

ANALYSIS OF THE POSSIBILITY OF VENTURE, INNOVATION AND OTHER TYPES OF INVESTMENT IN SCIENTIFIC RESEARCH AND DEVELOPMENT

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Abstract. *The article analyzes the possibility of venture, innovative and other types of investment in scientific research and development, taking into account the risks and long period of return, and offers recommendations for their improvement*

Keywords: *investment, venture capital, finance, portfolio investment, equity capital, GDP, FDI.*

INTRODUCTION

In every country, financing plays a critical role in achieving national development results. In 2021, the UNDP organization made the “Assessment of Development Financing for the Republic of Uzbekistan” (ADF). Development finance analyzed within the DFA can be grouped into four categories:

1. Internal public - government resources that are financed from internal sources.
2. Domestic private - private sector resources that are financed from domestic sources.
3. International public - resources that are financed from international sources.
4. International private - private sector resources that are financed from international sources, for example, FDI, portfolio investment, equity and others.

MATERIALS AND METHODS

In 2018, total development finance flows in Uzbekistan amounted to US\$37.4 billion, accounting for 74% of GDP. Government revenues in Uzbekistan are the largest source of development financing. In 2018 they amounted to 27.8% of GDP compared to 2013.

In 2023, according to the macroeconomic development scenario provided by the Central Bank of the Republic of Uzbekistan, it is planned to stimulate domestic and external private investment; ensuring the growth of household incomes of at least 5-6% in real terms, the annual growth of private and foreign direct investment by 15-20%. According to the IMF and World Bank forecast for global economic growth, economic growth in Uzbekistan in 2021 is 7.4%; 2022 - 5.2%; 2023 -4.7%; 2024 -4.9%. . This income of the state may well be distributed to achieve economic development, and the flow of private financing may only be indirectly influenced. But at the same time, the contribution of state-owned enterprises (SOEs) amounts to about 40% of Uzbekistan’s GDP. A significant increase in public investment requires the mobilization of both additional government and other revenues and improved spending efficiency.

In the conditions of innovative development in knowledge-intensive areas of the economy, in addition to these sources of financing, it is necessary to look for new opportunities for investment and new horizons for their investment.

The problem of investment is the main problem in the development of the economy of independent Uzbekistan, since the implementation of strategic tasks related to the future depends

on its solution. Accelerating the economic growth of Uzbekistan is impossible without large investments in both the production and non-production spheres.

Currently, there is a deep contradiction between the current consumption of the population and investments, especially industrial ones. It is known that for a given level of national income, the greater the consumption, the less investment. The volume of investment depends, firstly, on the dynamics of national income, and secondly, on its distribution (Table 1.).

Table 1

Dynamics of national income and its components

№	Indicators	2018 year	2019 year	2020 year	2021 year	2022 year
1	GDP (billion soums)	426 641	532 713	605 515	738 425	888 342
2	Savings fund	105 113	129 482	151 165	174 454	188 845
3	Consumption fund	321 528	403 230	454 350	563971	699 497

As can be seen from the table, the volume of the consumption fund is much greater than the accumulation fund, which confirms the above.

Intensifying innovation is impossible without creating effective investment mechanisms; in this regard, venture financing deserves attention.

As defined by the European Association of Venture Capital, venture capital is equity capital provided by professional firms that invest in and manage private enterprises that demonstrate significant growth potential.

Venture capital is funds invested by an investor in a high-risk innovative project aimed at high-tech entrepreneurial projects - startups and high-tech startup projects. Venture capital plays an important role in the innovative development of the economy.

It allows you to commercialize advanced ideas, technologies and developments, create new companies and jobs, and support existing organizations. In contrast, venture business is investing in innovative projects in the early stages of company development with the subsequent exchange of investor finances for a share in the business.

In recent years, venture investment has been developing in Uzbekistan.

In economics, the venture created is divided into internal and external. Internal is an organizationally separate division of the enterprise. Funding comes from corporate venture funds or trust funds, and the venture team develops and tests new ideas.

An external venture is a legally independent enterprise implementing an innovative project in the field of creating high technologies and developing high-tech products. The capital of such an enterprise is formed from various sources of funds:

- contributions from the developers of the innovative project in the form of intellectual property rights;

- cash, attracted capital from private investors or various venture funds.

(Fig. 1.).

The fund will finance venture projects of legal entities and individuals, including partnerships with foreign entities.

At this time, there is a slow development of the venture market; the development of venture business is hampered by various factors (Table 2).

In the republic, scientific developments have high innovative potential, but there is a lack of experience in commercializing technologies in market conditions (Table 3).

It can be seen that to ensure sustainable development of the economy of Uzbekistan, it is necessary to develop a set of measures to support innovative R&D projects using venture investments, which stimulates the process of increasing use of advanced knowledge. To strengthen the country's innovative potential, in our opinion, there must be a special mechanism for the development of innovative and venture business.

