WEB OF SCIENTIST: INTERNATIONAL SCIENTIFIC RESEARCH JOURNAL
ISSN: 2776-0979 (Volume 2, Issue 12, Dec., 2021

INVESTMENT PROJECTS AT THE EXPENSE OF VENTURE CAPITAL PROPOSALS FOR THE APPLICATION OF WORLD BEST PRACTICES IN FINANCING

Muhammedova Zarina Murodovna
Samarkand Economy and Service Institute Teacher, PhD

Abstract
The article examines the world's best practices in financing investment projects with venture capital and develops recommendations for their application, as the country has not yet developed sufficient experience in financing venture business.

Keywords: investment projects, venture capital, venture business, innovative product, innovative development, financing, small business and entrepreneurship, world best practices.

Introduction

In order to increase revenues and maintain market share in enterprises operating in all sectors of the market economy, including tourism, they are constantly required to introduce innovative projects, technologies and products into their activities. Today, we are moving on the path of innovative development, aimed at radically renewing all spheres of society, increasing the competitiveness of our country. Therefore, the head of our state has set all the tasks related to the development of scientific research and innovation, the introduction of venture business in the country, providing the necessary financial resources for this, the full support of innovative ideas and their financing.

We need to keep in mind that creating an innovative product requires a high level of capital expenditure, and the end result has a high level of risk and uncertainty. In this regard, these enterprises are constantly in need of internal and external investment to implement innovative ideas. The most important component is the financial support factor at all stages of the implementation of investment projects related to the creation of innovative products. [1]

Our country has not yet developed sufficient experience in financing venture business, and for this, of course, it is expedient to study the experience of developed economies. In particular, the adoption of the Resolution of the President of the Republic of Uzbekistan No. PP-3698 of May 7, 2018 "On additional measures to improve the mechanisms for introducing innovations in industries and sectors of the economy" is one of the important steps in this direction. [2] This resolution identifies measures to

WEB OF SCIENTIST: INTERNATIONAL SCIENTIFIC RESEARCH JOURNAL
ISSN: 2776-0979 (Volume 2, Issue 12, Dec., 2021

radically improve the mechanisms of state regulation of innovation, to create conditions for more effective introduction of innovations in industries and sectors of the economy. At the same time, it is noted that a number of problems remain, which hinder the establishment of effective mechanisms for cooperation between research and industry, strengthening ties.

Presidential Decree No. PF-4947 of February 7, 2017 "On the Strategy for further development of the Republic of Uzbekistan" also reduces state participation in the regulation of socio-economic development of the country, decentralization and democratization of public administration, expansion of public-private partnership, , focusing on increasing the role of public organizations and local self-government bodies, and a number of tasks have been identified in this direction. [3] Venture capital financing is effective in achieving these goals and objectives, ie in financing the activities of small businesses and entrepreneurs in the field of innovation, as well as new ideas, developments and startups from the private and other non-governmental sectors.

Venture Innovative Financing, which is a novelty for the country's economy, is a high-risk investment in a new enterprise with innovative technology in order to market a new product or service and make a high profit. The investment will be made through a venture mechanism, and the financing of the investment will be covered by future sources of the project. [4]

If large enterprises have different financial resources to implement their research results or innovative ideas, small enterprises or newly established enterprises do not have sufficient income level to implement innovative ideas, do not have a positive credit history, do not have sufficient collateral assets, the only way to finance the innovative ideas of such enterprises is a venture financing mechanism.

Innovative projects and tourism enterprises in world practice the method of financing, which has its own characteristics and infrastructurea venture capital market has been created. It is venture capital that has developed in the process of financing innovative projects in countries, domestic when resources are limited and the use of other external resources. In the absence of opportunity, scientific innovations serve as a financial basis does. Venture innovation design attracts enough attention as a source of funding for an effective mechanism for bringing investment into a high-yield sector and introducing innovation. The development of innovative venture financing in different regions and countries will lead to an increase in the growth rate of these countries. Below we review the experiences of several countries whose economies are growing further through the introduction of innovative venture business.

The origins and first development of venture capital began in the United States in 1946, when it emerged from other countries 30 years ago and then spread to Europe. The U.S. is still the leading leader in the venture capital industry.

