzbekistan.

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