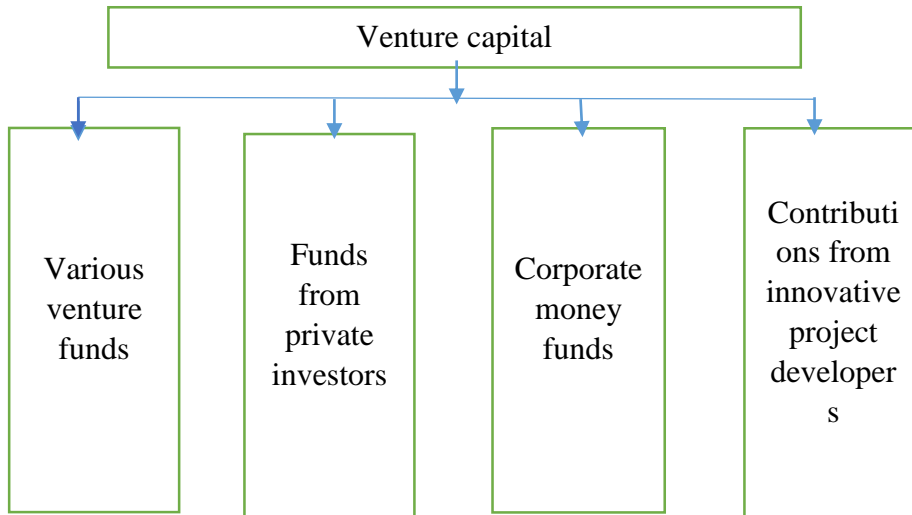


Fig. 1. Sources of created venture capital

Table 2.

Factors hindering the development of venture business

№	Limiting factors
1	Lack of capital at the initial stage of company development.
2	Low activity of business angels and strong corporations as consumers of innovation.
3	Low level of investment culture and experience of entrepreneurs.
4	Lack of professional management personnel in venture funds.

To bring the results of developments to the market, it is necessary to organize cooperation between developers and researchers with entrepreneurs and investors. The mechanism in the NPS, developed by us, also covers methods of investing in research and development.

RESULTS

In accordance with Presidential Decree No. UP-5583 dated November 24, 2018 “On additional measures to improve financing mechanisms for projects in the field of entrepreneurship and innovation,” the National Venture Fund “UzVC” was organized to create an infrastructure to support innovative ideas and startup ecosystems.

The first private venture fund opened in 2021. The investment company SEMURG VC, combining a venture fund and a venture builder, has entered the venture investment market of Uzbekistan. Created venture funds that co-finance high-tech entrepreneurial projects - startups and high-tech startup projects co-financed from venture funds should be exempt from paying all types of taxes and mandatory payments for several years, with the exception of a single social payment. The fund is engaged in the creation and scaling of technology startups in Uzbekistan. This includes projects in the field of financial technology. To improve the current domestic practice of implementing scientific and technical progress achievements to stimulate the further development

of venture entrepreneurship in our country, in our opinion, it is necessary to clarify and supplement the list of top priorities of domestic scientific and technical policy.

It is necessary to note the development of “innovation legislation in the Republic of Uzbekistan.” Elements of innovation infrastructure have been created in the republic. The venture fund UzVC - Sputnik, created in Uzbekistan, finances promising innovative projects, while allocating only 30% of financing; the rest of the funds must be found by companies themselves. Priority is given to the most prepared projects that are more applied and closer to the market. Typically, these funds finance before the company reaches a certain level of its development. An important area of its activity is to organize annual venture fairs, where companies can present their businesses to potential investors, and the innovative potential of the Republic of Uzbekistan is demonstrated.

In this regard, Russia's practice is instructive. In Russia, new organizational and legal simplified forms have been formed. Investors unite to jointly invest in companies without forming a legal entity, are required to make contributions, both monetary and property, and have the right to receive profits from participation in the partnership. It can replace mutual funds. This organizational form is more understandable to foreign investors.

In our opinion, in order to strengthen the innovative potential of our country, a special environment must be created for the development of innovative and venture business. If innovation is profitable in the form of new technologies, types of products and services, it is necessary to improve the existing institutional environment and development institutions for its implementation. In such conditions, venture investments in high-tech projects will become the locomotives of a new innovative development model.

CONCLUSION

An analysis of the distribution of budget funds shows that, superficially, there is a decrease in the share of the budget in financing capital investments, however, firstly, this is not at all evidence of a reduction in funding, it's just that the processes of distribution relations have changed, and a significant part of it has gone beyond the state budget. Within the national economy, financing takes place, but through other channels. In general, the share of the state budget in financing is decreasing and this is a natural process - the result of perestroika reforms. Secondly, the imbalance of material and financial resources at the enterprise level led to the fact that enterprises were unable to fully use their own sources for capital investment, i.e. the development of own funds to finance capital investments was not always fully used. In connection with this, the budget withdraws part of the depreciation deductions from the budget. Thirdly, the method of long-term lending for capital investments, which in recent years has been narrowed by objective and subjective factors, has completely exhausted itself in the context of the transition to a market economy. The fact is that the inflationary processes occurring in the economy forced banks to issue only short-term loans.

Currently, the following new sources are being drawn into the funding orbit:

- financing capital investments as funds from foreign investors;
- funds from denationalization and privatization of state property;
- funds from the sale of securities;
- corporatization is the cheapest source of financing;
- funds from investment funds and other extra-budgetary funds;
- funds from various groups of investors.

The degree of involvement of these sources in investment is determined by the level of development of market relations in the economy.

In conclusion, we can suggest that when analyzing the scope of capital investments, it is necessary to highlight and differentiate their development through the following channels:

- state centralized capital investments;
- capital investments of state-owned enterprises;
- capital investments of legal entities;
- capital investments of individuals;
- capital investments of non-residents of the Republic of Uzbekistan.

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