The main reason for the emergence of venture capital was the high level of investment and scientific potential in the United States after World War II. As a result of the war, many small innovative enterprises were formed, and in 1946 the American Fund for Research and Development (ARD) was one of the first to invest in these high-risk innovative enterprises directly with venture capital. reported. By the mid-1950s, venture capital had become a major source of funding for these small innovative enterprises.

The rapid growth of venture capital was observed in Silicon Valley, and in 1957, Wall Street raised $ 1.5 million to finance the Arthur Rock Kleiner Project, an investment bank employee, in particular the production of a new type of silicon transistor. U.S. dollars were raised and the innovative idea was funded and put into practice. Thus, Fairchild Semiconductors, the leader of all semiconductor companies in Silicon Valley, was founded, followed by Intel and Apple Computer. [5] By 1984, Arthur Rock's name had become synonymous with success, and he was considered the first person to use the term "venture capital." [6]

The current giants of the computer business DEC, Apple Computers, Compaq, Solectron, Brookstone, Sun Microsystems, Microsoft, Lotus, Intel, GenenTech, Sports Authority, Au Bon Pain, Federal Express have achieved their current position in many respects due to venture capital. Moreover, the rapid growth of new industries such as personal computers and biotechnology has been largely driven by venture investment.

In 1958, Congress responded to a 1957 study by the Federal Reserve that showed a lack of assets for new businesses, a private corporate small business investment company (SME) licensed by the Small Business Administration (SBA) to provide venture capital to new businesses. Investment Company, SBIC). The SBIC could use its private capital as an instrument of influence under the SBA guarantee. Thus, the additional funds available through the SBA guarantee exceeded the volume of private investment by 2-3 times.

In the 1970s, the U.S. made a number of changes related to venture capital. New laws were passed and changes were made to the tax system. The income tax has been reduced and the security of pension contributions has been ensured, as a result of which a portion of the pension fund's funds (5 per cent) has been diverted to venture capital. As a result of the increase in investment in the venture capital market at the expense of the pension fund, the number of projects increased, but later the increase in inexperienced investors resulted in significant losses in the venture capital market.

If before the enactment of the Pension Funding Act, the average rate of return on venture capital investments in the United States exceeded 50 percent (in 1980), then due to the activities of many inexperienced investors this figure fell to 0 percent (1984) and by 1990 this figure did not exceed 15 percent. [7] All this led to changes in investment policy and the transition of enterprises to a mixed financing system. Between 1994 and 1998, the initial capital was $ 1.8 billion. 138 new SBICs worth US $ 1 million were licensed. [8] The United States has become the most successful venture capital industry because of its strong entrepreneurial culture, which in many ways allows managers to take responsibility in companies by transferring a portion of their shares as private property.

Venture capital in Europe emerged in the late 1980s. European venture capital has not been considered an important resource in introducing innovations such as U.S. venture capital. The European venture business is focused on the development and real support of small and medium enterprises, especially in their expansion phase. The key stages in the infrastructure development of the European venture business have in many ways replicated the U.S. experience. In 1983, direct investment and the establishment of the European Venture Capital Association (EVCA) were the result of a joint initiative of representatives of the venture industry and the European Commission. The activities of the Association are aimed at creating favorable conditions for the development of venture business in Europe. The main strategic objectives of the Association are to attract institutional investors in venture financing, to protect the interests of its members in European structures and other participants in the venture industry, to develop mechanisms for venture capital outflows.

Asian venture investors are more inclined to invest in mature companies than their U.S. counterparts. In Japan, the largest sources of venture capital are concentrated: corporations (46%), banks (30%) and insurance companies (10%). Many Japanese venture funds are affiliates of large corporations.

In Taiwan, in the mid-1970s, the National Laboratory - Institute of Industrial Technology Research (ITRI) was established to draw the country’s attention to key technology markets. The Taiwanese government has allocated funds to managers for many young companies and hired them. In addition to the support of the Taiwanese government, the largest Taiwanese companies have provided initial funding for Taiwanese enterprises for many years.

