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VENTURE CAPITAL AS AN ECONOMIC CATEGORY

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ABSTRACT: - In this article from the side of the author, the opinions of various scientists concerning the features of venture capital are studied. Venture capital is scientifically and theoretically illuminated as an economic category.

KEYWORDS: Venture, venture capital fund, venture capital, venture financing.

INTRODUCTION

Venture capital is the main source of funding for innovation, which is able to provide capital inflows for the development of innovative activities in modern conditions. Developed countries achieved effective results in using venture capital as a means of financing innovation. The existence of a number of systemic problems in the country that hinder the further improvement of conditions for the development of active entrepreneurship and innovation led to the development of a number of decisions and decrees by the government to address them.

ANALYSIS OF THE LITERATURE ON THE SUBJECT

Venture business originated in the United States in the 1950s and later spread to other countries. The venture business is a part of the direct investment network that focuses on equity.

The current giants of the information technology business, which is an integral part of the digital economy, DEC, Apple Computers, Compaq, Sun Microsystems, Microsoft, Lotus, Intel, Facebook (Meta), Amazon have achieved their current position in many respects due to venture capital investment. In addition, the rapid growth of new industries such as personal computers, nanotechnology, hi-tech and biotechnology has been largely driven by venture capital.

An integral component of the concept of venture capital is risk. The risk is directly related to the expected return on venture capital. The more risk a venture capitalist takes on financing an innovative project, the more he expects to make a profit as a result of its successful implementation. A distinctive feature of venture capital in the implementation of an investment project is the principle of "high risk - high return." This distinguishes it from bank financing and strategic financing.

ANALYSIS AND RESULTS

The European Venture Capital and Direct Investment Association defines this concept as follows: —Venture capital is a share capital provided by professional firms that invest in private enterprises that simultaneously manage these enterprises, demonstrating significant growth potential in the early stages of expansion and transformation.

The American approach to defining this concept seems much narrower than the European approach. The National Venture Capital Association (NVCA) defines “venture capital” as capital provided by professionals in their field who support young, fast-growing companies with significant competitive development potential in the field of management. In the American interpretation, venture capital is understood as one of the forms of direct investment.

By the UzVCA (Uzbekistan venture capital association) venture capital firms are professional, institutional managers of risk capital that enable and support the most innovative and promising companies. Venture capital supports new ideas that:

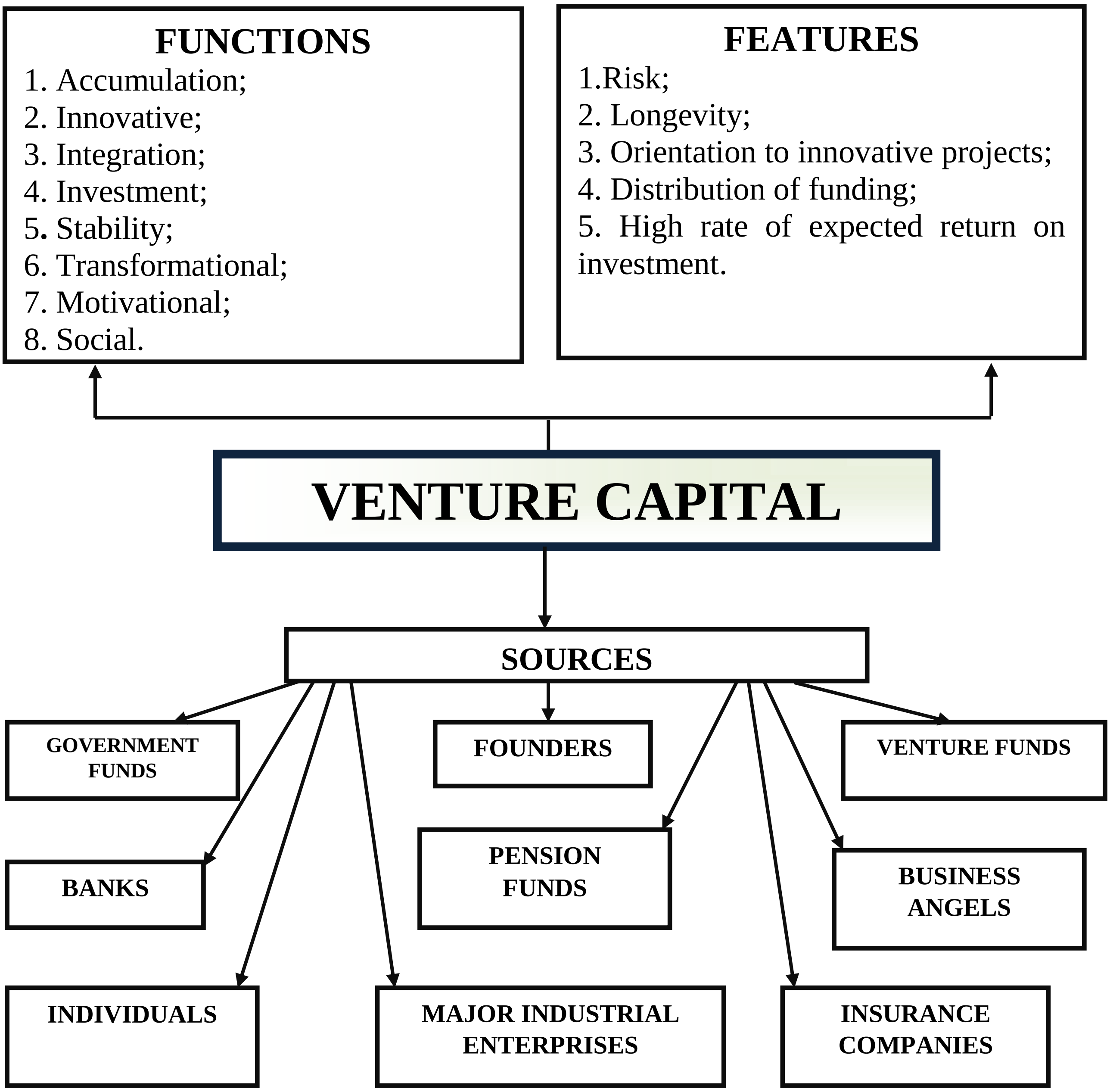
– Could not be financed with traditional bank financing;

