International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 06, 2020
ISSN: 1475-7192

THE WORLD TENDENCIES OF INNOVATIVE VENCHUR SYSTEM DEVELOPMENT

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ABSTRACT--- *In the conditions of economic modernization, high-tech industries and additional financial resources are needed to develop innovative projects. This article analyzes both traditional and modern sources of risk investing, as well as mechanisms and models for Venchur Innovation Design in different countries. Innovative venture design is a new and fast-paced sector of the economy that combines the mechanisms for introducing and commercializing innovation. In this work, the mechanisms and models of Venture Innovation Design in different countries, mechanisms for implementing venture capital and innovation are discussed in detail. The purpose of the study is to evaluate the possibilities of alternative means of venture financing of innovative projects. We believe that the introduction of the mechanisms and experience of the developed countries of innovative technologies of Venture innovation in the economy of our country will be positive.*

Keywords--- *innovation, venture capital, venture capital, diversification, pension fund, insurance companies, infrastructure*

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I. INTRODUCTION

In recent years, the President of Uzbekistan has outlined a strategy for building a democratic and legal society and socio-economic development, and has developed a specific development strategy. In all areas of public life, radical reforms are being implemented to liberalize, restructure and modernize the society.

In addition, due to the modernization of the country's economy, additional financial resources are needed for the development of high-tech industries and innovative projects. This article reviews traditional and modern sources of risk-based investments and assesses the potential for alternative venture financing instruments.

In his speeches and decrees, the President of the country has set tasks on modernization and re-industrialization of the national economy and its transition to innovative development. To this end, in 2017 the Ministry of Innovation Development of the Republic of Uzbekistan was established in the country. The Ministry has carried out a number of activities to establish the institutional and regulatory frameworks necessary for the transition to an innovative economy, and the commercialization of research results. However, we can observe a number of problems in the ongoing work of scientific institutions to meet the modern requirements, commercialization and implementation of innovative developments. Therefore, one of the priorities of the Innovation Development Strategy of the Republic of Uzbekistan for 2019-2021 is to increase public spending on research and development activities and to bring this figure to 0.8% of GDP by 2021.

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Putting scientific problems.

Issues of organizing and financing innovation activities, improving the methods of innovative management are studied by the economists of our country, the Commonwealth of Independent States and economists from a theoretical and scientific point of view.

In particular, the study of innovative development of the economy and the financing of innovation activities was presented by foreign scientists Lundvall B., Mensh G., Porter M., Solou R., Toffler E., Freimen K., Shumpeter Y. and are reflected in the scientific work of others.

Research aimed at increasing the role of human capital and other factors in the innovative development of the economy is devoted to the scientific works of scientists from the CIS countries: A. Virolainen, E. Ignatushchenko, I. Melnikova, A. Nechaev, I. Rodionov, Y. Ryumina, T. Tumina, R. Fatkhutdinov . Some aspects of the innovative development of the national economy have also been addressed in the research works of national economists. Among them are Begalov BA, Vakhabov AV, Pardaev MK, Voronin SA, Gaibnazarova ZT, Kadirov AA, Mahkamova MA, Nazarova RR, Khamidulin MB, Yuldashev Sh.G. and the scientific work of others.

The scientific work of these economist scientists highlights some aspects of improving the scientific and theoretical and methodological foundations for innovative development of the national economy. However, there is no comprehensive research to improve the financing of innovative activities, which is now a key factor in increasing the volume of innovative products produced. All this calls for a deeper study of the ways in which the national economy is developing on the basis of innovative factors and the improvement of the scientific-theoretical and methodological foundations for their financing.

II. RESEARCH METHODOLOGY

There are many definitions of the concept of "venture financing". We will not stop by these definitions but to explain that venture financing is only offering the company money instead of its equity capital. This, in turn, facilitates the development of a high-risk business in the early stages of its development.

The homeland of Venchur's business is the Silicon Valley in the United States, where it was first used in 1957 to raise funds to invest in small and medium-sized firms that were in the process of establishing or establishing new technologies. Due to the Venchur financing mechanism, famous companies like Kleiner Perkins Caufield & Vuers, Sequoia, MayField, GrayLock have appeared in the Silicon Valley. To date, the US venture capital market is the largest in size. Also, companies such as Microsoft, Intel, Apple Computers and Compaq were established in the early stages thanks to venture capital investments and became world leaders in the computer industry.