The South Korean government has acknowledged the role of foreign venture capital in creating new high-tech companies. In line with this, the Korean government launched the first four firms with venture capital between 1974 and 1984 to try to

WEB OF SCIENTIST: INTERNATIONAL SCIENTIFIC RESEARCH JOURNAL
ISSN: 2776-0979 (Volume 2, Issue 12, Dec., 2021

commercialize advanced technologies with the help of state-funded research institutes.

At present, in order to determine the order of venture financing in the country, the Cabinet of Ministers adopted Resolution No. 414 of May 17, 2019. To date, two investment companies, Venture Capital Capital and Uzbek-Emirate Investment Company, have been established. The total cost of innovative projects is 113.42 billion soums. soums worth of investment projects. Of this, 77.0 bln. soums of domestic investments, 1.8 bln. Soums were invested in foreign direct investment and 34.62 billion soums in technical assistance. A significant part of these investments was directed to healthcare 42% (47.1 billion soums), education 30% (33.7 billion soums) and industry 26% (29.2 billion soums). [9]

In international practice, venture business has a high risk from the very beginning, and if the positive results are not achieved after the implementation of the final results of the investment process, it is possible to separate from the financed funds. Funding for research results in science is more appropriate for this type of business.

The Venture Fund is arguably the only investor willing to invest in new developments. The need for this type of loan is mainly for start-up entrepreneurs, scientists, researchers, engineers and inventors, who aim to independently implement unique, antique ideas and promising developments.

The outcome is uncertain, it is really difficult to get loans and borrowings from commercial banks for the project. In this case, venture business investors come to the entrepreneur as an assistant and sponsor. From an economic point of view, the main goal of investors is not to help the entrepreneur, but to get high profits. However, there are cases when the invention does not justify itself.

In this process, the insurance coverage of some or all of these projects is an important step in ensuring the protection of inventive scientists and entrepreneurs.

In conclusion, it should be noted that today the process of organizing venture innovative financing in the field of tourism in our country is almost not studied by our scientists, government officials and practitioners, and in practice remains the scientific and methodological basis.

References

1. Predposylki vnedreniya mekhanizma venchurnogo finansirovaniya v praktiku investitsionnogo obespecheniya predpriyatiy Uzbekistana.
2. Resolution of the President of the Republic of Uzbekistan dated May 7, 2018 No PP-3698 "On additional measures to improve the mechanisms for introducing innovations in industries and sectors of the economy."

ISSN: 2776-0979 (Volume 2, Issue 12, Dec., 2021

3. Decree of the President of the Republic of Uzbekistan No. PF-4947 of February 7, 2017 "On the action strategy for further development of the Republic of Uzbekistan."
4. Atamuradov Sh.A. Venture innovative design models in foreign countries. Scientific electronic journal "Economy and Innovative Technologies". № 2, March-April, 2019.
5. Silicon Valley is located in Massachusetts, United States. Famous for the rapid development of information technology and science and technology in this field, and in a short period of time has achieved great success (ed.)
6. Gulkin P. «Mejdunarodnyy opyt oformleniya venchurnoy deyatelnosti», v sb. «Venchurnoe investirovanie v Rossii.Yuridicheskie aspekty)», RAVI, 2001.
7. Shatin I.A. Evolution of the market of venture capital investment in developing economies (in the first CIS). Vestnik Chelyabinskogo gosudarstvennogo universiteta. 2010., 27 (208). Economics. Vyp. 29. S. 42–46.
8. Malkina M.Yu. Analysis of the features of the interaction of the state and business in the innovation process. Economic analysis: theory and practice. 2011., 14.
9. Report of the Ministry of Innovative Development on the work done in the first half of 2019.
10. Murodov Shavkatjon Farkhodovich. (2021). VENTURE INVESTMENT AND PROSPECTS FOR ITS APPLICATION IN THE DEVELOPMENT OF THE COUNTRY. Innovative Technologica: Methodical Research Journal, 2 (07), 49–52. https://doi.org/10.17605/OSF.IO/CKFXJ
11. WORLD EXPERIENCE AND PROBLEMS OF USING VENTURE CAPITAL IN UZBEKISTAN. MSh FarkhodovichMM Mukhamadievich, MZ Murodovna... - ResearchJet Journal of Analysis and Inventions, 2021. https://doi.org/10.17605/OSF.IO/GZTQ5.