– Threaten established products and services in a corporation or industry;

– Typically require five to eight years to reach maturity.

The category of venture capital is widely used in modern literature, but there is no uniform approach to its interpretation: along with changes in the economic environment, the content and specifics of venture capital also change. Summarizing research in the field of venture capital, the following definitions can be made: Venture capital is a long-term, high-risk capital that combines a symbiosis of financial and intellectual capital directed to small high-tech companies with high growth potential, whose shares are not listed on the stock exchange. Based on this definition, the main features, funktions and sources of venture capital are identified in this figure.

Figure. The main features, funktions and sources of venture capital



Source: Created by the author using the scientific literature.

The use of venture capital to finance innovation is beneficial for innovative firms, but the technical innovation and technological efficiency of the products produced does not always guarantee the success of small innovative firms financed by risk capital. Only 20 percent of such firms benefit the risky capitalists, 40 percent make losses, and the rest barely cover the money spent on them.

Venture business is a specific form of investment process in which financial resources are financed in the form of investment in the securities of enterprises with the potential for rapid development. This type of business is more suitable for funding research in science and high technology. However, the fact that the results of this study are not guaranteed to be positive suggests a high risk. Experience has shown that venture capitalists try to invest their capital mainly in the securities of joint-stock companies. Investment funds are provided in the form of commercial loans for up to 7 years.

The following are some of the most common types of investment applications available today:

1. Seed is a business idea that needs to be funded for further research.
2. Start up is a new, young company with a short history in the market. It is necessary to invest in such enterprises to carry out research work.
3. Early stage - an enterprise in which the first samples of the finished product are available, and funds are required for the stage of commercialization of these products.
4. Expansion is an enterprise that needs additional funding to expand its operations. These companies can use the investment funds to expand their activities, including production, sales or services, additional marketing research, expansion of charter capital or working capital.

Venture firms in the digital economy are formed on the basis of agreements between a number of legal entities and individuals, or on the basis of bank loans, or on the basis of funds of banks and large companies. The following conditions must be met in order to establish a venture firm:

- The basic idea of creating an innovative innovation - a new technology, invention, production process, service, programming, creation of Internet resources, 3D, 4D technology, intelligent systems, etc .;
- the desire of society at the global, national, regional or enterprise level for the realization of this idea;
- there is a demand for products or services in the domestic and foreign markets as a result of the implementation of this idea;
- the existence of a real entrepreneur who can create and manage a new company at risk based on this idea;
- the possibility of finding the necessary amount of "risky" capital to finance this venture firm.

Venture capital firms can operate in two different organizational forms. One is an independent venture capital firm and the other is a venture capital firm. When choosing a project to create a new product or service, two things must be taken into account: first, the goals and objectives of the project do not coincide with the traditional activities of the parent company - that is, the main goal of the internal venture - new profits is to find and apply it to the company's activities. Second, when selecting new ideas, the economic benefits that can be derived from them must be large enough to not only justify the costs but also the benefits.

CONCLUSION

Thus, by studying the concept and economic nature of venture capital, we can conclude that venture capital plays a key role in the formation of an economy designed for an innovative path of development. This is achieved due to the fact that venture capital is directed to high-risk objects, such as innovative enterprises in the early stages of development and formation - a special feature compared to other alternative sources of investment. At the same time, venture capital contributes to the innovative modernization of the economy through the development and production of advanced products and services, if their ideas and initiatives are successfully implemented and properly funded.

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