In Western Europe, venture capital came into existence in the 1970s, but only began to develop in the following decades. Prior to the advent of venture capital, private entrepreneurs in Western Europe were deprived of simple sources of equity. Since the mid-1980s, Western European investors have increasingly begun to invest in stocks, investing less in the traditional fixed income assets. The leader in venture capital investment in Western Europe is the UK, which is the oldest and most powerful financial center in the world.

The rapid development of venture capital investments around the world in the last 20-30 years has led to a rapid growth of venture capital markets.

Received: 22 Feb 2020 | Revised: 13 Mar 2020 | Accepted: 05 Apr 2020

International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 06, 2020
ISSN: 1475-7192

The business of Venchur is almost the only source of funding for small innovative enterprises in the early stages of high investment risk.

III. ANALYSIS AND RESULTS

In the modern practice of venture business there are three main regional capital markets, including the USA, Western Europe (Great Britain, Germany, France, etc.) and East, Southeast and South Asia (Japan, South Korea, China, Singapore, India).). Each of these markets has its own development characteristics. In addition, in recent years, venture capital markets have been actively developing in Central and Eastern Europe, Israel and Australia.

The apparent success of the venture business in the 1960s and its subsequent strong growth prompted great financial and managerial interest and required the creation of its infrastructure and the enhancement of direct investment. In 1973, the National Venture Capital Association (NVCA) was established to develop a broad understanding of the importance of venture capital for the stability of the US economy and to protect the interests of venture capitalists and emerging companies in the community.

At present, this association has an innovative project and provides venture capital to emerging businesses that meet the following conditions: is not financed through a traditional bank loan; pressures on products of corporations or large enterprises; usually takes 5-8 years or more to develop.

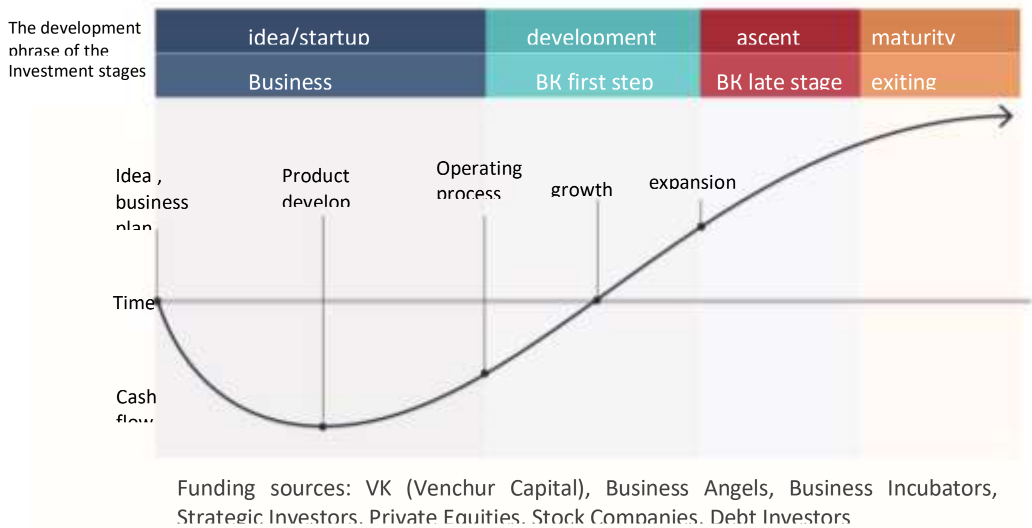

Figure 1: The era of funding innovative projects by the US National Venture Capital Association

The US National Venture Capital Association can fund innovative projects for four periods: Formation of a startup is a business concept, a business plan, a product Development (first stage) - flow sequence, growth;

Growth (late stage) - expansion; Maturity Period - Quitting.

Today, high-tech companies and venture capital companies, which are created with timely investment in the economy of most developed countries, show the following: If 2018, the annual revenue of automotive companies such as General Motors, Ford and Tesla is $ 83.7 billion. US $ 134.1 bln. The annual revenue of

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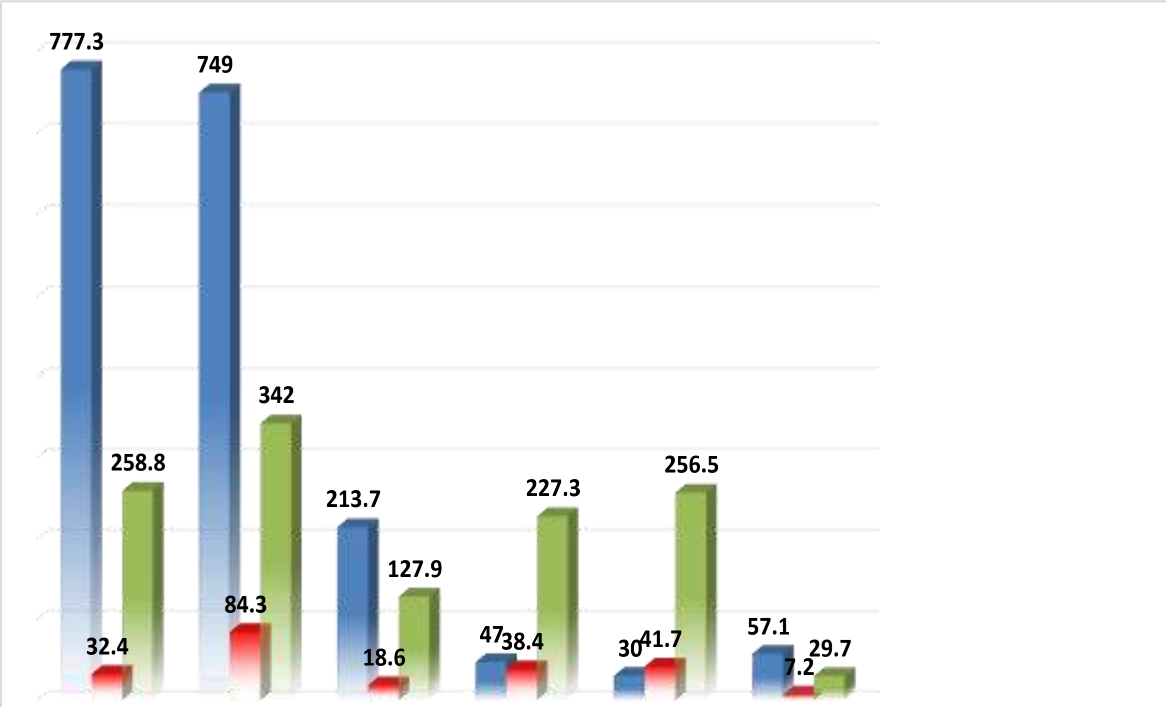
companies such as Microsoft, Apple and Intel is $ 135.3 billion. Their combined market value is $ 1 trillion 740 billion. US dollars.



Here:Blue- market valueRed – annual incomeGreen – all actives

Figure 2*:* Difference between market value, annual revenue and total assets of several major companies in the world (US $ billion as of December 31, 2018)

The figures show that the automotive industry accounts for 160% of the total market value of companies, while the total value of IT-based companies is 1286% more than the annual revenue. It is also important to take into account that as of January 2020, Microsoft and Apple each have a market value of $ 1 trillion. US dollars. Among the automotive companies, Tesla has a market value of $ 86 billion, up 1911 percent from its annual revenue of $ 86 billion, thanks to the use of innovative tools and venture capital.

Looking at the data in Diagram 1, we see that the market value of venture-based innovative companies (Microsoft, Apple, Intel, Tesla) is much higher than their total assets. This is the most attractive position for venture capitalists, as investments in small high-tech companies can yield significantly higher returns than those invested in large and popular, traditional companies.

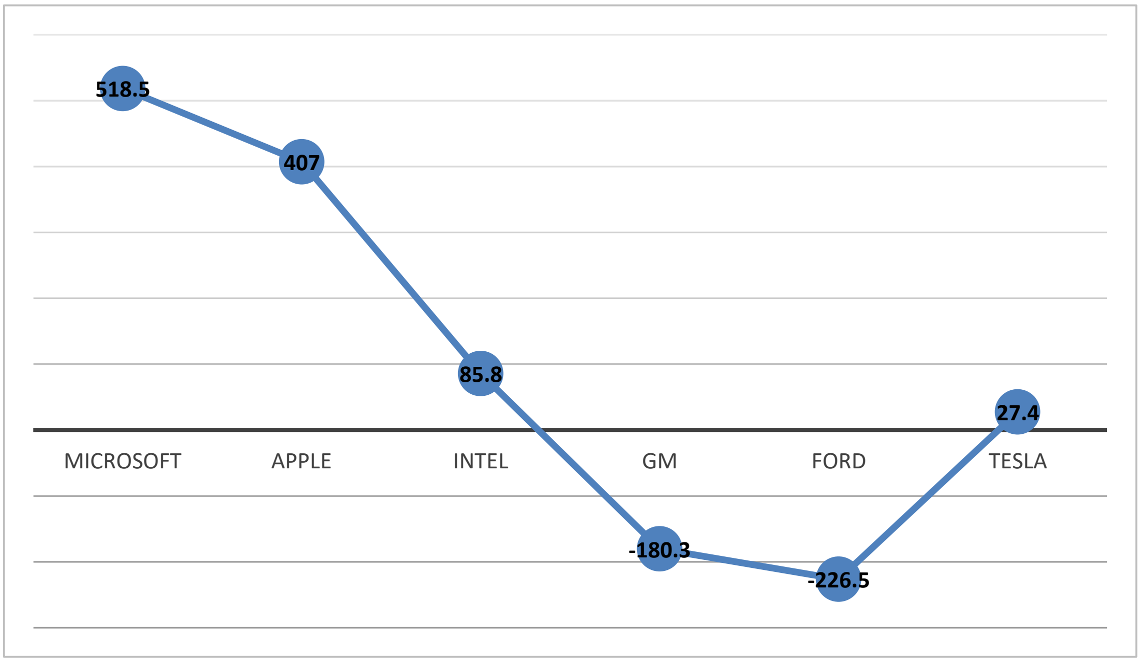


Figure 3: The market value of several major companies in the world is the difference between their total assets (billion US dollars as of December 31, 2018)

In addition, the expansion of venture capital participation in the national economy and the creation of new small high-tech firms are interrelated. In California, for example, more than 10,000 companies that develop advanced technology in California, where nearly one-third of US venture capital is concentrated, employ more than 7 million people. As a result, while the volume of venture capital in the United States has grown stronger, on the other hand, there has been an explosion of innovation, as venture capital has enabled many new projects to utilize revolutionary technologies that will allow large companies to grow and develop later.

The success of American small-scale venture firms is so impressive that many Western European countries have taken serious steps to encourage the emergence of their venture businesses over the past 20 years. At the same time, in accordance with national traditions, the development of scientific and technological and production potential in different countries was chosen as the priority areas of venture financing, naturally, different sectors of the economy. In particular,

- Venture financing for the Netherlands, Ireland and France is well-known in the field of information technology, electronics and telecommunications.
- Hungarian capitalists in Germany, Norway, and Denmark have favored small firms that create technology that is close to the traditional sector for these countries, which relate to industrial production and services, including automation of production processes.
- In the UK, Italy and Ireland, venture capital is mainly focused on the production of goods with high consumer demand.
- In Spain and Portugal, which are relatively inexpensive, Venture Capital is focused mainly on small firms dealing with the manufacturing industry.

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Given the fact that the venture capitalization mechanism in the United States has been developing much earlier than in Western Europe, it is clear that the venture capital in North America is stronger in size and development than in Western Europe. However, the main difference between the US venture capital industry and Western Europe is not only in its size, but also in the selection of investment facilities. In particular, investment in the US is primarily focused on new high technologies. Firms that have evolved in recent years have made up about 60% of all venture capital companies.

Another distinctive feature of the American venture industry is the high proportion of firms in its initial development as a recipient of investment (in 2000 it was 30%). At the same time, the average venture capital investment by 2005 was $ 5 million. In 2018, it reached $ 100 billion.

Unlike the US, venture capital investment in Western Europe is evenly distributed across sectors, with funding for development programs not only limited to high tech firms but also companies. The growth of venture capital-based entrepreneurship in Western Europe is largely attributed to the interest of management in the 1980s to acquire businesses where they worked. Such a capital structure of Venchur is, first of all, unique to the UK and France.

The American and Western European markets of Venchur are also distinguished by the sources of their formation: Western Europe is the main investor of venture capital, with commercial and clearing banks, government agencies, universities, while investors in the US are pension funds, sponsors, private persons and insurance companies. Among Western European countries, only in the UK, pension funds are a major complement to venture capital funds; In Germany, for example, more than half of the venture capital in the country is owned by banks.

State support for the expansion of the Venchur investment markets is particularly noticeable when industrialized countries move to an innovative development model that is the key source of competitive advantage for individual market players, while stimulating innovative development in the economy. In these circumstances, venture capital is emerging as an important component of national innovation systems, and governments of industrialized countries are trying to make it more widespread.

The following conclusions can be drawn from the analysis of venture financing in developed economies.

First, venture capital represents a particular type of self-financing. In most cases, a wholly-owned venture remains unprofitable. At the same time, the profits from the successful implementation of the financed project will exceed tens or hundreds of times the investment, which makes it very attractive to use venture capital despite high risks.

Secondly, venture capital investment is made up of a number of organizations through the creation of special funds that accumulate and redistribute large financial investments in favor of newly established businesses or projects. The sources of venture capital formation have significant regional variations and are determined by a historic practice. In particular, the dominance of bank capital is typical for Western European countries. The traditional sources of venture capital fund creation in Japan are TNC and MSG funds.

Thirdly, a distinctive feature of venture financing in European countries is the small size of venture capital funds, which has led to the emergence of venture capital syndication. Unlike Western European countries, venture capital investing in the United States is largely funded by a single, large fund. At the same time, the average US venture capital fund has tripled in recent years and is now around $ 140 million. US dollars.

Fourth, more than 50% of venture capital is used to finance information technology development deals. It is the IT companies that are leading the list of the top 20 major venture capital companies in the United States.

Fifth, there is a tendency for venture capital to accumulate within the hi-tech parks in recent years, and the supporting infrastructure of these parks greatly facilitates the investment process and increases the chances of successful completion of the innovative project.

Sixth, venture capital as an object of the global capital market goes to regions offering the most favorable conditions for investment. At present, such regions are Sweden, Israel, Spain, Canada, where the need for venture capital exceeds the capacity of national investors, which will create attractive conditions for foreign venture capitalists.

In contrast to the leading industrial economies in the world, transition economies in Central and Eastern Europe, including Russia, are in the process of formation and do not play a major role in financing high-risk and innovative projects.

The size of venture capital in these countries is still small: from $ 6 billion in 1995 to $ 4.5 billion. USD was invested in 500 companies. According to the European Venture Capital Association, in Western Europe, venture capital amounts to 0.26% of GDP, on average, 0.06% in Poland or 0.05% in the Czech Republic. Even more so than in Austria and Portugal).

In the early stages of economic transformation, Central and Eastern Europe did not have the capital and know-how needed to invest in venture capital by standard methods for western countries. At the same time, the venture capital market has great potential for further growth in these countries, primarily due to the increased interest of foreign investors in the Central and Eastern Europe region, which seek to leave other troubled regions and diversify their investment portfolios.

IV. CONCLUSION

As we talk about common problems of venture business development in the countries of Central and Eastern Europe, it should be noted that today venture capital is exposed mainly by foreign investments and the lack of private finance. At the same time, the mechanism of incorporating insurance and other funds into venture financing in these countries is underdeveloped, and the regulatory framework for regulating this type of activity is poorly developed, resulting in excessive bureaucratization of venture companies and venture capital investment.

According to experts of the European Venture Association, the lack of entrepreneurial culture and the lack of entrepreneurial culture, as well as the imperfection of legislation and tax systems are a major obstacle to the development of venture businesses in Central and Eastern Europe. In addition, access to reliable financial and market information, and a shortage of qualified personnel in the field of innovative management poses a particular problem.

Nevertheless, there is every reason to assume that in the next 15-20 years, the business of the venture will grow at a high rate provided that a stable political environment exists in Central and Eastern Europe.

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